



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 26, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$32,667,314 for the year ended June 30, 2019, a 5.6% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$28,923,506, a 6.9% increase from the prior year. The increase in the revenues and expenses is due primarily to reimbursements from the Eastern Iowa Mental Health Region and increased purchases for public safety communications.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and expenditure of taxpayer funds. They are found on pages 82 through 86 of this report. The findings address issues such as lack of segregation of duties and non-compliance with the publication requirements of Chapter 28E of the Code of Iowa for two 28E organizations audited with the County. Sand provided the County with recommendations to address each of these findings.

One finding for the County and for each of the two 28E organizations are repeated from the prior year. The County Board of Supervisors, other elected officials and the governing bodies of the 28E organizations have a fiduciary responsibility to provide oversight of the County's and the 28E Organization's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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MUSCATINE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

Muscatine County



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Rob Sand
Auditor of State

March 9, 2020

Officials of Muscatine County
Muscatine, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Muscatine County for the year ended June 30, 2019. 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 Muscatine County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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Muscatine County
Officials
(Before January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Bonebrake	Board of Supervisors	Jan 2019
Robert Howard	Board of Supervisors	Jan 2019
Jeff Sorensen	Board of Supervisors	Jan 2019
Nathan Mather	Board of Supervisors	Jan 2021
Scott Sauer	Board of Supervisors	Jan 2021
Leslie Soule	County Auditor	Jan 2021
Amy Zybarth	County Treasurer	Jan 2019
Sarah Hearst	County Recorder	Jan 2019
C.J. Ryan	County Sheriff	Jan 2021
Alan Ostergren	County Attorney	Jan 2019
Dale McCrea	County Assessor	(Retired Sep 2018)
Randy Spies (Appointed Oct 2018)	County Assessor	Jan 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nathan Mather	Board of Supervisors	Jan 2021
Scott Sauer	Board of Supervisors	Jan 2021
Doug Holliday	Board of Supervisors	Jan 2023
Santos Saucedo	Board of Supervisors	Jan 2023
Jeff Sorenson	Board of Supervisors	Jan 2023
Leslie Soule	County Auditor	Jan 2021
Amy Zybarth	County Treasurer	Jan 2023
Sarah Hearst	County Recorder	Jan 2023
C.J. Ryan	County Sheriff	Jan 2021
Alan Ostergren	County Attorney	Jan 2023
Randy Spies	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of Muscatine 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 Muscatine County, Iowa, as of and for the year ended June 30, 2019, 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 Muscatine County as of June 30, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 56 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 Muscatine County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2020 on our consideration of Muscatine County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness on the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Muscatine County's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Muscatine 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, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenue of the County's governmental activities increased 5.6%, or approximately \$1.7 million, from fiscal year 2018 to fiscal year 2019. Property tax decreased approximately \$389,000, charges for services increased approximately \$123,000, operating grants, contributions and restricted interest increased approximately \$1.2 million and capital grants, contributions and restricted interest increased approximately \$60,000.
- Program expenses of the County's governmental activities increased 6.9%, or approximately \$1.9 million, from fiscal year 2018 to fiscal year 2019. Mental health function expenses decreased approximately \$109,000, administration function expenses increased approximately \$167,000, roads and transportation function expenses increased approximately \$480,000, public safety and legal services function expenses increased approximately \$1.4 million and the interest on long-term debt function expenses decreased approximately \$25,000.
- Muscatine County's net position at June 30, 2019 increased 5.5%, or approximately \$3.7 million, over the June 30, 2018 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 Muscatine 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 Muscatine 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 Muscatine 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 Internal Service and 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) Proprietary funds account for the County's Internal Service Funds for health insurance and County insurance. 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. Muscatine County's combined net position increased from approximately \$68.2 million to approximately \$71.9 million. The analysis that follows focuses on the changes in the net position of governmental activities.

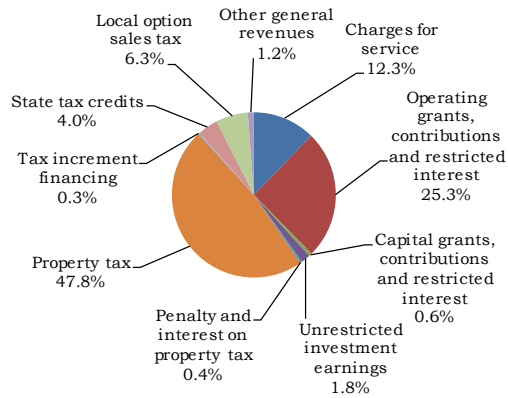
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 42,683	38,398
Capital assets	65,213	65,534
Total assets	107,896	103,932
Deferred outflows of resources	2,360	2,576
Long-term liabilities	18,175	20,641
Other liabilities	1,413	1,627
Total liabilities	19,588	22,268
Deferred inflows of resources	18,730	16,046
Net position:		
Net investment in capital assets	56,370	55,010
Restricted	9,624	8,701
Unrestricted	5,944	4,483
Total net position	\$ 71,938	68,194

Net position of Muscatine County's governmental activities increased 5.5% (approximately \$71.9 million compared to approximately \$68.2 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$1.5 million over the prior year, an increase of 32.6%. The increase is primarily due to a decrease in the net pension liability and an approximately \$1.8 million increase in the General Fund balance.

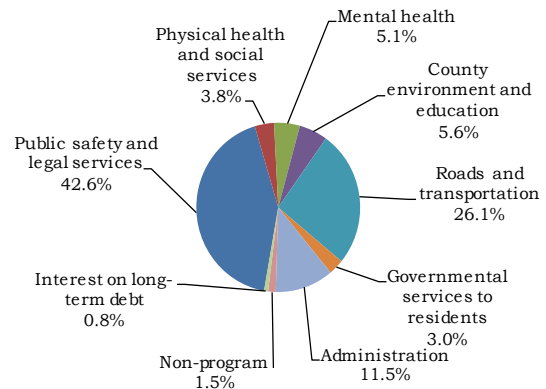
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 4,008	3,885
Operating grants, contributions and restricted interest	8,257	7,028
Capital grants, contributions and restricted interest	203	143
General revenues:		
Property tax	15,598	15,987
Tax increment financing	86	87
Penalty and interest on property tax	146	110
State tax credits	1,319	1,442
Local option sales tax	2,071	1,869
Unrestricted investment earnings	598	303
Other general revenues	381	85
Total revenues	32,667	30,939
Program expenses:		
Public safety and legal services	12,333	10,920
Physical health and social services	1,095	1,056
Mental health	1,480	1,589
County environment and education	1,610	1,433
Roads and transportation	7,540	7,060
Governmental services to residents	878	905
Administration	3,333	3,166
Non-program	428	671
Interest on long-term debt	226	251
Total expenses	28,923	27,051
Change in net position	3,744	3,888
Net position beginning of year	68,194	64,306
Net position end of year	\$ 71,938	68,194

Revenues by Source



Expenses by Program



Muscatine County's governmental activities net position increased approximately \$3.7 million during the year. Revenues for governmental activities increased approximately \$1.7 million over the prior year, with operating grants, contributions and restricted interest up from the prior year approximately \$1.2 million, or 17.5%, and capital grants, contributions and restricted interest up approximately \$60,000, or 41.6%. The large increase in operating grants, contributions and restricted interest was primarily due to a reimbursement from the Eastern Iowa MHDS as well as a large increase in federal prisoner reimbursements.

Muscatine County's general basic levy was unchanged, the general supplemental levy increased \$.2800, the mental health levy decreased \$.6843, the debt service levy decreased \$.0223 and the rural services basic levy increased \$.0900 per \$1,000 of taxable valuation. The rural taxable property valuation increased \$16,204,565 and the countywide taxable valuation increased \$40,382,612.

INDIVIDUAL MAJOR FUND ANALYSIS

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$22.4 million, an increase of approximately \$2.4 million above last year's total of approximately \$20.1 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$1,830,000 and expenditures increased approximately \$1,715,000. Revenue increased primarily due to an increase in prisoner inmate reimbursements and higher investment interest rates. The fund balance at the end of the fiscal year was approximately \$11.6 million, an increase of approximately \$1.8 million over the prior year.
- Muscatine County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. In fiscal year 2019, revenues decreased approximately \$609,000, primarily due to a decrease in property tax revenue. The Muscatine County Board of Supervisors voted to reduce the County's fiscal year 2019 mental health levy to \$0 in an effort to recapture a portion of the \$3,056,776 in mental health tax dollars paid to the region. The fund balance at the end of the fiscal year was approximately \$484,000, a decrease of approximately \$581,000 from the prior year.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$134,000 from the prior year to approximately \$649,000. There were no significant changes in revenues or expenditures.
- The Special Revenue, Secondary Roads Fund ending fund balance increased approximately \$1.1 million over the prior year to approximately \$4.3 million. Revenue decreased approximately \$135,000 and expenditures decreased approximately \$703,000. Revenues decreased primarily due to decreased flood prevention funding and expenditures decreased primarily due to a decrease in roadway construction costs.
- The Debt Service Fund ending fund balance increased approximately \$57,000 over the prior year to approximately \$3.1 million. Revenues decreased approximately \$297,000 primarily due to a reduction in the property tax levy.
- The Capital Projects Fund ending fund balance increased approximately \$15,000 over the prior year to approximately \$1.9 million. Revenues increased approximately 175,000 primarily due to donations received for a conservation project. Expenditures increased approximately \$460,000 primarily due to administrative building and courthouse projects. Transfers from the General Fund decreased \$250,000 as less General Fund support was needed for related projects during the fiscal year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except Internal Service and Agency Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis.

Over the course of the year, Muscatine County amended the operating budget two times. The amendments were made in February 2019 and June 2019.

The first amendment increased budgeted receipts for additional inmate reimbursements, interest on investments and Public Health department grant revenue. The amendment also increased budgeted disbursements primarily for an increase in personnel costs in the Sheriff, Zoning and General Services departments as well as an increase in Public Health department grant disbursements. The second amendment increased budgeted receipts for additional inmate reimbursements, interest on investments and jail commissary receipts. The amendment also increased budgeted disbursements primarily for jail commissary costs, medical examiner costs, election laptop purchase and additional juvenile detention costs.

The County's receipts were approximately \$253,000 more than budgeted, a variance of less than one percent. Total disbursements were approximately \$4.3 million less than the amended budget. Disbursements for the capital projects function were approximately \$2.3 million less than budgeted due to projects not started in fiscal year 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, Muscatine County had approximately \$110 million invested in a broad range of capital assets, including public safety equipment, buildings, land, park facilities, roads and bridges. With total accumulated depreciation of approximately \$44.9 million, Muscatine County's capital assets have a net book value of approximately \$65.2 million, virtually unchanged from the previous year. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At the end of fiscal year 2019, Muscatine County had \$10,780,000 of long term debt outstanding, compared to \$12,445,000 at the end of fiscal year 2018.

Muscatine County's outstanding debt decreased as a result of scheduled principal repayments made in the current year. Muscatine County's general obligation bond rating continues to be the A1 rating assigned by Moody's Investors Service, a national rating agency. 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. Muscatine County's outstanding general obligation debt of \$13,240,561, including development agreements of \$2,460,561, is significantly below its constitutional debt limit of approximately \$166 million. Additional information about the County's long-term debt is presented in Note 7 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Muscatine County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget and tax rates and the fees charged for various County activities. The amount available for appropriation in the fiscal year 2020 operating budget is approximately \$49.8 million, a decrease of approximately 2.6% from the final fiscal year 2019 budget. Muscatine County's other operating fund balances are expected to decrease approximately \$2.5 million to approximately \$14 million by the close of fiscal year 2020.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Muscatine 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 Sherry Seright at the Muscatine County Administration Office, 414 E 3rd Street, Suite 101, Muscatine, Iowa, 52761.

Basic Financial Statements

Muscatine County
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 23,074,591
Receivables:	
Property tax:	
Delinquent	63,230
Succeeding year	17,487,000
Succeeding year tax increment financing	85,000
Interest and penalty on property tax	116,696
Accounts	113,403
Accrued interest	60,423
Loan	75,000
Due from other governments	1,257,928
Inventories	211,241
Prepaid expenses	138,584
Capital assets, net of accumulated depreciation/amortization	65,213,181
Total assets	107,896,277
Deferred Outflows of Resources	
Pension related deferred outflows	2,298,168
OPEB related deferred outflows	61,794
Total deferred outflows of resources	2,359,962
Liabilities	
Accounts payable	1,006,042
Accrued interest payable	16,115
Salaries and benefits payable	359,263
Due to other governments	31,815
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	1,680,000
Compensated absences	684,352
Portion due or payable after one year:	
General obligation bonds/notes	9,100,000
Compensated absences	710,128
Net pension liability	5,211,914
Total OPEB liability	788,474
Total liabilities	19,588,103
Deferred Inflows of Resources	
Unavailable property tax revenue	17,658,000
Unavailable tax increment financing revenue	85,000
Pension related deferred inflows	936,276
OPEB related deferred inflows	50,848
Total deferred inflows of resources	18,730,124
Net Position	
Net investment in capital assets	56,369,892
Restricted for:	
Supplemental levy purposes	3,129,961
Mental health purposes	452,798
Rural services purposes	635,016
Secondary roads purposes	4,039,577
Conservation land acquisition	87,670
Debt service	958,617
Other purposes	320,744
Unrestricted	5,943,737
Total net position	\$ 71,938,012

See notes to financial statements.

Muscatine County
Statement of Activities
Year ended June 30, 2019

	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	\$ 12,333,083	2,586,815	2,473,658	-	(7,272,610)
Physical health and social services	1,095,040	91,801	331,113	-	(672,126)
Mental health	1,479,948	75,763	782,000	-	(622,185)
County environment and education	1,609,576	31,934	20,645	182,055	(1,374,942)
Roads and transportation	7,540,175	15,712	3,820,392	20,688	(3,683,383)
Governmental services to residents	878,134	646,431	832	-	(230,871)
Administration	3,332,821	54,547	200,981	-	(3,077,293)
Non-program	428,348	504,934	-	-	76,586
Interest on long-term debt	226,381	-	627,215	-	400,834
Total	\$ 28,923,506	4,007,937	8,256,836	202,743	(16,455,990)
General Revenues:					
Property and other county tax levied for:					
General purposes					14,381,764
Debt service					1,216,243
Tax increment financing					86,325
Penalty and interest on property tax					145,644
State tax credits					1,319,638
Local option sales tax					2,070,774
Unrestricted investment earnings					598,251
Gain on disposition of capital assets					289,271
Miscellaneous					91,888
Total general revenues					20,199,798
Change in net position					3,743,808
Net position beginning of year					68,194,204
Net position end of year					\$ 71,938,012

See notes to financial statements.

Muscatine County
Balance Sheet
Governmental Funds

June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 11,718,265	583,163	672,896	3,795,179
Receivables:				
Property tax:				
Delinquent	47,773	-	10,917	-
Succeeding year	12,448,000	1,234,000	2,529,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	116,696	-	-	-
Accounts	109,977	2,662	-	764
Accrued interest	60,423	-	-	-
Loan	75,000	-	-	-
Due from other funds	-	-	-	7,100
Due from other governments	281,920	3,839	4,427	452,974
Inventories	-	-	-	211,241
Prepaid expenditures	138,584	-	-	-
Total assets	\$ 24,996,638	1,823,664	3,217,240	4,467,258
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 282,321	80,249	1,251	77,520
Salaries and benefits payable	283,417	6,142	5,158	64,255
Due to other funds	6,845	-	255	-
Due to other governments	24,682	5,943	866	324
Total liabilities	597,265	92,334	7,530	142,099
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	12,572,000	1,247,000	2,550,000	-
Succeeding year tax increment financing	-	-	-	-
Other	176,795	-	10,917	-
Total deferred inflows of resources	12,748,795	1,247,000	2,560,917	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	211,241
Prepaid expenditures	138,584	-	-	-
Loan receivable	75,000	-	-	-
Restricted for:				
Supplemental levy purposes	3,109,831	-	-	-
Mental health purposes	-	484,330	-	-
Rural services purposes	-	-	648,793	-
Secondary roads purposes	-	-	-	4,113,918
Conservation land acquisition	87,670	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned:				
Building maintenance	1,425,000	-	-	-
Debt service	-	-	-	-
Unassigned	6,814,493	-	-	-
Total fund balances	11,650,578	484,330	648,793	4,325,159
Total liabilities, deferred inflows of resources and fund balances	\$ 24,996,638	1,823,664	3,217,240	4,467,258

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
2,634,182	2,135,999	276,390	21,816,074
4,540	-	-	63,230
1,276,000	-	-	17,487,000
-	-	85,000	85,000
-	-	-	116,696
-	-	-	113,403
-	-	-	60,423
-	-	-	75,000
-	-	-	7,100
469,010	-	45,758	1,257,928
-	-	-	211,241
-	-	-	138,584
4,383,732	2,135,999	407,148	41,431,679
-	199,288	1,113	641,742
-	-	291	359,263
-	-	-	7,100
-	-	-	31,815
-	199,288	1,404	1,039,920
1,289,000	-	-	17,658,000
-	-	85,000	85,000
4,540	-	-	192,252
1,293,540	-	85,000	17,935,252
-	-	-	211,241
-	-	-	138,584
-	-	-	75,000
-	-	-	3,109,831
-	-	-	484,330
-	-	-	648,793
-	-	-	4,113,918
-	-	-	87,670
970,192	-	-	970,192
-	1,936,711	-	1,936,711
-	-	320,744	320,744
-	-	-	1,425,000
2,120,000	-	-	2,120,000
-	-	-	6,814,493
3,090,192	1,936,711	320,744	22,456,507
4,383,732	2,135,999	407,148	41,431,679

Muscatine County

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

June 30, 2019

Total governmental fund balances (page 19) \$ 22,456,507

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$110,102,250 and the accumulated depreciation/amortization is \$44,889,069. 65,213,181

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. 192,252

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and County insurance to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position. 894,217

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	\$ 2,359,962	
Deferred inflows of resources	<u>(987,124)</u>	1,372,838

Long-term liabilities, including bonds/notes payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (18,190,983)

Net position of governmental activities (page 16) \$ 71,938,012

See notes to financial statements.

Muscatine County

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

Year ended June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 12,223,442	-	2,158,260	-
Local option sales tax	-	-	-	2,070,774
Tax increment financing	-	-	-	-
Interest and penalty on property tax	158,030	-	-	-
Intergovernmental	5,120,057	779,250	156,115	3,834,966
Licenses and permits	100	-	83,816	15,565
Charges for service	1,015,264	75,763	-	147
Use of money and property	1,483,191	-	-	-
Miscellaneous	310,701	1,908	-	37,368
Total revenues	20,310,785	856,921	2,398,191	5,958,820
Expenditures:				
Operating:				
Public safety and legal services	11,493,735	-	-	-
Physical health and social services	978,696	-	87,815	-
Mental health	-	1,437,479	-	-
County environment and education	841,112	-	452,801	-
Roads and transportation	-	-	-	6,297,873
Governmental services to residents	848,862	-	1,863	-
Administration	3,067,190	-	-	-
Debt service	-	-	-	-
Capital projects	120,793	-	-	801,736
Total expenditures	17,350,388	1,437,479	542,479	7,099,609
Excess (deficiency) of revenues over (under) expenditures	2,960,397	(580,558)	1,855,712	(1,140,789)
Other financing sources (uses):				
Sale of capital assets	69,800	-	-	2,319
Transfers in	40,117	-	-	2,250,000
Transfers out	(1,300,000)	-	(1,990,117)	-
Total other financing sources (uses)	(1,190,083)	-	(1,990,117)	2,252,319
Change in fund balances	1,770,314	(580,558)	(134,405)	1,111,530
Fund balances beginning of year	9,880,264	1,064,888	783,198	3,213,629
Fund balances end of year	\$ 11,650,578	484,330	648,793	4,325,159

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,216,311	-	-	15,598,013
-	-	-	2,070,774
-	-	86,325	86,325
-	-	-	158,030
734,039	-	20,551	10,644,978
-	-	-	99,481
-	-	5,345	1,096,519
-	-	3,802	1,486,993
-	175,179	118,127	643,283
<u>1,950,350</u>	<u>175,179</u>	<u>234,150</u>	<u>31,884,396</u>
-	-	23,469	11,517,204
-	-	-	1,066,511
-	-	-	1,437,479
-	-	124,886	1,418,799
-	-	-	6,297,873
-	-	1,253	851,978
-	-	-	3,067,190
1,893,360	-	-	1,893,360
-	1,159,801	-	2,082,330
<u>1,893,360</u>	<u>1,159,801</u>	<u>149,608</u>	<u>29,632,724</u>
<u>56,990</u>	<u>(984,622)</u>	<u>84,542</u>	<u>2,251,672</u>
-	-	-	72,119
-	1,000,000	-	3,290,117
-	-	-	(3,290,117)
-	1,000,000	-	72,119
56,990	15,378	84,542	2,323,791
<u>3,033,202</u>	<u>1,921,333</u>	<u>236,202</u>	<u>20,132,716</u>
<u>3,090,192</u>	<u>1,936,711</u>	<u>320,744</u>	<u>22,456,507</u>

Muscatine County

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

Year ended June 30, 2019

Change in fund balances - Total governmental funds (page 23) \$ 2,323,791

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

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

Expenditures for capital assets	\$ 3,208,636	
Capital assets contributed by the Iowa Department of Transportation	6,114	
Depreciation/amortization expense	<u>(3,755,066)</u>	(540,316)

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. 219,371

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	(6)	
Other	<u>(22,433)</u>	(22,439)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,665,000

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 1,003,656

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	(31,670)	
Pension expense	(848,127)	
OPEB expense	(31,650)	
Interest on long-term debt	<u>1,979</u>	(909,468)

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and County insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. 4,213

Change in net position of governmental activities (page 17) \$ 3,743,808

See notes to financial statements.

Muscatine County
Statement of Net Position
Proprietary Funds

June 30, 2019

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 1,258,517
Current Liabilities	
Accounts payable	<u>364,300</u>
Net Position	
Unrestricted	<u>\$ 894,217</u>

See notes to financial statements.

Exhibit H

Muscatine County

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

Year ended June 30, 2019

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 2,431,279
Reimbursements from employees and others		<u>297,263</u>
Total operating revenues		2,728,542
Operating expenses:		
Health claims and administrative services	\$ 2,695,313	
Loss contingencies and deductibles	<u>45,259</u>	<u>2,740,572</u>
Operating loss		(12,030)
Non-operating revenues:		
Interest income		<u>16,243</u>
Net income		4,213
Net position beginning of year		<u>890,004</u>
Net position end of year		<u>\$ 894,217</u>

See notes to financial statements.

Muscatine County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2019

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 2,431,279
Cash received from employees and others	297,312
Cash paid to suppliers for services	<u>(2,802,077)</u>
Net cash used by operating activities	(73,486)
Cash flows from investing activities:	
Interest on investments	<u>16,243</u>
Net decrease in cash and cash equivalents	(57,243)
Cash and cash equivalents beginning of year	<u>1,315,760</u>
Cash and cash equivalents end of year	<u>\$ 1,258,517</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (12,030)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	50
Decrease in accounts payable	<u>(61,506)</u>
Net cash used by operating activities	<u>\$ (73,486)</u>

See notes to financial statements.

Muscatine County

Muscatine County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 4,597,458
Other County officials	1,724,795
Receivables:	
Property tax:	
Delinquent	169,168
Succeeding year	50,386,000
Accounts	63,453
Assessments	147,292
Due from other governments	<u>66,086</u>
Total assets	<u>57,154,252</u>

Liabilities

Accounts payable	70,729
Accrued interest payable	4,133
Salaries and benefits payable	39,091
Due to other governments	54,231,895
Trusts payable	2,154,787
Notes payable	538,397
Compensated absences	<u>115,220</u>
Total liabilities	<u>57,154,252</u>

Net position	<u>\$ -</u>
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See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

Muscatine 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, Muscatine 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 burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Bi-State Regional Planning Commission, Muscatine County Solid Waste Management Agency, Muscatine Area Geographic Information Consortium, Muscatine County Joint Communications Commission, Iowa Precinct Atlas Consortium, Muscatine County Drug Task Force, Eastern Iowa MHDS Region and Job Training Partnership Act Quality Jobs Program.

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and 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, 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 Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are 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 the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized cost.

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

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Infrastructure	10 - 65
Buildings and improvements	20 - 50
Intangibles	2 - 20
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 and OPEB expense and contributions by 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, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable and tax increment financing receivable that will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,539,343 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 6,845
	Special Revenue:	
	Rural Services	255
Total		<u>\$ 7,100</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Rural Services	\$ 40,117
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	300,000 <u>1,950,000</u>
		<u>2,250,000</u>
Capital Projects	General	<u>1,000,000</u>
Total		<u>\$ 3,290,117</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,342,625	60,237	-	2,402,862
Intangibles, road network	1,195,713	-	-	1,195,713
Construction in progress	206,133	845,316	(171,567)	879,882
Construction in progress, road network	-	690,064	(431,583)	258,481
Total capital assets not being depreciated/amortized	<u>3,744,471</u>	<u>1,595,617</u>	<u>(603,150)</u>	<u>4,736,938</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	32,602,563	377,619	-	32,980,182
Improvements other than building	-	281,550	-	281,550
Equipment and vehicles	14,083,168	1,445,441	(909,025)	14,619,584
Intangibles	372,167	-	-	372,167
Infrastructure, road network	54,746,321	431,583	-	55,177,904
Infrastructure, other	1,933,925	-	-	1,933,925
Total capital assets being depreciated/amortized	<u>103,738,144</u>	<u>2,536,193</u>	<u>(909,025)</u>	<u>105,365,312</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	11,810,220	742,310	-	12,552,530
Improvements other than building	-	27,638	-	27,638
Equipment and vehicles	5,784,114	1,530,439	(814,486)	6,500,067
Intangibles	346,390	8,592	-	354,982
Infrastructure, road network	23,435,313	1,363,209	-	24,798,522
Infrastructure, other	572,452	82,878	-	655,330
Total accumulated depreciation/amortization	<u>41,948,489</u>	<u>3,755,066</u>	<u>(814,486)</u>	<u>44,889,069</u>
Total capital assets being depreciated/amortized, net	<u>61,789,655</u>	<u>(1,218,873)</u>	<u>(94,539)</u>	<u>60,476,243</u>
Governmental activities capital assets, net	<u>\$ 65,534,126</u>	<u>376,744</u>	<u>(697,689)</u>	<u>65,213,181</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 1,118,677
Physical health and social services		24,331
Mental health		69,021
County environment and education		228,626
Roads and transportation		2,050,543
Governmental services to residents		28,112
Administration		<u>235,756</u>
Total depreciation/amortization expense - governmental activities		<u>\$ 3,755,066</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 24,682</u>
Special Revenue:		
Mental Health	Services	5,943
Rural Services	Services	866
Secondary Roads	Services	<u>324</u>
		<u>7,133</u>
Total for governmental funds		<u>\$ 31,815</u>
Agency:		
County Assessor	Collections	\$ 1,034,244
Schools		27,486,217
Community Colleges		1,948,068
Corporations		20,139,336
Townships		525,486
Auto License and Use Tax		1,024,130
Drainage Districts		859,839
All other		<u>1,214,575</u>
Total for agency funds		<u>\$ 54,231,895</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	General Obligation County Building Improvement Note	General Obligation County Refunding Bonds	General Obligation Urban Renewal Refunding Bonds	Compen- sated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 1,500,000	4,735,000	6,210,000	1,362,810	6,124,722	708,417	20,640,949
Increases	-	-	-	892,326	-	96,031	988,357
Decreases	375,000	805,000	485,000	860,656	912,808	15,974	3,454,438
Balance end of year	<u>\$ 1,125,000</u>	<u>3,930,000</u>	<u>5,725,000</u>	<u>1,394,480</u>	<u>5,211,914</u>	<u>788,474</u>	<u>18,174,868</u>
Due within one year	<u>\$ 375,000</u>	<u>805,000</u>	<u>500,000</u>	<u>684,352</u>	<u>-</u>	<u>-</u>	<u>2,364,352</u>

Notes Payable

A summary of the County's June 30, 2019 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	County Building Improvement Note		
		Principal	Interest	Total
2020	1.50%	\$ 375,000	16,875	391,875
2021	1.50	375,000	11,250	386,250
2022	1.50	375,000	5,625	380,625
2023	1.50	-	-	-
Total		\$ 1,125,000	33,750	1,158,750

The County retired \$375,000 of general obligation notes during the year.

General Obligation Bonds

A summary of the County's June 30, 2019 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	County Refunding Bonds (2016A)		
		Principal	Interest	Total
2020	1.50%	\$ 805,000	65,413	870,413
2021	1.50	800,000	53,337	853,337
2022	1.50	690,000	41,337	731,337
2023	1.75	685,000	30,988	715,988
2024	2.00	550,000	19,000	569,000
2025	2.00	400,000	8,000	408,000
Total		\$ 3,930,000	218,075	4,148,075

The County retired \$805,000 of general obligation bonds during the year.

General Obligation Urban Renewal Bonds

A summary of the County's June 30, 2019 general obligation urban renewal bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	County Refunding Bonds (2016B)		
		Principal	Interest	Total
2020	1.50%	\$ 500,000	121,098	621,098
2021	2.00	510,000	111,097	621,097
2022	2.00	530,000	100,898	630,898
2023	2.00	545,000	90,297	635,297
2024	2.00	560,000	79,398	639,398
2025-2029	2.00-2.30	3,080,000	213,037	3,293,037
Total		\$ 5,725,000	715,825	6,440,825

The County retired \$485,000 of general obligation urban renewal bonds during the year.

(8) Pension Plan

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

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 before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County’s contributions to IPERS for the year ended June 30, 2019 totaled \$1,003,656.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$5,211,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the County’s collective proportion was 0.082360%, which was a decrease of 0.009585% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$848,127. At June 30, 2019, 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	\$ 61,172	190,495
Changes of assumptions	1,185,311	304,255
Net difference between projected and actual earnings on IPERS' investments	-	264,540
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	48,029	176,986
County contributions subsequent to the measurement date	1,003,656	-
Total	<u>\$ 2,298,168</u>	<u>936,276</u>

\$1,003,656 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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
2020	\$ 432,200
2021	202,290
2022	(159,810)
2023	(86,691)
2024	(29,753)
Total	<u>\$ 358,236</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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	\$ 11,310,690	5,211,914	98,456

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 – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2019.

(9) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>187</u>
Total	<u>196</u>

Total OPEB Liability – The County’s total OPEB liability of \$788,474 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2019)	2.60% per annum.
Rates of salary increase	3.25% per annum, including
(effective June 30, 2019)	inflation.
Discount rate	3.51% compounded annually,
(effective June 30, 2019)	including inflation.
Healthcare cost trend rate	8.50% initial rate decreasing by .5%
(effective June 30, 2019)	annually to an ultimate rate of 5.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. 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, 2019 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	\$ 708,417
Changes for the year:	
Service cost	44,927
Interest	28,349
Differences between expected and actual experiences	26,046
Changes in assumptions	22,755
Benefit payments	<u>(42,020)</u>
Net changes	<u>80,057</u>
Total OPEB liability end of year	<u>\$ 788,474</u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

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 (2.51%) or 1% higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 854,521	788,474	726,703

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 (7.5%) or 1% higher (9.5%) than the current healthcare cost trend rates.

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	\$ 690,829	788,474	905,468

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$73,670. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,837	50,848
Changes in assumptions	40,957	-
Total	<u>\$ 61,794</u>	<u>50,848</u>

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

Year ending June 30,	Amount
2020	\$ 394
2021	394
2022	397
2023	9,761
	<u>\$ 10,946</u>

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 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 expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year’s member contributions.

The County’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County’s contributions to the Pool for the year ended June 30, 2019 were \$239,060.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, 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 \$5,000,000 and \$250,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Health Insurance Trust Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$75,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Health Insurance Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Health Insurance Trust Fund. The County's contribution for the year ended June 30, 2019 was \$2,431,279.

Amounts payable from the Internal Service, Health Insurance Trust Fund at June 30, 2019 total \$364,030, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$815,319 at June 30, 2019 and is reported as a designation of the Internal Service, Health Insurance Trust Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 378,493
Incurred claims (including claims incurred but not reported at June 30, 2019)	2,695,313
Payment on claims during the fiscal year	<u>(2,709,776)</u>
Unpaid claims end of year	<u>\$ 364,030</u>

(12) Development Agreements

In November 2010, the County entered into a development agreement with SSAB Iowa, Inc. Under the agreement, SSAB agreed to construct a research and development center and the County agreed to provide a combination of property tax abatement and tax increment rebates. The total to be paid by the County under the agreement is not to exceed \$2,650,000. During the year \$65,952 was rebated and as of June 30, 2019, a total of \$330,603 had been rebated under the agreement, leaving an outstanding balance at June 30, 2019 of \$2,319,397.

In July 2013, the County entered into a development agreement with Van Meter, Inc. Under the agreement, Van Meter, Inc. agreed to construct a warehouse and the County agreed to provide economic development tax increment payments to the developer, not to exceed \$250,000. During the year \$26,379 was rebated and as of June 30, 2019, a total of \$108,836 had been rebated under the agreement, leaving an outstanding balance at June 30, 2019 of \$141,164.

The agreements are not general obligations of the County. However, the agreements are subject to the constitutional debt limitation of the County.

(13) Tax Abatements

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

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2019, \$37,293 of property tax was diverted from the County under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Muscatine	Urban renewal and economic development projects	\$ 281,094
	Other tax abatement program	11,601
City of West Liberty	Urban renewal and economic development projects	2,180
City of Wilton	Urban renewal and economic development projects	30,653

(14) Jointly Governed Organizations

The County participates in the Muscatine County Joint Communications (MUSCOM) Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2019:

Additions:		
Contributions from Muscatine County		\$ 1,384,076
Miscellaneous		<u>4,442</u>
Total additions		1,388,518
Deductions:		
Salaries	\$ 669,273	
Benefits	250,445	
Office supplies	5,054	
Legal representation	1,995	
Postage and publications	4,200	
Telephone and internet	6,719	
Travel	1,192	
Capital projects	42,128	
Training	6,370	
Equipment replacement	24,673	
Maintenance and rentals	146,518	
Insurance	21,669	
Radio system fees	300,185	
Miscellaneous	<u>1,265</u>	<u>1,481,686</u>
Net		(93,168)
Balance beginning of year		<u>515,060</u>
Balance end of year		<u>\$ 421,892</u>

The County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2019:

Additions:		
Grant reimbursements	\$	54,562
Reimbursements from special investigations		5,470
Restitution		4,376
Forfeiture		34,855
Miscellaneous		<u>108</u>
Total additions		99,371
Deductions:		
Reimbursements to governmental units	\$	34,562
Office supplies and equipment		2,939
Utilities		1,894
Medical		2,046
Training		2,449
Furniture and equipment		19,308
Investigations		10,315
Forfeiture		192,555
Miscellaneous		<u>510</u>
		<u>266,578</u>
Net		(167,207)
Balance beginning of year		<u>228,194</u>
Balance end of year	\$	<u>60,987</u>

(15) Industrial Development Revenue Notes

In May 2013, the County issued \$6,000,000 of industrial development revenue notes under the provisions of Chapter 419 of the Code of Iowa on behalf of the Lutheran Homes Society. The notes and related interest are not a liability of the County but are payable solely and only from the revenues derived by the property constructed by the Lutheran Homes Society. The outstanding principal balance was \$5,478,668 as of June 30, 2019.

(16) Muscatine County Financial Information Included in the Eastern Iowa Mental Health Region

Eastern Iowa Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which includes the following member counties: Cedar County, Clinton County, Jackson County, Scott County and Muscatine County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Eastern Iowa Mental Health Region for the year ended June 30, 2019, as follows:

Revenues:		
Intergovernmental revenues:		
Other intergovernmental revenues		\$ 779,250
Charges for service		75,763
Miscellaneous		<u>1,908</u>
Total revenues		<u>856,921</u>
Expenditures:		
Services to persons with:		
Mental illness	909,784	
Intellectual disabilities	336,538	
Other developmental disabilities	<u>59,078</u>	1,305,400
General administration:		
Direct administration		<u>132,079</u>
Total expenditures		<u>1,437,479</u>
Change in fund balance		(580,558)
Fund balance beginning of the year		<u>1,064,888</u>
Fund balance end of the year		<u>\$ 484,330</u>

Muscatine County

Required Supplementary Information

Muscatine 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, 2019

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property tax	\$ 15,233,173	14,889,006	14,889,006	344,167
Tax increment financing and other county tax	2,545,349	2,364,933	2,365,933	179,416
Interest and penalty on property tax	158,030	133,000	133,000	25,030
Intergovernmental	10,439,202	9,469,316	10,290,161	149,041
Licenses and permits	99,481	96,150	86,150	13,331
Charges for service	1,104,698	1,042,200	1,044,200	60,498
Use of money and property	1,463,285	682,680	1,277,680	185,605
Miscellaneous	594,522	978,900	1,298,209	(703,687)
Total receipts	31,637,740	29,656,185	31,384,339	253,401
Disbursements:				
Public safety and legal services	11,419,942	11,411,403	11,902,253	482,311
Physical health and social services	1,081,137	1,180,132	1,225,268	144,131
Mental health	1,425,321	1,693,732	1,693,732	268,411
County environment and education	1,398,301	1,493,315	1,559,390	161,089
Roads and transportation	6,618,807	7,119,000	7,119,000	500,193
Governmental services to residents	849,234	902,756	891,756	42,522
Administration	3,057,502	3,281,761	3,372,511	315,009
Debt service	1,985,691	1,996,875	1,997,875	12,184
Capital projects	1,995,262	4,330,000	4,330,000	2,334,738
Total disbursements	29,831,197	33,408,974	34,091,785	4,260,588
Excess (deficiency) of receipts over (under) disbursements	1,806,543	(3,752,789)	(2,707,446)	4,513,989
Other financing sources, net	72,119	10,000	10,000	62,119
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,878,662	(3,742,789)	(2,697,446)	4,576,108
Balance beginning of year	19,937,412	16,113,500	19,715,772	221,640
Balance end of year	\$ 21,816,074	12,370,711	17,018,326	4,797,748

See accompanying independent auditor's report.

Muscatine County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 31,637,740	246,656	31,884,396
Expenditures	29,831,197	(198,473)	29,632,724
Net	1,806,543	445,129	2,251,672
Other financing sources, net	72,119	-	72,119
Beginning fund balances	19,937,412	195,304	20,132,716
Ending fund balances	<u>\$ 21,816,074</u>	<u>640,433</u>	<u>22,456,507</u>

See accompanying independent auditor's report.

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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 the Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, 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 decreased budgeted disbursements by \$682,811. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2019, disbursements did not exceed amounts budgeted.

Muscatine County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.082360%	0.091945%	0.090860%	0.082257%	0.076187%
County's proportionate share of the net pension liability	\$ 5,212	6,125	5,718	4,064	3,022
County's covered payroll	\$ 9,275	9,497	9,110	8,939	8,908
County's proportionate share of the net pension liability as a percentage of its covered payroll	56.19%	64.49%	62.77%	45.46%	33.92%
IPERS' net position as a percentage of the total pension liability	83.62%	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.

Muscatine County

Schedule of County Contributions

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

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 1,004	904	875	845
Contributions in relation to the statutorily required contribution	(1,004)	(904)	(875)	(845)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 9,790	9,275	9,497	9,110
Contributions as a percentage of covered payroll	10.26%	9.75%	9.21%	9.28%
See accompanying independent auditor's report.				

2015	2014	2013	2012	2011	2010
833	830	854	829	666	614
(833)	(830)	(854)	(829)	(666)	(614)
-	-	-	-	-	-
8,939	8,908	9,282	9,468	8,513	8,480
9.32%	9.32%	9.20%	8.76%	7.82%	7.24%

Muscatine County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

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

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.

Muscatine County

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

For the Last Two Years
Required Supplementary Information

	2019	2018
Service cost	\$ 44,927	35,301
Interest cost	28,349	27,157
Difference between expected and actual experiences	26,046	(84,748)
Changes in assumptions	22,755	37,921
Benefit payments	(42,020)	(60,426)
Net change in total OPEB liability	80,057	(44,795)
Total OPEB liability beginning of year	708,417	753,212
Total OPEB liability end of year	\$ 788,474	708,417
Covered-employee payroll	\$ 9,933,233	9,775,040
Total OPEB liability as a percentage of covered-employee payroll	7.9%	7.2%

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, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Muscatine County

Supplementary Information

Muscatine County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2019

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	County Sheriff's Forfeiture
Assets			
Cash, cash equivalents and pooled investments	\$ 30,325	114,586	106,891
Receivables:			
Succeeding year tax increment financing	-	-	-
Due from other governments	-	-	45,758
Total assets	\$ 30,325	114,586	152,649
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,113	-	-
Salaries payable	-	291	-
Total liabilities	1,113	291	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Fund balances:			
Restricted for other purposes	29,212	114,295	152,649
Total liabilities, deferred inflows of resources and fund balances	\$ 30,325	114,586	152,649

See accompanying independent auditor's report.

Revenue

County Attorney's Forfeiture	Tax Increment Financing	Total
24,588	-	276,390
-	85,000	85,000
-	-	45,758
24,588	85,000	407,148
-	-	1,113
-	-	291
-	-	1,404
-	85,000	85,000
24,588	-	320,744
24,588	85,000	407,148

Muscatine County

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

Year ended June 30, 2019

	County Recorder's Records Management	Resource Enhancement and Protection	Special County Sheriff's Forfeiture
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	14,545	-
Charges for service	5,345	-	-
Use of money and property	1,046	2,287	-
Miscellaneous	-	-	83,909
Total revenues	6,391	16,832	83,909
Expenditures:			
Operating:			
Public safety and legal services	-	-	8,469
County environment and education	-	32,555	-
Governmental services to residents	1,253	-	-
Total expenditures	1,253	32,555	8,469
Excess (deficiency) of revenues over (under) expenditures	5,138	(15,723)	75,440
Fund balances beginning of year	24,074	130,018	77,209
Fund balances end of year	\$ 29,212	114,295	152,649

See accompanying independent auditor's report.

 Revenue

County Attorney's Forfeiture	Tax Increment Financing	Total
-	86,325	86,325
-	6,006	20,551
-	-	5,345
469	-	3,802
34,218	-	118,127
<hr/> 34,687	<hr/> 92,331	<hr/> 234,150
15,000	-	23,469
-	92,331	124,886
-	-	1,253
<hr/> 15,000	<hr/> 92,331	<hr/> 149,608
19,687	-	84,542
4,901	-	236,202
<hr/> 24,588	<hr/> -	<hr/> 320,744

Schedule 3

Muscatine County
Combining Schedule of Net Position
Proprietary Funds

June 30, 2019

	<u>Internal Service - Health Insurance Trust</u>	<u>Internal Service - County Insurance Trust</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,179,349	79,168	1,258,517
Liabilities			
Accounts payable	364,030	270	364,300
Net Position			
Unrestricted	\$ 815,319	78,898	894,217

See accompanying independent auditor's report.

Muscatine County

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

Year ended June 30, 2019

	Internal Service - Health Insurance Trust	Internal Service - County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 2,406,279	25,000	2,431,279
Reimbursements from others	244,045	53,218	297,263
Total operating revenues	<u>2,650,324</u>	<u>78,218</u>	<u>2,728,542</u>
Operating expenses:			
Health claims and administrative services	\$ 2,695,313	-	2,695,313
Loss contingencies and deductibles	-	45,259	45,259
Total operating expenses	<u>2,695,313</u>	<u>45,259</u>	<u>2,740,572</u>
Operating income (loss)	(44,989)	32,959	(12,030)
Non-operating revenues:			
Interest income	16,243	-	16,243
Net income (loss)	(28,746)	32,959	4,213
Net position beginning of year	844,065	45,939	890,004
Net position end of year	<u>\$ 815,319</u>	<u>78,898</u>	<u>894,217</u>

See accompanying independent auditor's report.

Muscatine County

Muscatine County
Combining Schedule of Cash Flows
Proprietary Funds

Year ended June 30, 2019

	Internal Service - Health Insurance Trust	Internal Service - County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 2,406,279	25,000	2,431,279
Cash received from employees and others	244,045	53,267	297,312
Cash paid to suppliers for services	(2,709,776)	(92,301)	(2,802,077)
Net cash used by operating activities	(59,452)	(14,034)	(73,486)
Cash flows from investing activities:			
Interest on investments	16,243	-	16,243
Net decrease in cash and cash equivalents	(43,209)	(14,034)	(57,243)
Cash and cash equivalents beginning of year	1,222,558	93,202	1,315,760
Cash and cash equivalents end of year	\$ 1,179,349	79,168	1,258,517
Reconciliation of operating income (loss) to net cash cash provided (used) by operating activities:			
Operating income (loss)	\$ (44,989)	32,959	(12,030)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Decrease in accounts receivable	-	50	50
Decrease in accounts payable	(14,463)	(47,043)	(61,506)
Net cash used by operating activities	\$ (59,452)	(14,034)	(73,486)

See accompanying independent auditor's report.

Muscatine County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	1,621	406,308	165,193	11,531	159,436
Other County officials	1,671,808	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	1,067	2,565	108,011	7,537	46,608
Succeeding year	-	281,000	687,000	27,155,000	1,929,000	19,786,000
Accounts	11,114	-	-	-	-	-
Assessments	-	-	-	-	-	147,292
Due from other governments	-	-	-	58,013	-	-
Total assets	\$ 1,682,922	283,688	1,095,873	27,486,217	1,948,068	20,139,336
Liabilities						
Liabilities:						
Accounts payable	\$ -	-	249	-	-	-
Accrued interest payable	-	982	-	-	-	-
Salaries and benefits payable	-	-	7,135	-	-	-
Due to other governments	40,119	46,919	1,034,244	27,486,217	1,948,068	20,139,336
Trusts payable	1,642,803	-	-	-	-	-
Notes payable	-	235,787	-	-	-	-
Compensated absences	-	-	54,245	-	-	-
Total liabilities	\$ 1,682,922	283,688	1,095,873	27,486,217	1,948,068	20,139,336

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
1,531	1,024,130	1,227,688	421,862	-	1,178,158	4,597,458
-	-	-	-	52,987	-	1,724,795
2,955	-	-	-	-	425	169,168
521,000	-	-	-	-	27,000	50,386,000
-	-	-	30	-	52,309	63,453
-	-	-	-	-	-	147,292
-	-	-	-	8,000	73	66,086
525,486	1,024,130	1,227,688	421,892	60,987	1,257,965	57,154,252
-	-	62,088	4,592	3,671	129	70,729
-	-	3,151	-	-	-	4,133
-	-	-	30,544	-	1,412	39,091
525,486	1,024,130	859,839	328,682	57,316	741,539	54,231,895
-	-	-	-	-	511,984	2,154,787
-	-	302,610	-	-	-	538,397
-	-	-	58,074	-	2,901	115,220
525,486	1,024,130	1,227,688	421,892	60,987	1,257,965	57,154,252

Muscatine County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Balances beginning of year	\$ 1,508,667	273,591	986,825	27,965,828	1,955,446	19,593,502
Additions:						
Property and other county tax	-	282,824	691,243	27,295,012	1,940,236	19,605,829
911 surcharge	-	-	-	-	-	-
State tax credits	-	24,096	57,939	2,456,545	171,838	2,030,807
Office fees and collections	781,573	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	109,781
Trusts	7,620,251	-	-	-	-	-
Miscellaneous	3,773	-	405	58,013	-	-
Total additions	8,405,597	306,920	749,587	29,809,570	2,112,074	21,746,417
Deductions:						
Agency remittances:						
To other funds	355,786	-	-	-	-	-
To other governments	423,935	296,823	640,539	30,289,181	2,119,452	21,200,583
Trusts paid out	7,451,621	-	-	-	-	-
Total deductions	8,231,342	296,823	640,539	30,289,181	2,119,452	21,200,583
Balances end of year	\$ 1,682,922	283,688	1,095,873	27,486,217	1,948,068	20,139,336

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
473,123	1,066,525	690,436	515,060	228,194	971,232	56,228,429
529,722	-	-	-	-	399,644	50,744,510
-	-	-	-	-	181,808	181,808
29,162	-	-	-	-	1,681	4,772,068
-	-	-	-	-	-	781,573
-	12,951,861	-	-	-	-	12,951,861
-	-	261,346	-	-	-	371,127
-	-	-	-	-	355,873	7,976,124
-	-	686,927	1,388,518	99,371	1,900,005	4,137,012
558,884	12,951,861	948,273	1,388,518	99,371	2,839,011	81,916,083
-	417,914	-	-	-	-	773,700
506,521	12,576,342	411,021	1,481,686	266,578	2,169,800	72,382,461
-	-	-	-	-	382,478	7,834,099
506,521	12,994,256	411,021	1,481,686	266,578	2,552,278	80,990,260
525,486	1,024,130	1,227,688	421,892	60,987	1,257,965	57,154,252

Muscatine County

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

For the Last Ten Years

	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 15,598,013	15,976,080	16,078,839	15,451,678
Local option sales tax	2,070,774	1,868,551	1,834,732	1,742,843
Tax increment financing	86,325	87,444	88,317	76,889
Interest and penalty on property tax	158,030	123,955	135,312	140,335
Intergovernmental	10,644,978	9,916,962	9,367,575	9,583,356
Licenses and permits	99,481	106,446	110,629	96,334
Charges for service	1,096,519	1,232,865	1,122,809	1,092,826
Use of money and property	1,486,993	1,099,398	805,212	754,263
Miscellaneous	643,283	305,998	285,938	439,513
Total	\$ 31,884,396	30,717,699	29,829,363	29,378,037
Expenditures:				
Operating:				
Public safety and legal services	\$ 11,517,204	10,053,308	9,364,305	9,466,411
Physical health and social services	1,066,511	1,085,437	1,123,752	1,052,397
Mental health	1,437,479	1,540,680	2,318,210	3,677,254
County environment and education	1,418,799	1,263,242	1,271,784	1,283,865
Roads and transportation	6,297,873	6,019,011	6,623,286	6,039,385
Governmental services to residents	851,978	861,780	828,728	782,245
Administration	3,067,190	2,836,858	2,872,291	2,773,214
Debt service	1,893,360	1,918,335	2,355,330	8,600,742
Capital projects	2,082,330	2,506,326	3,457,540	4,205,733
Total	\$ 29,632,724	28,084,977	30,215,226	37,881,246

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
15,270,600	15,361,152	15,013,220	14,501,893	14,082,221	13,301,678
1,748,584	1,674,268	1,578,784	1,660,363	1,515,990	1,569,049
38,696	28,799	20,326	2,646,694	2,524,868	2,426,949
137,528	26,500	137,636	142,125	163,591	143,331
7,930,172	8,736,740	8,407,267	12,088,460	9,343,296	9,280,544
98,809	79,010	69,129	56,217	49,240	57,704
994,284	1,045,893	1,049,328	1,014,654	999,475	949,125
543,784	537,210	728,408	529,790	333,308	336,494
588,395	349,462	229,717	255,121	115,649	163,573
<u>27,350,852</u>	<u>27,839,034</u>	<u>27,233,815</u>	<u>32,895,317</u>	<u>29,127,638</u>	<u>28,228,447</u>
8,917,179	8,502,516	9,230,897	9,097,021	7,905,440	7,263,162
1,078,192	1,165,740	1,111,050	1,165,653	1,178,269	1,295,177
3,013,461	2,481,692	2,555,780	6,145,291	5,068,043	4,673,403
1,127,924	1,012,652	924,589	920,798	1,396,550	1,611,528
5,984,880	5,123,328	5,082,667	5,284,511	4,101,712	6,087,223
743,278	783,569	758,477	920,329	820,077	874,604
2,781,434	2,575,095	2,700,947	2,713,389	2,562,491	2,526,382
1,808,964	1,630,158	1,574,173	4,461,871	4,175,606	3,835,638
1,544,236	4,796,032	2,895,030	1,219,947	7,032,504	5,338,057
<u>26,999,548</u>	<u>28,070,782</u>	<u>26,833,610</u>	<u>31,928,810</u>	<u>34,240,692</u>	<u>33,505,174</u>



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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 Muscatine 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 Muscatine County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 9, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muscatine 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, 2019 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.

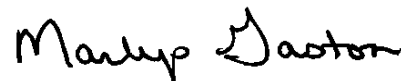
Muscatine County's Responses to the Findings

Muscatine County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Muscatine 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 Muscatine County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 9, 2020

Muscatine County
Schedule of Findings
Year ended June 30, 2019

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:

County Recorder – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and disbursements. Also, responsibilities for maintaining detailed accounts receivable records are not segregated from those for collections and records postings.

County Attorney – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and disbursements.

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

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

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

Muscatine County
Schedule of Findings
Year ended June 30, 2019

Responses –

County Recorder – We will try to utilize outside individuals to help this matter.

County Attorney – We will review procedures and ensure compliance going forward.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine County

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – 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 – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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.
- (10) 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, 2019 for the County Extension Office did not exceed the amount budgeted.
- (11) Muscatine County Drug Task Force – The Muscatine County Drug Task Force is operated under the authority of Chapter 28E of the Code of Iowa and is administered by an Executive Committee separate and distinct from County operations.

Muscatine County

Schedule of Findings

Year ended June 30, 2019

Chapter 28E(6)(3)(a) of the Code of Iowa requires the Muscatine County Drug Task Force to publish a summary of the proceedings of each regular, adjourned, or special meeting, a schedule of bills allowed after adjournment of the meeting in one newspaper of general circulation within the geographic area served by the joint board of the entity. Minutes of meetings should include date, time, and location of the meetings. Information should be submitted for publication to the newspaper within 20 days following the adjournment of the meeting. While the Muscatine County Drug Task Force published a summary of the proceedings of each meeting, those summaries did not include a schedule of bills allowed as required by Chapter 28E(6)(3)(a) of the Code of Iowa.

Recommendation – The Task Force should comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa.

Response – We will review procedures and ensure compliance going forward.

Conclusion – Response accepted.

- (12) Muscatine County Joint Communications (MUSCOM) – MUSCOM is operated under the authority of Chapter 28E of the Code of Iowa and is administered by the Muscatine County Joint Communications Commission (MCJCC) and the MUSCOM User Group (User Group) separate and distinct from County operations. Section 8 of the 28E agreement requires both the MCJCC and the User Group to follow the meeting requirements of Chapters 21, 22 and 28E of the Code of Iowa.

Chapter 28E(6)(3)(a) of the Code of Iowa requires both the MCJCC and the User Group to publish a summary of the proceedings of each regular, adjourned, or special meeting in one newspaper of general circulation within the geographic area served by the joint board of the entity. Minutes of meetings should include date, time, and location of the meetings. Information should be submitted for publication to the newspaper within 20 days following the adjournment of the meeting. There was no evidence the minutes for five of eight MCJCC meetings and two of five User Group meetings held during the fiscal year were submitted for publication.

Recommendation – Both the MCJCC and the User Group should comply with the publication requirements of Chapter 28E(6)(3)(a) of the Code of Iowa.

Response – The MCJCC and the User Group have been made aware of the publication requirements.

Conclusion – Response accepted.

Muscatine County

Staff

This audit was performed by:

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