

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 24, 2019

Contact: Marlys Gaston
515/281-5834

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

The County had local tax revenue of \$24,324,964 for the year ended June 30, 2018, which included \$1,619,337 in tax credits from the state. The County forwarded \$19,370,750 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,954,214 of the local tax revenue to finance County operations, a 2.5% increase over the prior year. Other revenues included charges for service of \$1,816,478, operating grants, contributions and restricted interest of \$4,180,088, capital grants, contributions and restricted interest of \$1,621,605, tax increment financing of \$432,759, local option sales tax of \$515,094, unrestricted investment earnings of \$110,550, gain on disposition of capital assets of \$95,388 and other general revenues of \$206,790.

Expenses for County operations for the year ended June 30, 2018 totaled \$13,194,960, a 4.9% increase over the prior year. Expenses included \$6,283,608 for roads and transportation, \$1,831,570 for public safety and legal services and \$1,481,558 for county environment and education.

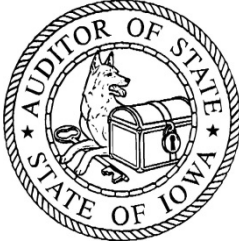
A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2018

Guthrie County



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

Rob Sand
Auditor of State

June 11, 2019

Officials of Guthrie County
Guthrie Center, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Guthrie County, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Guthrie County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

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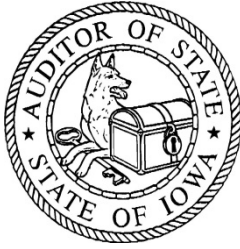
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Guthrie County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clifford Carney	Board of Supervisors	Jan 2019
Everett Grasty	Board of Supervisors	Jan 2019
Tom Rutledge	Board of Supervisors	Jan 2019
Mike Dickson	Board of Supervisors	Jan 2021
Jack Lloyd	Board of Supervisors	Jan 2021
Marci McClellan	County Auditor	Jan 2021
Marci Schreck	County Treasurer	Jan 2019
Tristen Richard	County Recorder	Jan 2019
Marty Arganbright	County Sheriff	Jan 2021
Mary Benton	County Attorney	Jan 2019
Nikki Carrick	County Assessor	Jan 2022

Guthrie County



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Independent Auditor's Report

To the Officials of Guthrie County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie County as of June 30, 2018, 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.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, Guthrie County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

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

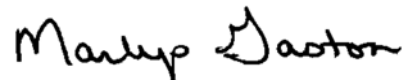
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guthrie County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the three years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 11, 2019 on our consideration of Guthrie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Guthrie County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 11, 2019

Guthrie County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guthrie County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$80,051 to retroactively report the decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities increased 8.4%, or approximately \$1,081,000, from fiscal year 2017 to fiscal year 2018. Property tax increased approximately \$126,000 and capital grants, contributions and restricted interest increased approximately \$845,000.
- Program expenses of the County's governmental activities increased 4.9%, or approximately \$612,000 from fiscal year 2017 to fiscal year 2018. Roads and transportation expenses increased approximately \$328,000, county environment and education expenses increased approximately \$168,000 and administration expenses increased approximately \$136,000.
- The County's net position at June 30, 2018 increased 2.8%, or approximately \$738,000, over the restated June 30, 2017 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

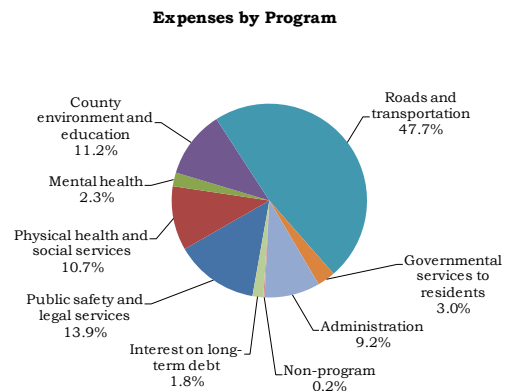
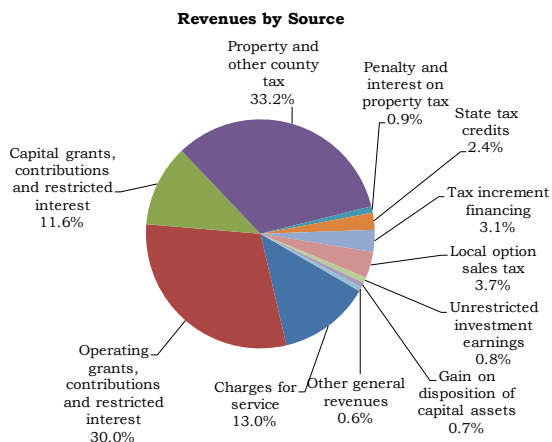
As noted earlier, net position may serve over time as a useful indicator of financial position. Prior to restatement, Guthrie County’s net position increased from approximately \$26 million at the end of fiscal year 2017 to approximately \$26.8 million at the end of fiscal year 2018. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 17,726	18,635
Capital assets	29,002	27,373
Total assets	46,728	46,008
Deferred outflows of resources	1,223	1,002
Long-term debt	15,052	15,216
Other liabilities	309	434
Total liabilities	15,361	15,650
Deferred inflows of resources	5,775	5,363
Net position:		
Net investment in capital assets	21,918	20,331
Restricted	5,606	6,270
Unrestricted	(709)	(604)
Total net position	\$ 26,815	25,997

Prior to restatement, net position of Guthrie County’s governmental activities increased 2.8% (approximately \$26 million compared from approximately \$26.8 million). The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from a deficit of approximately \$604,000 at June 30, 2017 to a deficit of approximately \$709,000 at the end of this year, a decrease of 17.4%. The decrease is primarily due to an increase in the net pension liability.

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

	Year ended June 30,	
	2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 1,816	1,865
Operating grants, contributions and restricted interest	4,180	4,272
Capital grants, contributions and restricted interest	1,622	777
General revenues:		
Property and other county tax	4,625	4,499
Tax increment financing	433	287
Penalty and interest on property tax	127	53
State tax credits	329	333
Local option sales tax	515	531
Unrestricted investment earnings	111	81
Gain on disposition of capital assets	95	-
Other general revenues	80	154
Total revenues	13,933	12,852
Program expenses:		
Public safety and legal services	1,832	1,732
Physical health and social services	1,414	1,551
Mental health	307	335
County environment and education	1,481	1,313
Roads and transportation	6,284	5,956
Governmental services to residents	396	379
Administration	1,220	1,084
Non-program	21	9
Interest on long-term debt	240	224
Total expenses	13,195	12,583
Change in net position	738	269
Net position beginning of year, as restated	26,077	25,728
Net position end of year	\$ 26,815	25,997



Property tax rates remained steady for fiscal year 2018. Countywide taxable valuations in Guthrie County have increased as follows: from \$668,854,582 in fiscal year 2016 to \$682,629,609 in fiscal year 2017 and \$707,780,436 in fiscal year 2018. Based on increases in the total assessed valuations and a decrease in property tax rates, property tax revenue is budgeted to increase approximately \$8,865 next year.

The cost of all governmental activities this year was approximately \$13.195 million compared to approximately \$12.583 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$5,577,000 because some of the cost was paid by those directly benefited from the programs (approximately \$1,816,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,802,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2018 from approximately \$6,914,000 to approximately \$7,618,000, primarily due to the increase of receipts related to reimbursements for bridge replacement project expenses and reimbursements for project expenses related to federally declared disasters.

INDIVIDUAL MAJOR FUND ANALYSIS

As Guthrie County completed the year, its governmental funds reported a combined fund balance of approximately \$11.6 million, a decrease of approximately \$736,000 from last year's total of approximately \$12.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased less than one percent, or approximately \$45,000, compared to the prior year, primarily due to increased property tax revenues. Expenditures increased 3.5%, or approximately \$177,000, compared to the prior year, primarily due to increases in public safety and legal services expenses of approximately \$56,000 and administration expenses of approximately \$130,000. The ending fund balance decreased approximately \$264,000 from the prior year to approximately \$2,467,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. Special Revenue, Mental Health Fund revenues decreased 3.1%, or approximately \$6,700. Expenditures decreased 8.2%, or approximately \$28,000, from the prior year. The Mental Health Fund balance at year end decreased approximately \$99,000 from the prior year to approximately \$596,000.
- Special Revenue, Rural Services Fund revenues increased 3.6%, or approximately \$87,000. Expenditures increased 9.3%, or approximately \$80,000, when compared to the prior year. The Rural Services Fund ending fund balance decreased approximately \$139,000 from the prior year to approximately \$437,000.
- Special Revenue, Secondary Roads Fund revenues increased 16.9%, or approximately \$716,000, compared to the prior year, due primarily to reimbursements for bridge replacement projects. Expenditures increased 13.4%, or approximately \$748,000, over the prior year, due primarily to an increase in roadway construction and bridge projects. The Secondary Roads Fund ending balance increased approximately \$365,000, or 11%.
- Debt Service Fund revenues and expenditures remained consistent when compared to the prior year. The \$1,405,100 Debt Service Fund balance at the end of the year is restricted to pay the E-911 and sewer improvement general obligation bonds.

- During the year ended June 30, 2016, the County issued \$12,000,000, subsequently reduced to \$10,000,000, of urban renewal tax increment revenue bonds to help finance the construction, reconstruction and improvement of county roads, bridges and culverts within the urban renewal district. Proceeds of \$7,576,155 have been received and credited to the Capital Projects Fund and a receivable is recorded for \$2,423,845 of bonds issued for which the proceeds have not yet been received. Expenditures totaled \$471,546 in fiscal year 2018 and the fund balance of \$2,438,624 is restricted for capital projects. The fund balance is large because the related debt is not recorded as a fund liability under the modified accrual basis of accounting.

BUDGETARY HIGHLIGHTS

Over the course of the year, Guthrie County amended its budget two times. The amendments were made in November 2017 and May 2018 and resulted in increased budgeted disbursements of \$1,256,935, primarily for increases in roads and transportation expenses, debt service expenses and capital projects expenses.

The County's receipts were \$69,400 less than budgeted. The most significant variance resulted from the County receiving less in intergovernmental receipts than anticipated.

Total disbursements were \$3,676,084 less than the amended budget. For the capital projects function, actual disbursements were \$2,395,363 less than budgeted. Actual disbursements for roads and transportation, physical health and social services and administration were \$683,394, \$209,533 and \$124,021, respectively, less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Guthrie County had approximately \$29 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,629,000, or 5.9%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2018	2017
Land	\$ 1,400	1,379
Works of art	128	128
Construction in progress	400	1,462
Buildings and improvements	1,901	1,863
Equipment and vehicles	4,554	4,132
Infrastructure	20,619	18,409
Total	\$ 29,002	27,373

The County had depreciation expense of \$1,888,798 in fiscal year 2018 and total accumulated depreciation of \$12,629,683 at June 30, 2018. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2018, Guthrie County had \$10,928,000 of long-term debt outstanding, compared to \$11,312,000 at June 30, 2017.

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

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Guthrie County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$75 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Guthrie County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.5% versus 3.4% a year ago. This compares with the State's unemployment rate of 2.8% and the national rate of 4.0%.

The total taxable valuation for fiscal year 2019 increased 6.5%, or \$46,091,740. The fiscal year 2019 total countywide and total rural services levy rates decreased \$0.1461 per \$1,000 of taxable valuation from fiscal year 2018. The decrease is attributable to a levy rate decrease for county mental health disability services of \$0.1461 per \$1,000 of taxable valuation.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Guthrie County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Guthrie County Auditor's Office, 200 North 5th Street, Guthrie Center, Iowa 50115.

Guthrie County

Basic Financial Statements

Guthrie County
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 6,287,386
Held by component units	371,687
Receivables:	
Property tax:	
Delinquent	16,102
Succeeding year	5,632,000
Interest and penalty on property tax	84,738
Accounts	11,068
Loans	3,828,845
Accrued interest	28,092
Due from other governments	657,570
Inventories	719,304
Prepaid insurance	89,012
Capital assets, net of accumulated depreciation	29,002,494
Total assets	46,728,298
Deferred Outflows of Resources	
Pension related deferred outflows	1,223,019
Liabilities	
Accounts payable	247,830
Accrued interest payable	3,237
Due to other governments	57,921
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	110,000
Estimated liability for landfill closure and postclosure care	13,510
Compensated absences	279,352
Portion due or payable after one year:	
General obligation bonds	10,818,000
Estimated liability for landfill closure and postclosure care	175,630
Compensated absences	35,141
Net pension liability	3,334,318
Total OPEB liability	286,534
Total liabilities	15,361,473
Deferred Inflows of Resources	
Unavailable property tax revenue	5,632,000
Pension related deferred inflows	97,841
OPEB related deferred inflows	44,716
Total deferred inflows of resources	5,774,557
Net Position	
Net investment in capital assets	21,918,118
Restricted for:	
Supplemental levy purposes	604,191
Mental health purposes	595,976
Rural services purposes	238,260
Secondary roads purposes	3,541,243
Conservation purposes	526,160
Other purposes	100,406
Unrestricted	(709,067)
Total net position	\$ 26,815,287

See notes to financial statements.

Guthrie County

Statement of Activities

Year ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,831,570	312,367	3,060	-	(1,516,143)
Physical health and social services	1,413,603	503,077	347,965	-	(562,561)
Mental health	307,303	-	916	-	(306,387)
County environment and education	1,481,558	618,824	10,777	-	(851,957)
Roads and transportation	6,283,608	106,395	3,817,370	1,621,605	(738,238)
Governmental services to residents	396,000	263,057	-	-	(132,943)
Administration	1,220,409	12,758	-	-	(1,207,651)
Non-program	20,998	-	-	-	(20,998)
Interest on long-term debt	239,911	-	-	-	(239,911)
Total	\$ 13,194,960	1,816,478	4,180,088	1,621,605	(5,576,789)
General Revenues:					
Property and other county tax levied for general purposes					4,624,839
Tax increment financing					432,759
Penalty and interest on property tax					127,049
State tax credits					329,375
Local option sales tax					515,094
Unrestricted investment earnings					110,550
Gain on disposition of capital assets					95,388
Rent					41,661
Miscellaneous					38,080
Total general revenues					6,314,795
Change in net position					738,006
Net position beginning of year, as restated					26,077,281
Net position end of year					\$ 26,815,287

See notes to financial statements.

Guthrie County
Balance Sheet
Governmental Funds

June 30, 2018

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 2,342,304	596,010	433,110
Held by component units	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	3,363,000	106,000	1,530,000
Interest and penalty on property tax	84,738	-	-
Accounts	6,364	-	3,738
Loans	-	-	-
Accrued interest	28,092	-	-
Due from other governments	128,427	-	46,393
Inventories	-	-	-
Prepaid insurance	59,317	-	2,109
Total assets	\$ 6,012,242	702,010	2,015,350
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 60,485	34	27,824
Due to other governments	37,086	-	20,637
Total liabilities	97,571	34	48,461
Deferred inflows of resources:			
Unavailable resources:			
Succeeding year property tax	3,363,000	106,000	1,530,000
Other	84,738	-	-
Total deferred inflows of resources	3,447,738	106,000	1,530,000
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	59,317	-	2,109
Restricted for:			
Supplemental levy purposes	630,055	-	-
Mental health purposes	-	595,976	-
Rural services purposes	-	-	424,780
Secondary roads purposes	-	-	-
Drainage warrants	-	-	-
Conservation purposes	8,928	-	-
Capital projects	-	-	-
Debt service	-	-	-
Transfer station closure/postclosure care	-	-	10,000
Other purposes	59,843	-	-
Unassigned	1,708,790	-	-
Total fund balances	2,466,933	595,976	436,889
Total liabilities, deferred inflows of resources and fund balances	\$ 6,012,242	702,010	2,015,350

See notes to financial statements.

<u>Revenue</u>				
<u>Secondary Roads</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
2,608,686	100	14,779	169,839	6,164,828
-	-	-	371,687	371,687
-	-	-	16,102	16,102
-	-	-	633,000	5,632,000
-	-	-	-	84,738
628	-	-	338	11,068
-	1,405,000	2,423,845	-	3,828,845
-	-	-	-	28,092
482,750	-	-	-	657,570
719,304	-	-	-	719,304
27,586	-	-	-	89,012
<u>3,838,954</u>	<u>1,405,100</u>	<u>2,438,624</u>	<u>1,190,966</u>	<u>17,603,246</u>
159,316	-	-	171	247,830
198	-	-	-	57,921
<u>159,514</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>305,751</u>
-	-	-	633,000	5,632,000
-	-	-	16,102	100,840
-	-	-	649,102	5,732,840
719,304	-	-	-	719,304
27,586	-	-	-	89,012
-	-	-	-	630,055
-	-	-	-	595,976
-	-	-	-	424,780
2,932,550	-	-	-	2,932,550
-	-	-	11,000	11,000
-	-	-	517,232	526,160
-	-	2,438,624	-	2,438,624
-	1,405,100	-	-	1,405,100
-	-	-	-	10,000
-	-	-	13,461	73,304
-	-	-	-	1,708,790
<u>3,679,440</u>	<u>1,405,100</u>	<u>2,438,624</u>	<u>541,693</u>	<u>11,564,655</u>
<u>3,838,954</u>	<u>1,405,100</u>	<u>2,438,624</u>	<u>1,190,966</u>	<u>17,603,246</u>

Guthrie County

Guthrie County

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

June 30, 2018

Total governmental fund balances (page 21) \$ 11,564,655

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$41,632,177 and the accumulated depreciation is \$12,629,683. 29,002,494

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. 100,840

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance and prescription benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 122,558

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

Deferred outflows of resources	\$ 1,223,019	
Deferred inflows of resources	<u>(142,557)</u>	1,080,462

Long-term liabilities, including bonds payable, the estimated liability for landfill closure and postclosure care, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (15,055,722)

Net position of governmental activities (page 18) \$ 26,815,287

See notes to financial statements.

Guthrie County

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

Year ended June 30, 2018

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,032,143	193,884	1,397,845
Tax increment financing	-	-	-
Local option sales tax	-	-	515,094
Interest and penalty on property tax	50,140	-	-
Intergovernmental	1,106,144	14,274	68,808
Licenses and permits	43,198	-	-
Charges for service	568,398	-	100,583
Use of money and property	108,803	-	-
Miscellaneous	19,134	-	439,817
Total revenues	4,927,960	208,158	2,522,147
Expenditures:			
Operating:			
Public safety and legal services	1,766,471	-	-
Physical health and social services	1,395,954	-	-
Mental health	-	307,303	-
County environment and education	512,726	-	913,870
Roads and transportation	-	-	20,000
Governmental services to residents	392,113	-	-
Administration	1,125,393	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	5,192,657	307,303	933,870
Excess (deficiency) of revenues over (under) expenditures	(264,697)	(99,145)	1,588,277
Other financing sources (uses):			
Sale of capital assets	925	-	22,029
Transfers in	-	-	-
Transfers out	-	-	(1,749,361)
Total other financing sources (uses)	925	-	(1,727,332)
Change in fund balances	(263,772)	(99,145)	(139,055)
Fund balances beginning of year	2,730,705	695,121	575,944
Fund balances end of year	\$ 2,466,933	595,976	436,889

See notes to financial statements.

Revenue				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
-	-	-	-	4,623,872
-	-	-	432,759	432,759
-	-	-	-	515,094
-	-	-	-	50,140
4,836,218	-	-	49,895	6,075,339
5,645	-	-	-	48,843
-	-	-	3,421	672,402
1,536	-	46	2,245	112,630
99,214	41,553	-	36,336	636,054
4,942,613	41,553	46	524,656	13,167,133
-	-	-	171	1,766,642
-	-	-	-	1,395,954
-	-	-	-	307,303
-	-	-	66,348	1,492,944
5,432,035	-	-	-	5,452,035
-	-	-	-	392,113
66,435	-	-	-	1,191,828
-	146,553	-	477,492	624,045
828,345	-	471,546	3,668	1,303,559
6,326,815	146,553	471,546	547,679	13,926,423
(1,384,202)	(105,000)	(471,500)	(23,023)	(759,290)
-	-	-	-	22,954
1,749,361	-	-	-	1,749,361
-	-	-	-	(1,749,361)
1,749,361	-	-	-	22,954
365,159	(105,000)	(471,500)	(23,023)	(736,336)
3,314,281	1,510,100	2,910,124	564,716	12,300,991
3,679,440	1,405,100	2,438,624	541,693	11,564,655

Guthrie County

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

Year ended June 30, 2018

Change in fund balances - Total governmental funds (page 25) \$ (736,336)

**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	\$ 2,393,734	
Capital assets contributed by the Iowa Department of Transportation	1,089,709	
Depreciation expense	<u>(1,888,798)</u>	1,594,645

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. 35,198

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	967	
Other	<u>(410,043)</u>	(409,076)

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. 384,000

The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 401,216

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	(10,508)	
Estimated liability for landfill closure and postclosure care	10,510	
OPEB expense	(10,301)	
Pension expense	(536,038)	
Interest on long-term debt	<u>134</u>	(546,203)

The Internal Service Fund is used by management to pay the costs of the remaining partial self-funded health insurance claims incurred under the insurance plan which has been discontinued. The change in net position of the Internal Service Fund is reported with governmental activities. 14,562

Change in net position of governmental activities (page 19) \$ 738,006

See notes to financial statements.

Guthrie County
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 122,558
Liabilities	
None	<u>-</u>
Net Position	
Unrestricted	<u>\$ 122,558</u>

See notes to financial statements.

Guthrie County

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

Year ended June 30, 2018

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Miscellaneous reimbursements	\$ 26,984
Operating expenses:	
Administrative fees	<u>12,486</u>
Operating income	14,498
Non-operating revenues:	
Interest income	<u>64</u>
Net income	14,562
Net position beginning of year	<u>107,996</u>
Net position end of year	<u>\$ 122,558</u>

See notes to financial statements.

Guthrie County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2018

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received for miscellaneous reimbursements	\$ 26,984
Cash paid to suppliers for services	<u>(12,486)</u>
Net cash provided by operating activities	14,498
Cash flows from investing activities:	
Interest on investments	<u>64</u>
Net increase in cash and cash equivalents	14,562
Cash and cash equivalents beginning of year	<u>107,996</u>
Cash and cash equivalents end of year	<u>\$ 122,558</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income and net cash provided by operating activities	<u>\$ 14,498</u>

See notes to financial statements.

Guthrie County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,336,303
Other County officials	34,863
Receivables:	
Property tax:	
Delinquent	15,837
Succeeding year	19,076,000
Accounts	338
Special assessments	173,770
Prepaid insurance	<u>3,472</u>
Total assets	<u>20,640,583</u>

Liabilities

Accounts payable	28,874
Due to other governments	20,489,145
Trusts payable	119,868
Compensated absences	<u>2,696</u>
Total liabilities	<u>20,640,583</u>

Net Position \$ -

See notes to financial statements.

Guthrie County

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Guthrie County Assessor's Conference Board, Guthrie County Emergency Management Commission and South Central Iowa Regional 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

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

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Improvements other than buildings	20 - 50
Infrastructure	30 - 65
Intangibles	2 - 15
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

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

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

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

the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

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, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted fund balances.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated both prior to the budget amendments and at year end.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2018 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, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 1,749,361</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, 2018 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,378,883	20,970	-	1,399,853
Works of art	127,765	-	-	127,765
Construction in progress	1,462,388	2,244,399	(3,306,812)	399,975
Total capital assets not being depreciated	<u>2,969,036</u>	<u>2,265,369</u>	<u>(3,306,812)</u>	<u>1,927,593</u>
Capital assets being depreciated:				
Buildings	1,965,255	145,986	(20,632)	2,090,609
Improvements other than buildings	1,432,898	-	-	1,432,898
Equipment and vehicles	9,712,398	1,201,958	(765,116)	10,149,240
Infrastructure, road network	22,745,995	3,285,842	-	26,031,837
Total capital assets being depreciated	<u>35,856,546</u>	<u>4,633,786</u>	<u>(785,748)</u>	<u>39,704,584</u>
Less accumulated depreciation for:				
Buildings	1,152,570	55,381	(14,030)	1,193,921
Improvements other than buildings	382,989	45,293	-	428,282
Equipment and vehicles	5,580,123	712,644	(698,016)	5,594,751
Infrastructure, road network	4,337,249	1,075,480	-	5,412,729
Total accumulated depreciation	<u>11,452,931</u>	<u>1,888,798</u>	<u>(712,046)</u>	<u>12,629,683</u>
Total capital assets being depreciated, net	<u>24,403,615</u>	<u>2,744,988</u>	<u>(73,702)</u>	<u>27,074,901</u>
Governmental activities capital assets, net	<u>\$ 27,372,651</u>	<u>5,010,357</u>	<u>(3,380,514)</u>	<u>29,002,494</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 112,002
Physical health and social services	34,438
County environment and education	103,252
Roads and transportation	1,600,065
Administration	<u>39,041</u>
Total depreciation expense - governmental activities	<u>\$ 1,888,798</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2018 is as follows:

Fund	Description	Amount
General	Services	\$ 37,086
Special Revenue:		
Rural Services	Services	20,637
Secondary Roads	Services	198
		<u>20,835</u>
Total for governmental funds		<u>\$ 57,921</u>
Agency:		
County Assessor	Collections	\$ 989,139
Schools		10,355,493
Community Colleges		564,129
Corporations		3,123,434
Townships		2,672,611
Auto License and Use Tax		362,712
County Hospital		1,829,752
All other		591,875
Total for agency funds		<u>\$ 20,489,145</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	General Obligation 911 Bonds	General Obligation Sewer Improvement Bonds	General Obligation Urban Renewal Bonds	Estimated Liability for Landfill Closure and Postclosure Care	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 840,000	670,000	9,802,000	199,650	303,985	2,999,225	320,949	15,135,809
Increases	-	-	-	-	255,988	335,093	-	591,081
Decreases	75,000	30,000	279,000	10,510	245,480	-	34,415	674,405
Balance end of year	<u>\$ 765,000</u>	<u>640,000</u>	<u>9,523,000</u>	<u>189,140</u>	<u>314,493</u>	<u>3,334,318</u>	<u>286,534</u>	<u>15,052,485</u>
Due within one year	<u>\$ 80,000</u>	<u>30,000</u>	<u>-</u>	<u>13,510</u>	<u>279,352</u>	<u>-</u>	<u>-</u>	<u>402,862</u>

General Obligation E-911 Bonds

In February 2012, the County issued general obligation E-911 bonds on behalf of the South Central Iowa Regional E-911 Service Board for acquisition of equipment. Details of the County's June 30, 2018 general obligation E-911 bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	1.80%	\$ 80,000	18,408	98,408
2020	1.80	80,000	16,968	96,968
2021	2.15	80,000	15,527	95,527
2022	2.15	80,000	13,807	93,807
2023	2.50	85,000	12,087	97,087
2024-2027	2.50-2.85	360,000	25,780	385,780
Total		\$ 765,000	102,577	867,577

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

General Obligation Sewer Improvement Bonds

In June 2015, the County issued general obligation sewer improvement bonds on behalf of the Diamondhead Sanitary District for constructing a lift station at Diamondhead Lake. Details of the County's June 30, 2018 general obligation sewer improvement bond indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	1.75%	\$ 30,000	20,433	50,433
2020	1.75	30,000	19,908	49,908
2021	2.55	30,000	19,383	49,383
2022	2.55	30,000	18,617	48,617
2023	2.55	35,000	17,853	52,853
2024-2028	2.55-3.25	180,000	75,140	255,140
2029-2033	3.25-4.00	210,000	43,900	253,900
2034-2035	4.00	95,000	5,800	100,800
Total		\$ 640,000	221,034	861,034

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

General Obligation Urban Renewal Bonds

On June 1, 2016 the County issued \$10,000,000 of general obligation urban renewal bonds with an interest rate of 2.73% per annum. The bonds were issued for the purpose of refunding the 2014 urban renewal tax increment (TIF) revenue bonds. The County will continue to draw funds from the Guthrie County State Bank upon request to reimburse the County for costs as they are incurred. A final repayment schedule will not be adopted until the County has drawn the lesser of total project costs or the authorized amount of the bonds. As of June 30, 2018, \$7,576,155 has been drawn by the County. The closing date on the bonds was prior to June 30, 2018 and a receivable of \$2,423,845 is reported as of the closing date as prescribed by U.S. generally accepted accounting principles. This amount is included in the Statement of Net Position as loan receivable.

For the current year, principal and interest paid and total TIF revenues were \$477,492 and \$432,759, respectively.

(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 PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.38% of covered payroll, for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 totaled \$401,216.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of \$3,334,319 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the County's proportion was 0.050055%, which was an increase of 0.001540% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$536,038. At June 30, 2018, 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	\$ 42,268	44,114
Changes of assumptions	687,268	6,301
Net difference between projected and actual earnings on IPERS' investments	-	43,513
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	92,267	3,913
County contributions subsequent to the measurement date	401,216	-
Total	<u>\$ 1,223,019</u>	<u>97,841</u>

\$401,216 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, 2019. 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
2019	\$ 105,585
2020	329,852
2021	203,274
2022	33,338
2023	51,913
Total	<u>\$ 723,962</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability:	\$ 5,953,335	3,334,319	1,135,796

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

Payables to IPERS – At June 30, 2018, the County reported payables to IPERS of \$47,513 for legally required employer contributions and \$33,603 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 administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Guthrie County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>95</u>
Total	<u>98</u>

Total OPEB Liability – The County’s total OPEB liability of \$286,534 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.58% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	6.50% initial rate decreasing by .25% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 320,949
Changes for the year:	
Service cost	18,393
Interest	10,142
Differences between expected and actual experiences	(41,129)
Changes in assumptions	(8,014)
Benefit payments	<u>(13,807)</u>
Net changes	<u>(34,415)</u>
Total OPEB liability end of year	<u>\$ 286,534</u>

Changes of assumptions reflect a change in the discount rate from 2.50% in fiscal year 2017 to 3.58% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	\$ 312,187	286,534	263,093

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50%) or 1% higher (7.50%) than the current healthcare cost trend rates.

	1% Decrease (5.50%)	Healthcare Cost Trend Rate (6.50%)	1% Increase (7.50%)
Total OPEB liability	\$ 255,813	286,534	322,731

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$10,301. At June 30, 2018, the County reported deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (37,424)
Changes in assumptions	<u>(7,292)</u>
Total	<u>\$ (44,716)</u>

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

Year ending June 30,	Amount
2019	\$ (4,427)
2020	(4,427)
2021	(4,427)
2022	(4,427)
2023	(4,427)
Thereafter	<u>(22,581)</u>
Total	<u>\$ (44,716)</u>

(9) Landfill Closure and Postclosure Care

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

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

The total costs for the County have been estimated at \$189,140 as of June 30, 2018, and that liability has been recognized. The liability represents the cumulative amount reported to date based on the use of 100% of the capacity of the landfill. The County has reserved \$460,428 of its debt capacity to cover these costs.

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

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

As of June 30, 2018, the total closure costs for the transfer station have been estimated at \$9,723 and the County has restricted \$10,000 in a closure account included in the Special Revenue, Rural Services Fund to cover any possible closure and postclosure care costs for the transfer station.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were \$137,408.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

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

Funds remaining in the Employee Group Health Fund will be used to pay outstanding claims from the previous insurance plan. The County had an unrestricted net position of \$122,558 at June 30, 2018 in the Employee Group Health Fund to cover future claims. The cash balance held by Employee Benefit Systems, Inc. was \$59,843 at June 30, 2018.

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

Heart of Iowa Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Audubon County, Dallas County, Greene County and Guthrie County. The financial activity of Guthrie County's Special Revenue, Mental Health Fund is included in the Heart of Iowa Mental Health Region for the year ended June 30, 2018, as follows:

Revenues:	
Property and other county tax	\$ 193,884
Intergovernmental revenues:	
State tax credits	13,295
Other	979
Total revenues	<u>208,158</u>
Expenditures:	
Services to persons with mental illness	2,193
General administration:	
Distribution to regional fiscal agent	<u>305,110</u>
Total expenditures	<u>307,303</u>
Excess of expenditures over revenues	(99,145)
Fund balance beginning of year	<u>695,121</u>
Fund balance end of year	<u>\$ 595,976</u>

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental</u>
	<u>Activities</u>
Net position June 30, 2017, as previously reported	\$ 25,997,230
Net OPEB obligation measured under previous standards	401,000
Total OPEB liability at June 30, 2017	<u>(320,949)</u>
Net position July 1, 2017, as restated	<u>\$ 26,077,281</u>

Guthrie County

Required Supplementary Information

Guthrie County

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

Required Supplementary Information

Year ended June 30, 2018

	Less Funds not Required to be		
	Actual	Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,563,693	-	5,563,693
Interest and penalty on property tax	50,140	-	50,140
Intergovernmental	6,041,106	-	6,041,106
Licenses and permits	47,118	-	47,118
Charges for service	669,053	-	669,053
Use of money and property	94,353	2,245	92,108
Miscellaneous	596,288	36,335	559,953
Total receipts	13,061,751	38,580	13,023,171
Disbursements:			
Public safety and legal services	1,830,995	-	1,830,995
Physical health and social services	1,381,127	-	1,381,127
Mental health	390,745	-	390,745
County environment and education	1,474,158	66,348	1,407,810
Roads and transportation	5,097,604	-	5,097,604
Governmental services to residents	396,772	-	396,772
Administration	1,152,840	-	1,152,840
Non-program	3,879	-	3,879
Debt service	624,044	-	624,044
Capital projects	1,314,637	-	1,314,637
Total disbursements	13,666,801	66,348	13,600,453
Excess (deficiency) of receipts over (under) disbursements	(605,050)	(27,768)	(577,282)
Other financing sources, net	474,512	-	474,512
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(130,538)	(27,768)	(102,770)
Balance beginning of year	6,667,053	399,455	6,267,598
Balance end of year	\$ 6,536,515	371,687	6,164,828

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,476,067	5,476,067	87,626
37,000	37,000	13,140
5,370,799	6,269,759	(228,653)
25,200	25,200	21,918
573,035	620,635	48,418
98,016	98,516	(6,408)
556,631	625,428	(65,475)
12,136,748	13,152,605	(129,434)
1,855,456	1,902,636	71,641
1,501,900	1,590,660	209,533
260,371	393,919	3,174
1,309,472	1,481,480	73,670
5,647,286	5,780,998	683,394
424,602	479,384	82,612
1,180,062	1,276,861	124,021
15,000	36,552	32,673
490,453	624,047	3
3,335,000	3,710,000	2,395,363
16,019,602	17,276,537	3,676,084
(3,882,854)	(4,123,932)	3,546,650
2,652,097	2,677,383	(2,202,871)
(1,230,757)	(1,446,549)	1,343,779
7,048,890	7,048,890	(781,292)
5,818,133	5,602,341	562,487

Guthrie County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,061,751	105,382	13,167,133
Expenditures	13,666,801	(259,622)	13,926,423
Net	(605,050)	365,004	(759,290)
Other financing sources, net	474,512	(451,558)	22,954
Beginning fund balances	6,667,053	5,633,938	12,300,991
Ending fund balances	<u>\$ 6,536,515</u>	<u>5,547,384</u>	<u>11,564,655</u>

See accompanying independent auditor's report.

Guthrie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,256,935. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated both prior to the budget amendments and at year end.

Guthrie County

Guthrie County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.050055%	0.048515%	0.046603%	0.044898%
County's proportionate share of the net pension liability	\$ 3,334	3,053	2,302	1,781
County's covered payroll	\$ 4,315	4,020	3,742	3,609
County's proportionate share of the net pension liability as a percentage of its covered payroll	77.27%	75.95%	61.52%	49.35%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Guthrie County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 401	392	366	340
Contributions in relation to the statutorily required contribution	<u>(401)</u>	<u>(392)</u>	<u>(366)</u>	<u>(340)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 4,431	4,315	4,020	3,742
Contributions as a percentage of covered payroll	9.05%	9.08%	9.10%	9.09%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
328	309	284	246	241	222
(328)	(309)	(284)	(246)	(241)	(222)
-	-	-	-	-	-
3,609	3,441	3,405	3,367	3,496	3,381
9.09%	8.98%	8.34%	7.31%	6.89%	6.57%

Guthrie County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Guthrie County

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

For the Current Year
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 18,393
Interest cost	10,142
Difference between expected and actual experiences	(41,129)
Changes in assumptions	(8,014)
Benefit payments	<u>(13,807)</u>
Net change in total OPEB liability	<u>(34,415)</u>
Total OPEB liability beginning of year, as restated	<u>320,949</u>
Total OPEB liability end of year	<u>\$ 286,534</u>
Covered-employee payroll	\$ 4,432,607
Total OPEB liability as a percentage of covered-employee payroll	6.5%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	2.50%

Guthrie County

Supplementary Information

Guthrie County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2018

	County Recorder's Records Management	Drainage Districts	Resource Enhancement and Protection	Special Attorney Seized Property
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ 10,246	11,000	145,545	476
Held by component units	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	338	-	-	-
Total assets	\$ 10,584	11,000	145,545	476
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	-
Deferred inflows of resources:				
Unavailable resources:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Drainage warrants	-	11,000	-	-
Conservation purposes	-	-	145,545	-
Other purposes	10,584	-	-	476
Total fund balances	10,584	11,000	145,545	476
Total liabilities, deferred inflows of resources and fund balances	\$ 10,584	11,000	145,545	476

See accompanying independent auditor's report.

<u>Revenue</u>				
Sheriff Investigations	Tax Increment Financing	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Total
2,055	517	-	-	169,839
-	-	335,050	36,637	371,687
-	16,102	-	-	16,102
-	633,000	-	-	633,000
-	-	-	-	338
<u>2,055</u>	<u>649,619</u>	<u>335,050</u>	<u>36,637</u>	<u>1,190,966</u>
171	-	-	-	171
-	633,000	-	-	633,000
-	16,102	-	-	16,102
-	649,102	-	-	649,102
-	-	-	-	11,000
-	-	335,050	36,637	517,232
1,884	517	-	-	13,461
<u>1,884</u>	<u>517</u>	<u>335,050</u>	<u>36,637</u>	<u>541,693</u>
<u>2,055</u>	<u>649,619</u>	<u>335,050</u>	<u>36,637</u>	<u>1,190,966</u>

Guthrie County

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

Year ended June 30, 2018

	<u>Special</u>			
	County Recorder's Records Management	Drainage Districts	Resource Enhancement and Protection	Attorney Seized Property
Revenues:				
Tax increment financing	\$ -	-	-	-
Intergovernmental	-	-	10,005	-
Charges for service	3,421	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>3,421</u>	<u>-</u>	<u>10,005</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	3,668	-
Total expenditures	<u>-</u>	<u>-</u>	<u>3,668</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	3,421	-	6,337	-
Fund balances beginning of year	<u>7,163</u>	<u>11,000</u>	<u>139,208</u>	<u>476</u>
Fund balances end of year	<u>\$ 10,584</u>	<u>11,000</u>	<u>145,545</u>	<u>476</u>

See accompanying independent auditor's report.

Revenue				
Sheriff Investigations	Tax Increment Financing	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Total
-	432,759	-	-	432,759
-	39,890	-	-	49,895
-	-	-	-	3,421
-	-	2,002	243	2,245
1	-	480	35,855	36,336
1	472,649	2,482	36,098	524,656
171	-	-	-	171
-	-	20,516	45,832	66,348
-	477,492	-	-	477,492
-	-	-	-	3,668
171	477,492	20,516	45,832	547,679
(170)	(4,843)	(18,034)	(9,734)	(23,023)
2,054	5,360	353,084	46,371	564,716
1,884	517	335,050	36,637	541,693

Guthrie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,496	557,161	43,493
Other County officials	34,863	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	227,000	452,000	10,312,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Prepaid insurance	-	-	3,472	-
Total assets	\$ 34,863	228,496	1,012,633	10,355,493
Liabilities				
Liabilities:				
Accounts payable	\$ 7,551	-	20,798	-
Due to other governments	13,187	228,496	989,139	10,355,493
Trusts payable	14,125	-	-	-
Compensated absences	-	-	2,696	-
Total liabilities	\$ 34,863	228,496	1,012,633	10,355,493

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
32,744	94,434	7,159	362,712	237,104	1,336,303
-	-	-	-	-	34,863
11,385	-	4,452	-	-	15,837
520,000	3,029,000	2,661,000	-	1,875,000	19,076,000
-	-	-	-	338	338
-	-	-	-	173,770	173,770
-	-	-	-	-	3,472
564,129	3,123,434	2,672,611	362,712	2,286,212	20,640,583
-	-	-	-	525	28,874
564,129	3,123,434	2,672,611	362,712	2,179,944	20,489,145
-	-	-	-	105,743	119,868
-	-	-	-	-	2,696
564,129	3,123,434	2,672,611	362,712	2,286,212	20,640,583

Guthrie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 28,195	201,317	1,037,779	9,930,134
Additions:				
Property and other county tax	-	218,865	435,048	9,896,168
State tax credits	-	13,151	27,288	621,923
Drivers license fees	-	-	-	-
Office fees and collections	369,813	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	148,544	-	-	-
Miscellaneous	-	-	231	-
Total additions	518,357	232,016	462,567	10,518,091
Deductions:				
Agency remittances:				
To other funds	180,454	-	-	-
To other governments	193,862	204,837	487,713	10,092,732
Trusts paid out	137,373	-	-	-
Total deductions	511,689	204,837	487,713	10,092,732
Balances end of year	\$ 34,863	228,496	1,012,633	10,355,493

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
519,628	3,056,088	2,639,404	334,740	2,037,882	19,785,167
502,169	2,663,115	2,563,413	-	1,802,010	18,080,788
31,395	430,532	51,653	-	114,020	1,289,962
-	-	-	74,621	-	74,621
-	-	-	-	3,419	373,232
-	-	-	4,260,076	-	4,260,076
-	-	-	-	73,958	73,958
-	-	-	-	275,787	424,331
-	-	-	-	219,144	219,375
533,564	3,093,647	2,615,066	4,334,697	2,488,338	24,796,343
-	-	-	147,947	-	328,401
489,063	3,026,301	2,581,859	4,158,778	2,240,008	23,475,153
-	-	-	-	-	137,373
489,063	3,026,301	2,581,859	4,306,725	2,240,008	23,940,927
564,129	3,123,434	2,672,611	362,712	2,286,212	20,640,583

Guthrie County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	\$ 4,623,872	4,488,117	4,418,392	4,586,285
Tax increment financing	432,759	287,178	135,304	-
Local option sales tax	515,094	530,523	530,357	504,511
Interest and penalty on property tax	50,140	46,383	50,288	44,699
Intergovernmental	6,075,339	5,372,099	6,494,138	4,499,604
Licenses and permits	48,843	45,045	36,441	27,277
Charges for service	672,402	674,518	554,052	435,197
Use of money and property	112,630	167,846	77,106	108,109
Miscellaneous	636,054	571,191	747,811	657,061
Total	\$ 13,167,133	12,182,900	13,043,889	10,862,743
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,766,642	1,712,293	1,699,775	1,242,327
Physical health and social services	1,395,954	1,395,545	1,341,910	1,324,009
Mental health	307,303	335,089	220,795	193,919
County environment and education	1,492,944	1,383,553	1,187,191	1,149,952
Roads and transportation	5,452,035	4,903,720	5,088,141	4,148,555
Governmental services to residents	392,113	390,094	443,828	406,891
Administration	1,191,828	1,056,412	930,557	925,966
Non-program	-	-	14,941	-
Debt service	624,045	479,548	301,572	97,683
Capital projects	1,303,559	2,616,331	5,234,322	1,534,683
Total	\$ 13,926,423	14,272,585	16,463,032	11,023,985

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
4,429,125	4,335,067	4,232,348	4,189,632	3,413,878	3,303,593
-	-	-	-	-	-
498,415	561,385	525,498	447,849	448,510	464,280
49,047	36,341	44,506	49,783	44,792	40,657
4,466,851	4,405,487	4,806,612	5,696,343	5,650,942	5,001,927
31,704	36,984	42,174	40,177	24,088	30,886
541,214	472,846	491,693	498,294	451,948	418,793
99,321	110,187	114,732	113,871	167,834	247,883
548,971	1,655,991	632,565	653,706	517,411	473,736
<u>10,664,648</u>	<u>11,614,288</u>	<u>10,890,128</u>	<u>11,689,655</u>	<u>10,719,403</u>	<u>9,981,755</u>
1,190,718	1,159,338	1,050,787	1,043,756	1,074,377	1,061,471
1,298,228	1,182,182	1,151,263	1,127,994	1,135,273	1,083,768
213,092	304,595	1,392,632	1,136,658	970,036	1,246,897
1,190,396	1,090,511	1,096,408	1,151,976	1,732,462	1,218,400
5,195,687	4,597,880	4,733,890	3,765,347	4,161,153	4,782,064
377,838	356,534	337,121	331,458	384,677	373,087
907,134	1,000,813	855,899	966,037	1,269,162	959,656
26,705	14,566	-	14,452	-	77,143
98,070	132,930	480,893	444,997	434,994	361,960
1,296,524	78,226	251,293	823,209	547,778	648,233
<u>11,794,392</u>	<u>9,917,575</u>	<u>11,350,186</u>	<u>10,805,884</u>	<u>11,709,912</u>	<u>11,812,679</u>

Guthrie County



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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 Guthrie County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 11, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

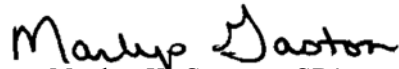
Guthrie County's Responses to the Findings

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

Purpose of this Report

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

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


Marlys K. Gaston, CPA
Deputy Auditor of State

June 11, 2019

Guthrie County
 Schedule of Findings
 Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

Guthrie County

Schedule of Findings

Year ended June 30, 2018

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

Recorder – During end of the day reports and cash deposits, we work together and take turns switching tasks to make all reports/deposits balance. I will try to segregate monthly reporting, reconciling the bank statement and check writing.

Sheriff – We do the best that we can. We will continue to try and keep duties segregated. We will continue to have the dispatchers document the checks received in the mail that is opened by the Sheriff of Chief Deputy or his designee. We will have someone review the mail (check) log with the deposit slips and initial and date when that is accomplished. We will try and reconcile the bank accounts promptly at the end of each month and have it reviewed by someone who does not handle nor record the cash.

Sheriff Commissary Account – We will continue to do the best we can. We will continue to try and keep duties segregated. We will visit with the individual who reconciles the bank accounts at the end of the month about signing checks.

Treasurer – Segregation of duties is always a challenge in our small office. Although we don’t have someone in our office that can open mail that doesn’t make entries into the accounting records, we take turns opening the mail. Some things that we do to cover ourselves is have someone look over and initial our deposits, bank reconciliations and daily balancing sheets. We are going to start having another office initial our bank reconciliations. We take turns counting the cash at the end of the day. We also have started taking apart each bundle of money in the vault and counting it each morning to make sure we are starting the morning with the correct amount.

Transfer Station/Landfill – The administrative team will begin a list to track all incoming receipts to maintain an accurate reconciliation of receivables.

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

Guthrie County
Schedule of Findings
Year ended June 30, 2018

(B) Financial Reporting

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

Condition – Material amounts of receivables, prepaid expenses and capital asset additions and deletions were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Recommendation – The County should establish procedures to ensure all receivables, prepaid expenses and capital asset additions and deletions are identified and properly reported in the County’s financial statements.

Response – These accruals have been fixed. In the past we were told by state auditors to accrue local option sales tax back two months which is what we have done since, however; this one that came at the end of August should not have been accrued. We will start to just accrue one month now. The bridge replacement receipt in the Secondary Roads fund should have been questioned as to whether it should have been accrued. At the beginning of next fiscal year we are going to try to remember to remind all office heads to let us know if something needs accrued because we have no idea unless they tell us.

The Auditor will educate all elected officials and departments about prepaid expenses. In addition, a policy will be instituted prohibiting all departments from prepaying expenses and mandating the departments pay expenses in the appropriate fiscal year.

The Auditor is working with the Board of Supervisors to establish a capital asset policy. In addition, the Auditor will institute a procedure by which all departments shall notify her office of any additions, modifications and deletions to the capital asset listing.

Conclusion – Response acknowledged. Individual local option sales tax receipts received in the accrual period should be reviewed each year to determine whether they should be accrued or not.

(C) Buy Money – Sheriff’s Office

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

Guthrie County

Schedule of Findings

Year ended June 30, 2018

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

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

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

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

Response – We will continue to keep track of transactions, both deposits and withdrawals. We will have someone else count the money. We will then have them note or log the dates they counted the cash and note the amount of the cash count.

Conclusion – Response accepted.

(D) Sheriff's Office

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records, including reconciling the beginning and ending book balances.

Condition – The Sheriff's Office does not prepare a year-to-date spreadsheet of all receipts and disbursements, including reconciling the beginning and ending book balances each month. Also, book balances are not reconciled to the trust account listings.

Cause – Procedures have not been designed and implemented to ensure appropriate accounting records are maintained or to ensure all accounts are reconciled and the amounts recorded in the books are complete and accurate to ensure proper accounting for all funds.

Effect – Inadequate accounting records and a lack of accurately reconciled books can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – A year-to-date spreadsheet of all receipts and disbursements, including reconciling the beginning and ending book balances should be completed each month. Also, book balances should be reconciled to the trust account listings each month.

Response – We will prepare a year-to-date spreadsheet that can be reconciled to book balances and the trust account listings each month. The spreadsheet will be accompanied by a worksheet summarizing the monthly receipts and disbursements for the year.

Conclusion – Response accepted.

Guthrie County

Schedule of Findings

Year ended June 30, 2018

(E) Capital Assets

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all capital assets, including asset deletions, by maintaining appropriate accounting records and ensuring the records are reviewed by an independent person.

Condition – The County has no capital asset policy in place. In addition, capital asset deletion forms are not properly authorized. The forms are maintained; however, there is no evidence of authorization on the form to delete the asset.

Cause – The County has not made it a priority to develop a capital asset policy. Procedures have not been designed and implemented to ensure appropriate accounting records are maintained for the deletion of capital assets.

Effect – Inadequate capital asset accounting records and a lack of properly authorized deletions.

Recommendation – The County should develop a capital asset policy and have it approved the Board of Supervisors. Capital asset deletions should be approved by department heads and there should be evidence of this approval documented.

Response – The Auditor is working with the Board of Supervisors to establish a capital asset policy. In addition, the Auditor will institute a procedure by which all departments shall notify her office of any additions, modifications and deletions to the capital asset listing. Furthermore, the Auditor's Office will ensure the deletion forms are signed by the appropriate department head and maintain an electronic copy of said forms.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Guthrie County
 Schedule of Findings
 Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated at year end.

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

Response – The Auditor reformatted the appropriations spreadsheet which accompanies the resolution, so it directly correlates to the Iowa Department of Management Budget forms. Due to an oversight, she failed to include Dept: 76-Trustee Controlled Drainage in the section listing those Departments which are not part of the County Budget. The Auditor corrected the error on the master spreadsheet to ensure the Department will be included in all future appropriations.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Cheryl Jensen, employee, Spouse is owner of Jensen’s Sanitation	Garbage pickup	\$ 3,714
Marty Arganbright, Sheriff, Nephew is owner of Arganbright Fencing	Fencing	3,204

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Jensen Sanitation and Arganbright Fencing do not appear to represent conflicts of interest since they were competitively bid.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to ensure the coverage remains adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Guthrie County

Schedule of Findings

Year ended June 30, 2018

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

Disbursements during the year ended June 30, 2018 for the County Extension Office did not exceed the amount budgeted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- (11) Sheriff’s Reports – In accordance with Chapter 331.902 of the Code of Iowa, the County Sheriff is required to make a quarterly report to the Board of Supervisors, showing by type, the fees collected during the preceding quarter and shall pay, at least quarterly, to the County Treasurer the fees and charges collected. The Sheriff’s fees and charges collected were paid to the County Treasurer. However, the Sheriff does not provide any reports to the Board of Supervisors.

Recommendation – The County Sheriff should prepare and provide a report, at least quarterly, showing the fees collected during the preceding quarter, to the Board of Supervisors.

Response – A quarterly report will be prepared and given to the Board of Supervisors.

Conclusion – Response accepted.

Guthrie County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Erin J. Sietstra, Senior Auditor
Molly N. Kalkwarf, Staff Auditor
Micaela A. Tintjer, Staff Auditor
Nichole D. Tucker, Staff Auditor