



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 30, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$13,333,008 for the year ended June 30, 2019, a 20.6% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$10,920,734, a 3.1% decrease from the prior year. The significant increase in the revenue is due primarily to secondary roads infrastructure contributed by the Iowa Department of Transportation.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 76 through 80 of this report. The findings address issues such as lack of segregation of duties, material amounts of receivables and capital assets not properly recorded in the County's financial statements and expenditures exceeding the budget prior to the budget amendment. Sand provided the County with recommendations to address each of these findings.

All of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County'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 Office of Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

Union County



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

March 9, 2020

Officials of Union County
Creston, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Union 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 Union 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, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Union County
Officials
(Before January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dale Cline	Board of Supervisors	Nov 2018
Ron Riley	Board of Supervisors	Jan 2019
Dennis Brown	Board of Supervisors	Jan 2021
Sandy Hysell	County Auditor	Jan 2021
Kelly Busch	County Treasurer	Jan 2019
Katie Carlton	County Recorder	Nov 2018
Rick L. Piel	County Sheriff	Jan 2021
Timothy R. Kenyon	County Attorney	Jan 2019
Mindy Schaefer	County Assessor	Jan 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Brown	Board of Supervisors	Jan 2021
Rick Friday	Board of Supervisors	Jan 2023
Ron Riley	Board of Supervisors	Jan 2023
Sandy Hysell	County Auditor	Jan 2021
Kelly Busch	County Treasurer	Jan 2023
Katie Carlton	County Recorder	Jan 2023
Rick L. Piel	County Sheriff	Jan 2021
Timothy R. Kenyon	County Attorney	Jan 2023
Mindy Schaefer	County Assessor	Jan 2021

Union County



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Independent Auditor's Report

To the Officials of Union County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 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 Union 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 54 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

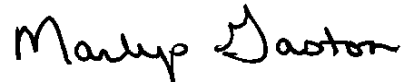
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the 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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2020 on our consideration of Union County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely 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 of 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 Union 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

Union County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 20.6%, or approximately \$2,276,000, over fiscal year 2018. Capital grants, contributions and restricted interest increased approximately \$2,882,000 and operating grants, contributions and restricted interest decreased approximately \$513,000.
- Program expenses of the County's governmental activities were 3.1%, or approximately \$344,000, less in fiscal year 2019 than in fiscal year 2018. County environment and education and public safety and legal services expenses decreased approximately \$548,000 and \$138,000 while roads and transportation and administration expenses increased approximately \$182,000 and \$140,000, respectively.
- The County's net position increased 18.67% or approximately \$2,413,000, 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 Union County as a whole and present an overall view of the County's finances.

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. 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	\$ 18,922	12,270
Capital assets	18,571	15,425
Total assets	37,493	27,695
Deferred outflows of resources	722	873
Long-term liabilities	16,110	9,743
Other liabilities	478	532
Total liabilities	16,588	10,275
Deferred inflows of resources	6,289	5,366
Net position:		
Net investment in capital assets	13,283	9,457
Restricted	2,313	3,943
Unrestricted	(257)	(474)
Total net position	\$ 15,339	12,926

Net position of Union County's governmental activities increased 18.7% (approximately \$15.3 million compared to approximately \$12.9 million). The largest portion of the County's net position is invested in capital assets (e.g. land, buildings, infrastructure and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 40.5% over the prior year due to infrastructure contributed by the Iowa Department of Transportation.

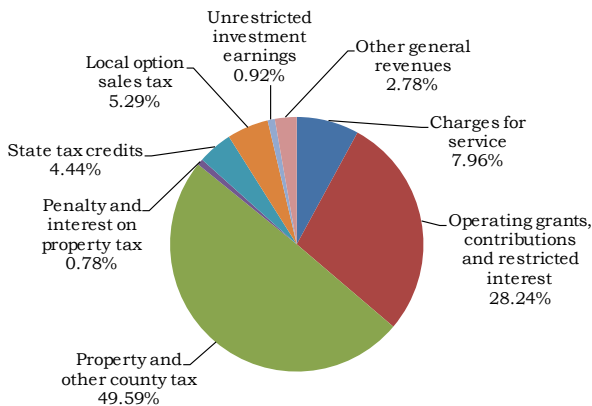
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The decrease of 41.3% in restricted net position from the prior year is primarily due to unspent bond proceeds.

Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from a deficit of approximately \$474,000 at June 30, 2018 to a deficit of approximately \$257,000 at the end of this year, an increase of 45.8%. The increase is primarily due to a decrease in the net pension and total OPEB liabilities.

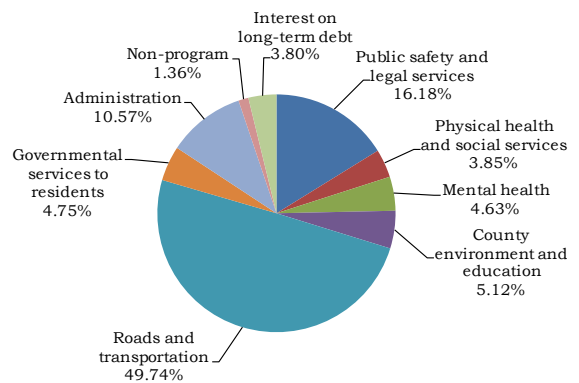
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 832	922
Operating grants, contributions and restricted interest	2,952	3,519
Capital grants, contributions and restricted interest	2,882	-
General revenues:		
Property and other county tax	5,182	5,166
Penalty and interest on property tax	82	94
State tax credits	464	455
Local option sales tax	553	498
Unrestricted investment earnings	96	47
Other general revenues	290	357
Total revenues	13,333	11,058
Program expenses:		
Public safety and legal services	1,767	1,905
Physical health and social services	421	432
Mental health	506	485
County environment and education	559	1,107
Roads and transportation	5,432	5,250
Governmental services to residents	519	570
Administration	1,154	1,014
Non-program	148	164
Interest on long-term debt	415	338
Total expenses	10,921	11,265
Change in net position	2,412	(207)
Net position beginning of year	12,926	13,133
Net position end of year	\$ 15,338	12,926

Revenues by Source



Expenses by Program



Union County's governmental activities net position of governmental activities increased approximately \$2,413,000 during the year. Revenues for governmental activities increased approximately \$2,276,000 over the prior year, including property tax revenue which increased over the prior year approximately \$16,000, or 0.3%, and capital grants, contributions and restricted interest which increased over the prior year approximately \$2,882,000, or 100%, due to infrastructure contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$10.9 million compared to approximately \$11.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$4.2 million because some of the cost was paid by those directly benefited from the programs (approximately \$832,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,888,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2019 from approximately \$4,441,000 to approximately \$6,720,000, principally due to receiving contributions of roads from the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Union County completed the year, its governmental funds reported a combined fund balance of approximately \$11.8 million compared to approximately \$5.7 million at June 30, 2018, an increase of approximately \$6,061,000. The increase in fund balance is primarily attributable to \$9,470,000 general obligation bonds issued during the year. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Union County, ended fiscal year 2019 with a balance of \$1,211,365, a decrease of \$42,842 from the fiscal year 2018 ending balance of \$1,254,207.
- The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year-end increased \$10,223, over the June 30, 2018 fund balance of \$45,977 to \$56,200. The increase in fund balance is the result of the County collecting more in property tax compared to fiscal year 2018. During fiscal year 2019, the County utilized the Special Revenue, Mental Health Fund for the collecting and distributing property tax to the Southern Hills Regional Mental Health Agency.
- The Special Revenue, Rural Services Fund ending fund balance increased \$87,012, or 125%, from the prior year to \$156,821 primarily due to an increase in local option sales tax and property tax revenues credited to the Rural Fund.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2019 with a \$1,059,182 fund balance, an increase of \$70,797 compared to the prior year ending fund balance of \$988,385. The fund balance increase was due, in part, to an increase in road use tax revenues of \$137,182.
- The Debt Service Fund balance decreased from \$1,643,222 at the end of fiscal year 2018 to \$1,381,608 at the end of fiscal year 2019. The fund balance decreased as a result of an increase in Debt Service Fund expenses of approximately \$1,000,000 and a decrease in revenues of approximately \$45,000. The end of year fund balance includes a \$485,623 receivable from the Prairie Solid Waste Agency for general obligation solid waste disposal notes issued for the Agency.
- The Capital Projects Fund balance increased by approximately \$6,194,000 or 417%, over the prior year to \$7,681,006. The increase is primarily due to proceeds from the issuance of general obligation bonds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union County amended its budget twice. The amendments were made in January 2019 and May 2019 and primarily resulted in an increase in budgeted disbursements related to the roads and transportation and capital projects functions.

The County's receipts were \$540,725 more than budgeted, a variance of 5.5%. The most significant variance resulted from the road use tax receipts being more than expected.

Total disbursements were \$8,972,435 less than the amended budget. The most significant variances resulted from public safety and legal services, physical health and social services and capital projects disbursements being less than expected. The capital projects came in lower due to less than expected activity related to the acquisition of emergency services communication equipment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Union County had approximately \$18.6 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,145,000, or 20.4%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2019	2018
Land	\$ 254	254
Construction in progress, road network	312	-
Buildings	596	633
Improvements other than buildings	12	13
Equipment and vehicles	1,750	1,828
Infrastructure	15,646	12,697
Total	\$ 18,570	15,425

This year's major additions were equipment and vehicles costing approximately \$262,000 and infrastructure costing approximately \$3,835,000.

Union County had depreciation expense of \$1,280,860 for fiscal year 2019 and total accumulated depreciation of \$11,899,675 at June 30, 2019. More detailed information about the County's capital assets is included in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, Union County had approximately \$13,530,000 of general obligation bonds, notes and other debt outstanding, compared to approximately \$6,753,000 at June 30, 2018, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2019	2018
Capital lease purchase agreements	\$ -	78
General obligation bonds	12,820	5,890
General obligation solid waste disposal notes	710	785
Total	\$ 13,530	6,753

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Union County's constitutional debt limit is approximately \$46 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

Debt increased as a result of issuing general obligation bonds for the acquisition and remodeling of a building for use by the County Human Services Department, the acquisition of emergency services communication equipment, and for a debt refunding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Union County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.1% versus 3.6% a year ago. This compares with the State's unemployment rate of 2.6% and the national rate of 3.7%.

These indicators were taken into account when adopting the budget for fiscal year 2020. Amounts available for appropriation in the operating budget are approximately \$21.4 million, a decrease of 13.40% from the final fiscal year 2019 budget. The property tax rate for urban areas increased slightly from \$8.58489 per \$1,000 of taxable valuation to \$9.62573 per \$1,000 of taxable valuation for fiscal year 2020. The property tax rate in rural areas increased from \$12.42 per \$1,000 of taxable valuation to \$13.42 per \$1,000 of taxable valuation. The County is working to lower its debt and tax rates.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Union County Auditor's Office, 300 N. Pine Street, Suite 2, Creston, Iowa 50801.

Basic Financial Statements

Union County
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 11,408,142
Cash held by health plan trustee	243,753
Receivables:	
Property tax:	
Delinquent	29,395
Succeeding year	5,854,000
Interest and penalty on property tax	121,318
Loan	485,623
Accounts	66,074
Accrued interest	13,742
Due from other governments	331,031
Prepaid expense	103,791
Inventories	265,526
Capital assets, net of accumulated depreciation	18,570,607
Total assets	37,493,002
Deferred Outflows of Resources	
Pension related deferred outflows	667,067
OPEB related deferred outflows	54,726
Total deferred outflows of resources	721,793
Liabilities	
Accounts payable	370,785
Accrued interest payable	33,062
Salaries and benefits payable	1,909
Due to other governments	72,165
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,425,000
General obligation solid waste disposal notes	80,000
Compensated absences	113,006
Portion due or payable after one year:	
General obligation bonds	11,395,000
General obligation solid waste disposal notes	630,000
Compensated absences	135,462
Net pension liability	1,849,138
Total OPEB liability	482,001
Total liabilities	16,587,528
Deferred Inflows of Resources	
Unavailable property tax revenue	5,854,000
Pension related deferred inflows	434,583
Total deferred inflows of resources	6,288,583
Net Position	
Net investment in capital assets	13,282,556
Restricted for:	
Supplemental levy purposes	63,458
Mental health	46,426
Rural services purposes	159,586
Secondary roads purposes	938,348
Debt service	643,675
Capital projects	149,057
Other purposes	312,707
Unrestricted	(257,129)
Total net position	\$ 15,338,684

See notes to financial statements.

Union 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	\$ 1,767,497	91,029	12,009	-	(1,664,459)
Physical health and social services	421,193	28,927	162,157	-	(230,109)
Mental health	505,973	-	-	-	(505,973)
County environment and education	558,677	160,341	51,255	-	(347,081)
Roads and transportation	5,432,110	82,626	2,726,474	2,807,928	184,918
Governmental services to residents	518,573	249,629	-	-	(268,944)
Administration	1,153,754	63,591	-	-	(1,090,163)
Non-program	147,613	155,814	-	-	8,201
Interest on long-term debt	415,344	-	-	73,638	(341,706)
Total	\$ 10,920,734	831,957	2,951,895	2,881,566	(4,255,316)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,367,431
Debt service					814,379
Penalty and interest on property tax					81,682
State tax credits					464,231
Local option sales tax					552,955
Unrestricted investment earnings					96,433
Rents					29,400
Gain on disposal of capital assets					62,809
Miscellaneous					198,270
Total general revenues					6,667,590
Change in net position					2,412,274
Net position beginning of year					12,926,410
Net position end of year					\$ 15,338,684
See notes to financial statements.					

Union County
Balance Sheet
Governmental Funds

June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 1,189,169	56,200	150,186	843,225
Receivables:				
Property tax:				
Delinquent	18,608	2,893	2,765	-
Succeeding year	3,041,000	462,000	993,000	-
Interest and penalty on property tax	121,318	-	-	-
Loan	-	-	-	-
Accounts	18,679	-	200	1,689
Interest	13,742	-	-	-
Due from other governments	79,589	-	23,079	228,363
Inventories	-	-	-	265,526
Total assets	\$ 4,482,105	521,093	1,169,230	1,338,803
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 34,906	-	10,912	279,251
Salaries and benefits payable	1,909	-	-	-
Due to other governments	52,999	-	5,732	370
Total liabilities	89,814	-	16,644	279,621
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,041,000	462,000	993,000	-
Other	139,926	2,893	2,765	-
Total deferred inflows of resources	3,180,926	464,893	995,765	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	265,526
Restricted for:				
Supplemental levy purposes	59,318	-	-	-
Mental health	-	56,200	-	-
Rural services purposes	-	-	156,821	-
Secondary roads purposes	-	-	-	793,656
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation land acquisition/ capital improvements	50,410	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility	5,490	-	-	-
Commissary	4,924	-	-	-
Inmate medical	100,000	-	-	-
Unassigned	991,223	-	-	-
Total fund balances	1,211,365	56,200	156,821	1,059,182
Total liabilities, deferred inflows of resources and fund balances	\$ 4,482,105	521,093	1,169,230	1,338,803

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
895,985	7,739,623	262,297	11,136,685
5,129	-	-	29,395
1,358,000	-	-	5,854,000
-	-	-	121,318
485,623	-	-	485,623
-	-	-	20,568
-	-	-	13,742
-	-	-	331,031
-	-	-	265,526
2,744,737	7,739,623	262,297	18,257,888
-	45,553	-	370,622
-	-	-	1,909
-	13,064	-	72,165
-	58,617	-	444,696
1,358,000	-	-	5,854,000
5,129	-	-	150,713
1,363,129	-	-	6,004,713
-	-	-	265,526
-	-	-	59,318
-	-	-	56,200
-	-	-	156,821
-	-	-	793,656
1,381,608	-	-	1,381,608
-	7,681,006	-	7,681,006
-	-	-	50,410
-	-	262,297	262,297
-	-	-	5,490
-	-	-	4,924
-	-	-	100,000
-	-	-	991,223
1,381,608	7,681,006	262,297	11,808,479
2,744,737	7,739,623	262,297	18,257,888

Union County

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

June 30, 2019

Total governmental fund balances (page 19) \$ 11,808,479

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 \$30,470,282 and the accumulated depreciation is 11,899,675. 18,570,607

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. 150,713

The Internal Service Fund is used by management to charge the cost of the premiums for the County's health insurance benefit plan. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 664,344

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	\$ 721,793	
Deferred inflows of resources	<u>(434,583)</u>	287,210

Long-term liabilities, including bonds and 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. (16,142,669)

Net position of governmental activities (page 16) \$ 15,338,684

See notes to financial statements.

Union 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	\$ 2,967,730	461,390	987,201	-
Local option sales tax	110,592	-	165,886	276,477
Interest and penalty on property tax	89,932	-	-	-
Intergovernmental	430,873	43,989	124,317	2,764,760
Licenses and permits	16,524	-	-	5,110
Charges for service	489,208	-	10,690	-
Use of money and property	97,420	-	-	-
Miscellaneous	106,011	-	-	39,230
Total revenues	4,308,290	505,379	1,288,094	3,085,577
Expenditures:				
Operating:				
Public safety and legal services	1,676,619	-	77,712	-
Physical health and social services	293,539	-	123,292	-
Mental health	-	495,156	-	-
County environment and education	452,323	-	99,627	-
Roads and transportation	-	-	77,642	3,926,355
Governmental services to residents	526,996	-	-	-
Administration	1,147,511	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,421
Total expenditures	4,096,988	495,156	378,273	3,927,776
Excess (deficiency) of revenues over (under) expenditures	211,302	10,223	909,821	(842,199)
Other financing sources (uses):				
Transfers in	-	-	-	912,996
Transfers out	(254,144)	-	(822,809)	-
General Obligation bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
General obligation bonds refunded	-	-	-	-
Total other financing sources (uses)	(254,144)	-	(822,809)	912,996
Change in fund balances	(42,842)	10,223	87,012	70,797
Fund balances beginning of year	1,254,207	45,977	69,809	988,385
Fund balances end of year	\$ 1,211,365	56,200	156,821	1,059,182

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
821,655		-	5,237,976
-	-	-	552,955
-	-	-	89,932
101,024	-	12,056	3,477,019
-	-	-	21,634
-	-	2,425	502,323
17,198	76,938	3,278	194,834
36,270	-	-	181,511
976,147	76,938	17,759	10,258,184
-	-	-	1,754,331
-	-	2,768	419,599
-	-	-	495,156
-	-	-	551,950
-	-	-	4,003,997
-	-	1,655	528,651
-	-	-	1,147,511
1,568,713	-	-	1,568,713
-	1,918,980	-	1,920,401
1,568,713	1,918,980	4,423	12,390,309
(592,566)	(1,842,042)	13,336	(2,132,125)
-	174,127	7,666	1,094,789
-	-	(17,836)	(1,094,789)
1,715,952	7,754,048	-	9,470,000
-	108,052	-	108,052
(1,385,000)	-	-	(1,385,000)
330,952	8,036,227	(10,170)	8,193,052
(261,614)	6,194,185	3,166	6,060,927
1,643,222	1,486,821	259,131	5,747,552
1,381,608	7,681,006	262,297	11,808,479

Union County

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

Year ended June 30, 2019

Change in fund balances - Total governmental funds (page 23) \$ 6,060,927

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

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

Expenditures for capital assets	\$ 1,559,947	
Capital assets contributed by the Iowa Department of Transportation	2,807,928	
Depreciation expense	<u>(1,285,164)</u>	3,082,711

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. 62,809

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	(56,166)	
Other	<u>(8,250)</u>	(64,416)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year issuances exceeded repayments, as follows:

Issued	(9,470,000)	
Repaid	<u>2,693,352</u>	(6,776,648)

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. 279,425

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	(38,537)	
OPEB expense	(12,126)	
Pension expense	(236,253)	
Interest on long-term debt	<u>(12,816)</u>	(299,732)

The Internal Service Fund is used by management to charge the costs of the premiums of the County's health insurance benefit plan . The change in net position of the Internal Service Fund is reported with governmental activities. 67,196

Change in net position of governmental activities (page 17) \$ 2,412,272

See notes to financial statements.

Union County
Statement of Net Position
Proprietary Fund

June 30, 2019

	Internal Service - Employee Group Health
Current Assets	
Cash, cash equivalents and pooled investments	\$ 271,457
Cash held by health plan trustee	243,753
Account receivable	45,506
Prepaid expense	103,791
Total current assets	664,507
Current Liabilities	
Account payable	163
Total current Liabilities	163
Net Position	
Unrestricted	\$ 664,344

See notes to financial statements.

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

Year ended June 30, 2019

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,152,583
Reimbursements from employees and others	<u>35,571</u>
Total operating revenues	1,188,154
Operating expenses:	
Insurance premiums	<u>1,125,595</u>
Operating income	62,559
Non-operating revenues:	
Interest income	<u>4,637</u>
Net income	67,196
Net position beginning of year	<u>597,148</u>
Net position end of year	<u>\$ 664,344</u>
See notes to financial statements.	

Union County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2019

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,233,162
Cash paid to suppliers for services	(1,135,117)
Net cash provided by operating activities	98,045
Cash flows from investing activities:	
Interest on investments	4,637
Net increase in cash and cash equivalents	102,682
Cash and cash equivalents beginning of year	412,528
Cash and cash equivalents end of year	\$ 515,210
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 62,559
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in account payable	163
Decrease in account receivable	45,008
Increase in prepaid expense	(9,685)
Net cash provided by operating activities	\$ 98,045

See notes to financial statements.

Union County

Union County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 2,859,972
Other County officials	55,751

Receivables:

Property tax:

Delinquent	128,654
Succeeding year	14,299,000

Accounts	3,242
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Special assessments	63,611
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Due from other governments	167,689
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Total assets	17,577,919
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Liabilities

Accounts payable	181,458
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Due to other governments	17,240,150
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Trusts payable	136,243
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Compensated absences	20,068
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Total liabilities	17,577,919
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Net position	\$ -
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See notes to financial statements.

Union County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund 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 non-negotiable certificates of deposit which is stated at amortized cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable 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 receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure 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 initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	20 - 50
Land improvements	20 - 50
Infrastructure	10 - 65
Vehicles	5 - 15
Machinery and equipment	3 - 20

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

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

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Union 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 receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension 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, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the debt service function prior to the budget amendment. Also, disbursements in the conservation department exceeded the amount appropriated prior to amendment and at year end.

(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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 100,353
	Special Revenue: Rural Services	<u>812,643</u>
		<u>912,996</u>
Special Revenue: Flood and Erosion	Special Revenue: Rural Services	<u>7,666</u>
Capital Projects	General	153,791
	Special Revenue: Resource Enhancement and Protection	17,836
	Rural Services	<u>2,500</u>
		<u>174,127</u>
Total		<u>\$ 1,094,789</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Construction in progress, road network	-	3,835,365	3,835,365	-
Construction in progress	-	311,749	-	311,749
Total capital assets not being depreciated	253,619	4,147,114	3,835,365	565,368
Capital assets being depreciated:				
Buildings	2,310,986	-	-	2,310,986
Improvements other than buildings	48,202	-	-	48,202
Equipment and vehicles	5,123,380	283,570	567,647	4,839,303
Infrastructure, road network	18,871,058	3,835,365	-	22,706,423
Total capital assets being depreciated	26,353,626	4,118,935	567,647	29,904,914
Less accumulated depreciation for:				
Buildings	1,678,100	37,258	-	1,715,358
Improvements other than buildings	35,396	512	-	35,908
Equipment and vehicles	3,294,723	361,446	567,647	3,088,522
Infrastructure, road network	6,173,939	885,948	-	7,059,887
Total accumulated depreciation	11,182,158	1,285,164	567,647	11,899,675
Total capital assets being depreciated, net	15,171,468	2,833,771	-	18,005,239
Governmental activities capital assets, net	\$ 15,425,087	6,980,885	3,835,365	18,570,607

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 70,541
Physical health and social services	3,610
County environment and education	42,107
Roads and transportation	1,149,874
Administration	19,032
Total depreciation expense - governmental activities	<u>\$ 1,285,164</u>

In a prior year, the County acquired two motor graders and two tractors under capital lease purchase agreements. The cost of the equipment was \$609,547 and the accumulated depreciation at June 30, 2019 was \$266,668.

(5) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 52,999
Special Revenue:		
Rural services	Services	5,732
Secondary Roads		370
Capital Projects	Services	<u>13,064</u>
Total for governmental funds		<u>\$ 72,165</u>
Agency:		
County Assessor	Collections	\$ 661,439
County Hospital		1,091,544
Schools		8,525,851
Community Colleges		459,095
Corporations		3,796,194
Townships		202,472
Auto License and Use Tax		343,789
Prairie Solid Waste		1,483,221
All other		<u>676,545</u>
Total for agency funds		<u>\$ 17,240,150</u>

(6) Long-Term Liabilities

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

	Capital Lease Purchase Agreements	General Obligation Bonds	General Obligation Solid Waste Disposal Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 78,352	5,890,000	785,000	209,934	2,303,115	476,631	9,743,032
Increases	-	9,470,000	-	244,242	-	44,245	9,758,487
Decreases	78,352	2,540,000	75,000	205,708	453,977	38,875	3,391,912
Balance end of year	<u>\$ -</u>	<u>12,820,000</u>	<u>710,000</u>	<u>248,468</u>	<u>1,849,138</u>	<u>482,001</u>	<u>16,109,607</u>
Due within one year	<u>\$ -</u>	<u>1,425,000</u>	<u>80,000</u>	<u>113,006</u>	<u>-</u>	<u>-</u>	<u>1,618,006</u>

General Obligation Bonds

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

Year Ending June 30,	Roads, Bridges and Litigation Issued September 29, 2010			Roads and Refunding Issued June 29, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	2.90%	\$ 295,000	51,350	2.70%	\$ 55,000	3,135
2021	3.10	310,000	42,795	3.00	55,000	1,650
2022	3.20	325,000	33,185	-	-	-
2023	3.30	335,000	22,785	-	-	-
2024	3.40	345,000	11,730	-	-	-
Total		\$ 1,610,000	161,845		\$ 110,000	4,785

Year Ending June 30,	Urban Renewal Issued July 24, 2017			2009A Current Refunding Issued December 3, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	3.00%	\$ 160,000	58,800	3.00%	\$ 345,000	41,700
2021	3.00	165,000	54,000	3.00	360,000	31,350
2022	3.00	165,000	49,050	3.00	350,000	20,550
2023	3.00	170,000	44,100	3.00	335,000	10,050
2024	3.00	175,000	33,750	-	-	-
2025-2029	3.00	925,000	80,850	-	-	-
2030	3.00	200,000	6,000	-	-	-
Total		\$ 1,960,000	326,550		\$ 1,390,000	103,650

Year Ending June 30,	Building Project Issued December 3, 2018			Communications Project Issued December 3, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	3.00%	\$ 40,000	18,363	3.00%	\$ 530,000	218,625
2021	3.00	50,000	17,162	3.00	645,000	202,725
2022	3.00	55,000	15,663	3.00	670,000	183,375
2023	3.00	55,000	14,012	3.00	695,000	163,275
2024	3.00	55,000	12,363	3.00	705,000	142,425
2025-2029	3.00-3.25	345,000	33,437	3.00-3.25	3,905,000	378,750
2030						
Total		\$ 600,000	111,000		\$ 7,150,000	1,289,175

Year Ending June 30,	Total		
	Principal	Interest	Total
2020	\$ 1,425,000	391,973	1,816,973
2021	1,585,000	349,682	1,934,682
2022	1,565,000	301,823	1,866,823
2023	1,590,000	254,222	1,844,222
2024	1,280,000	200,268	1,480,268
2025-2029	5,175,000	493,037	5,668,037
2030	200,000	6,000	206,000
Total	\$ 12,820,000	1,997,005	14,817,005

During the year ended June 30, 2019, the County retired \$2,540,000 of general obligation bonds.

On December 28, 2018, the County issued \$9,470,000 general obligation county purpose and refunding bonds, Series 2018 of which \$7,150,000 is to acquire emergency services communication equipment and \$600,000 to acquire and remodel a building for use by the County Human Services Department. The remaining \$1,720,000 is to currently refund the outstanding debt of the General Obligation County purpose bonds, Series 2009A Taxable build America bonds. The County refunded the bonds to reduce its total debt service payments by approximately \$53,675 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$48,704.

General Obligation Solid Waste Disposal Notes

During the year ended June 30, 2018, the County issued \$875,000 of general obligation urban renewal and refunding bonds, Series 2017. The proceeds were forwarded to the Prairie Solid Waste Agency, reported as an Agency Fund of the County, to refund the general obligation solid waste disposal notes, Series 2007B. Prairie Solid Waste Agency has agreed to pay the County the principal and interest on the general obligation refunding bonds as they come due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding less cash received from the Agency in excess of debt service payments on the general obligation solid waste disposal notes.

A summary of the County’s June 30, 2019 general obligation solid waste disposal note indebtedness is as follows:

Year Ending June 30,	Refunding Bond Series			
	Issued July 24, 2017			
Interest Rates	Principal	Interest	Total	
2020	3.00%	80,000	21,300	101,300
2021	3.00	85,000	18,900	103,900
2022	3.00	85,000	16,350	101,350
2023	3.00	85,000	13,800	98,800
2024	3.00	90,000	11,250	101,250
2025-2027	3.00	285,000	17,100	302,100
Total		\$ 710,000	98,700	808,700

During the year ended June 30, 2019, the County retired \$75,000 of general obligation solid waste disposal notes.

(7) Pension Plan

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

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

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

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

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for 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 were \$279,425.

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 \$1,849,138 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, 2019, the County's proportion was 0.029220%, which was a decrease of 0.005355% from its collective proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the County recognized pension expense of \$236,253. 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	\$ 17,500	57,420
Changes of assumptions	341,355	74,591
Net difference between projected and actual earnings on IPERS' investments	-	71,429
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	28,787	231,143
County contributions subsequent to the measurement date	279,425	-
Total	<u>\$ 667,067</u>	<u>434,583</u>

\$279,425 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$ 104,332
2021	13,637
2022	(89,284)
2023	(58,606)
2024	(17,020)
Total	<u>\$ (46,941)</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
T 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	\$ 3,558,546	1,849,138	415,535

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.

(8) 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 Union 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	16
Active employees	<u>58</u>
Total	<u>74</u>

Total OPEB Liability – The County's total OPEB liability of \$482,001 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)	3.00% per annum.
Rates of salary increase (effective June 30, 2019)	2.50% per annum.
Discount rate (effective June 30, 2019)	3.58% compounded annually, net of investment expense, including inflation.
Healthcare cost trend rate	5.00% for all years

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

Mortality rates are from the 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	<u>\$ 476,631</u>
Changes for the year:	
Service cost	26,914
Interest	17,331
Benefit payments	<u>(38,875)</u>
Net changes	<u>5,370</u>
Total OPEB liability end of year	<u>\$ 482,001</u>

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

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability	\$ 512,811	482,001	453,150

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 (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 440,438	482,001	530,489

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$51,001. At June 30, 2019, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 63,433
Changes in assumptions	(8,707)
Total	<u>\$ 54,726</u>

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

Year ending June 30,	Amount
2020	\$ 6,756
2021	6,756
2022	6,756
2023	6,756
Thereafter	<u>27,702</u>
	<u>\$ 54,726</u>

(9) Risk Management

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

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self-funding of the County’s health insurance benefit plan. Beginning July 1, 2011, the County discontinued the self-funding insurance plan and began purchasing commercial insurance. The Fund accounts for the collection of premiums from individuals and departments which are then paid to Employee Benefit Systems for the purchase of health insurance. The cash balance held by Employee Benefits Systems was \$243,753 at June 30, 2019.

At June 30, 2019, the County had an unrestricted net position of \$664,344 in the Employee Group Health Fund to cover future premium payments.

(11) 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 grant or otherwise benefits the governments or the citizens of those governments.

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 entity:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Creston	Urban renewal and economic development projects	\$ 10,016

(12) Jointly Governed Organization

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

Additions:

Contributions from governmental units:

Union County	\$ 78,599	
City of Creston	<u>67,679</u>	\$ 146,278
Miscellaneous		<u>30,063</u>
Total additions		176,341

Deductions:

Bed, towels and prisoner articles	813	
Building improvements	6,692	
Cleaning/housekeeping	3,886	
Contractual services	28,292	
Electric	33,239	
Insurance and collision damage	2,554	
Office equipment and repair	17,271	
Printing and supplies	1,837	
Sanitation service	360	
Software support and maintenance	42,403	
Telephone	17,468	
Miscellaneous	<u>4,511</u>	<u>159,326</u>

Net		17,015
Balance beginning of year		<u>64,399</u>
Balance end of year		<u>\$ 81,414</u>

(13) Early Childhood Iowa Area Board

The County is the fiscal agent for the Quad Counties 4 Kids Early Childhood Area, the Early Childhood Iowa Area Board for Union, Adams, Ringgold and Taylor Counties, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2019 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 44,194	-	44,194
Quality improvement	-	55,837	55,837
Allocation for administration	2,326	10,136	12,462
Other grant programs	-	275,086	275,086
Total state grants	46,520	341,059	387,579
Donations and other grants	-	1,875	1,875
Interest on investments	319	2,356	2,675
Total revenues	46,839	345,290	392,129
Expenditures:			
Program services:			
Early childhood	40,550	-	40,550
Quality improvement	-	63,483	63,483
School ready general use	-	281,188	281,188
Total program services	40,550	344,671	385,221
Administration	2,326	10,489	12,815
Total expenditures	42,876	355,160	398,036
Change in fund balance	3,963	(9,870)	(5,907)
Fund balance beginning of year	2,533	64,784	67,317
Fund balance end of year	\$ 6,496	54,914	61,410

(14) Southern Hills Regional Mental Health

The County is a member of Southern Hills Regional Mental Health, a consortium established in accordance with the provisions of Chapters 28E and 331.440(3) of the Code of Iowa for the purpose of administering mental health and disability services for its member counties. The member counties are Adair, Adams, Taylor and Union Counties. Pursuant to the consortium agreement, the County is the fiscal agent for the consortium. Each member county is represented on the consortium board, which is responsible for administering the consortium. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southern Hills Regional Mental Health for the year ended June 30, 2019, as follows:

Revenues:		
Property and other county tax	\$	461,390
Intergovernmental:		
State tax credits		<u>43,989</u>
Total revenues		505,379
Expenditures:		
Distribution to the Region		<u>495,156</u>
Excess of revenues over expenditures		10,223
Fund balance beginning of year		<u>45,977</u>
Fund balance end of year	\$	<u>56,200</u>

(15) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Union County

Required Supplementary Information

Union County

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

Required Supplementary Information

Year ended June 30, 2019

	Actual	Budgeted Amounts		Final to
		Original	Final	Net Variance
Receipts:				
Property and other county tax	\$ 5,779,622	5,905,779	5,905,779	(126,157)
Interest and penalty on property tax	89,932	30,120	30,120	59,812
Intergovernmental	3,518,028	3,271,840	3,271,840	246,188
Licenses and permits	25,392	29,250	29,250	(3,858)
Charges for service	486,935	423,649	423,649	63,286
Use of money and property	185,119	53,490	53,490	131,629
Miscellaneous	285,425	115,600	115,600	169,825
Total receipts	10,370,453	9,829,728	9,829,728	540,725
Disbursements:				
Public safety and legal services	1,749,135	1,930,185	1,983,185	234,050
Physical health and social services	422,038	552,108	575,108	153,070
Mental health	495,156	495,156	495,156	-
County environment and education	562,799	626,999	626,999	64,200
Roads and transportation	4,141,629	3,769,372	4,263,372	121,743
Governmental services to residents	530,266	575,592	590,092	59,826
Administration	1,146,822	1,140,325	1,154,825	8,003
Debt service	2,954,078	1,173,300	2,990,972	36,894
Capital projects	1,866,596	2,211,442	10,161,245	8,294,649
Total disbursements	13,868,519	12,474,479	22,840,954	8,972,435
Excess (deficiency) of receipts over (under) disbursements	(3,498,066)	(2,644,751)	(13,011,226)	9,513,160
Other financing sources, net	9,578,052	-	9,646,635	(68,583)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	6,079,986	(2,644,751)	(3,364,591)	9,444,577
Balance beginning of year	5,056,699	5,244,668	5,244,668	(187,969)
Balance end of year	\$ 11,136,685	2,599,917	1,880,077	9,256,608

See accompanying independent auditor's report.

Union 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	\$ 10,370,453	(112,269)	10,258,184
Expenditures	13,868,519	(1,478,210)	12,390,309
Net	(3,498,066)	1,365,941	(2,132,125)
Other financing sources, net	9,578,052	-	8,193,052
Beginning fund balances	5,056,699	690,853	5,747,552
Ending fund balances	<u>\$ 11,136,685</u>	<u>2,056,794</u>	<u>11,808,479</u>

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$10,366,475. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, 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 exceeded the amount budgeted in the debt service function prior to the amendment. Also, disbursements in the conservation department exceeded the amounts appropriated prior to the amendment and at year end.

Union 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	0.029220%	0.034575%	0.035642%	0.035565%	0.032056%
County's proportionate share of the net pension liability	\$ 1,849	2,303	2,243	1,757	1,271
County's covered payroll	\$ 2,878	3,056	2,957	2,894	2,711
County's proportionate share of the net pension liability as a percentage of its covered payroll	64.25%	75.36%	75.85%	60.7%	46.9%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	85.91%	87.61%	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.

Union County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 279	255	272	271
Contributions in relation to the statutorily required contribution	<u>(279)</u>	<u>(255)</u>	<u>(272)</u>	<u>(271)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 2,929	2,878	3,056	2,957
Contributions as a percentage of covered payroll	9.53%	8.86%	8.90%	9.16%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
264	240	218	194	169	154
(264)	(240)	(218)	(194)	(169)	(154)
-	-	-	-	-	-
2,894	2,687	2,608	2,532	2,459	2,387
9.12%	8.93%	8.36%	7.66%	6.87%	6.45%

Union 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.

Union County

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

For the Last Two Years
Required Supplementary Information

	<u>2019</u>	<u>2018</u>
Service cost	\$ 26,914	26,258
Interest cost	17,331	16,959
Difference between expected and actual experiences	-	79,095
Changes in assumptions	-	(10,857)
Benefit payments	<u>(38,875)</u>	<u>(28,055)</u>
Net change in total OPEB liability	<u>5,370</u>	<u>83,400</u>
Total OPEB liability beginning of year	<u>476,631</u>	<u>393,231</u>
Total OPEB liability end of year	<u>\$ 482,001</u>	<u>476,631</u>
Covered-employee payroll	\$ 2,873,544	2,830,458
Total OPEB liability as a percentage of covered-employee payroll	16.77%	16.84%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

Union County

Supplementary Information

Union County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2019

			Special
	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management
Assets			
Cash, cash equivalents and pooled investments	\$ 34,854	98,564	19,019
Fund Balances			
Fund balances restricted for other purposes	\$ 34,854	98,564	19,019

See accompanying independent auditor's report.

Revenue

Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	Total
105,476	4,384	262,297
105,476	4,384	262,297

Union County

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

Year ended June 30, 2019

	Flood and Erosion	Resource Enhancement and Protection	Special County Recorder's Records Management
Revenues:			
Intergovernmental	\$ -	12,056	-
Charges for service	-	-	2,425
Use of money and property	-	1,480	280
Total revenues	-	13,536	2,705
Expenditures:			
Operating:			
Physical Health and Social Services	-	-	-
Governmental services to residents	-	-	1,655
	-	-	1,655
Excess (deficiency) of revenues over (under) expenditures	-	13,536	1,050
Other financing sources (uses):			
Transfers in	7,666	-	-
Transfers out	-	(17,836)	-
Total other financing sources (uses)	7,666	(17,836)	-
Change in fund balances	7,666	(4,300)	1,050
Fund balances beginning of year	27,188	102,864	17,969
Fund balances end of year	\$ 34,854	98,564	19,019

See accompanying independent auditor's report.

Revenue		
Care Facility Hixinbaugh Trust	Care Facility Hipsley Trust	Total
-	-	12,056
-	-	2,425
1,518	-	3,278
1,518	-	17,759
-	2,768	2,768
-	-	1,655
-	2,768	4,423
1,518	(2,768)	13,336
-	-	7,666
-	-	(17,836)
-	-	(10,170)
1,518	(2,768)	3,166
103,958	7,152	259,131
105,476	4,384	262,297

Union County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,778	308,371	12,830
Other County officials	55,751	-	-	-
Receivables:				
Property tax:				
Delinquent	-	931	2,233	6,714
Succeeding year	-	151,000	364,000	1,072,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 55,751	153,709	674,604	1,091,544
Liabilities				
Accounts payable	\$ -	-	5,429	-
Due to other governments	34,535	153,709	661,439	1,091,544
Trusts payable	21,216	-	-	-
Compensated absences	-	-	7,736	-
Total liabilities	\$ 55,751	153,709	674,604	1,091,544

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Southern Hills MHDS	Other	Total
99,054	5,314	47,583	1,894	343,789	355,833	1,683,526	2,859,972
-	-	-	-	-	-	-	55,751
51,797	2,781	63,611	578	-	-	9	128,654
8,375,000	451,000	3,685,000	200,000	-	-	1,000	14,299,000
-	-	-	-	-	-	3,242	3,242
-	-	-	-	-	-	63,611	63,611
-	-	-	-	-	156,297	11,392	167,689
8,525,851	459,095	3,796,194	202,472	343,789	512,130	1,762,780	17,577,919
-	-	-	-	-	42,348	133,681	181,458
8,525,851	459,095	3,796,194	202,472	343,789	469,782	1,501,740	17,240,150
-	-	-	-	-	-	115,027	136,243
-	-	-	-	-	-	12,332	20,068
8,525,851	459,095	3,796,194	202,472	343,789	512,130	1,762,780	17,577,919

Union 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	County Hospital
Balances beginning of year	\$ 46,205	151,627	639,642	1,093,511
Additions:				
Property and other county tax	-	150,086	362,039	1,066,324
State tax credits	-	14,149	33,962	102,096
Contract law enforcement	-	-	-	-
Office fees and collections	295,459	-	19	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	170,732	-	-	-
Miscellaneous	6,646	-	25,676	-
Total additions	472,837	164,235	421,696	1,168,420
Deductions:				
Agency remittances:				
To other funds	42,025	-	-	-
To other governments	247,867	162,153	386,734	1,170,387
Trusts paid out	173,399	-	-	-
Total deductions	463,291	162,153	386,734	1,170,387
Balances end of year	\$ 55,751	153,709	674,604	1,091,544

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Southern Hills MHDS	Other	Total
8,393,431	452,757	3,520,489	198,866	328,833	407,721	1,637,651	16,870,733
8,329,429	448,565	3,651,832	201,997	-	-	1,422	14,211,694
785,954	42,285	451,722	11,786	-	-	137	1,442,091
-	-	-	-	-	-	145,978	145,978
-	-	-	-	-	-	2,426	297,904
-	-	-	-	4,130,102	-	-	4,130,102
-	-	-	-	-	-	17,510	17,510
-	-	-	-	-	-	349,000	519,732
-	-	-	-	-	1,108,521	2,059,403	3,200,246
9,115,383	490,850	4,103,554	213,783	4,130,102	1,108,521	2,575,876	23,965,257
-	-	-	-	37,903	-	-	79,928
8,982,963	484,512	3,827,849	210,177	4,077,243	1,004,112	2,450,747	23,004,744
-	-	-	-	-	-	-	173,399
8,982,963	484,512	3,827,849	210,177	4,115,146	1,004,112	2,450,747	23,258,071
8,525,851	459,095	3,796,194	202,472	343,789	512,130	1,762,780	17,577,919

Union 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	\$ 5,237,976	5,134,069	5,071,444	5,066,042
Local option sales tax	552,955	497,502	553,749	451,896
Tax increment financing	-	-	140,680	308,591
Interest and penalty on property tax	89,932	56,640	57,886	58,665
Intergovernmental	3,477,019	4,010,194	5,097,089	6,779,436
Licenses and permits	21,634	16,912	31,811	73,304
Charges for service	502,323	546,970	463,751	484,337
Use of money and property	194,834	77,918	71,730	59,838
Miscellaneous	181,511	128,895	220,924	158,576
Total	<u>\$ 10,258,184</u>	<u>10,469,100</u>	<u>11,709,064</u>	<u>13,440,685</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,754,331	1,814,328	1,658,968	1,621,213
Physical health and social services	419,599	428,475	443,101	427,515
Mental health	495,156	495,155	509,478	979,306
County environment and education	551,950	1,176,990	2,241,917	3,873,296
Roads and transportation	4,003,997	4,225,387	3,602,147	3,577,262
Governmental services to residents	528,651	565,496	508,561	446,887
Administration	1,147,511	991,858	946,068	941,218
Debt service	1,568,713	1,968,659	1,444,052	1,451,675
Capital projects	1,920,401	824,783	307,356	421,223
Total	<u>\$ 12,390,309</u>	<u>12,491,131</u>	<u>11,661,648</u>	<u>13,739,595</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
5,182,423	5,302,989	5,440,676	5,376,869	5,177,278	4,730,902
587,413	485,770	515,784	502,850	486,999	495,017
288,563	285,865	297,725	310,545	315,704	310,547
62,948	56,498	60,098	61,773	58,557	51,457
10,217,589	4,682,565	3,473,821	3,968,364	4,432,018	3,629,213
20,845	14,810	15,258	18,095	22,890	19,493
455,668	508,295	510,127	502,703	477,813	436,993
69,516	51,482	52,924	135,110	194,032	227,601
275,373	407,127	303,343	321,018	396,255	283,701
<u>17,160,338</u>	<u>11,795,401</u>	<u>10,669,756</u>	<u>11,197,327</u>	<u>11,561,546</u>	<u>10,184,924</u>
1,649,294	1,605,836	1,526,248	1,484,649	1,363,225	1,320,323
430,690	430,704	460,746	434,188	473,928	479,184
1,193,629	702,457	878,989	1,967,367	1,838,463	1,169,979
6,890,858	2,566,041	438,914	716,735	1,185,301	615,643
3,449,120	3,695,527	3,216,281	3,449,510	4,547,039	4,004,056
482,639	433,867	451,160	433,577	398,113	402,881
1,005,986	1,023,940	957,327	899,154	1,583,489	937,510
1,497,622	1,539,439	1,691,998	4,546,564	1,813,452	1,528,855
165,610	291,764	791,975	1,190,972	6,386,417	1,032,421
<u>16,765,448</u>	<u>12,289,575</u>	<u>10,413,638</u>	<u>15,122,716</u>	<u>19,589,427</u>	<u>11,490,852</u>



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

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

To the Officials of Union County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 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 Union County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union County's internal control. Accordingly, we do not express an opinion on the effectiveness of Union County's internal control.

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 charge with governance.

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

Compliance and Other Matters

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

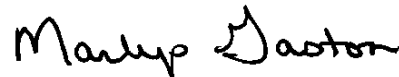
Union County's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

March 9, 2020

Union 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:

	<u>Applicable Offices</u>
(1) All employees have access to the change fund.	Recorder
(2) Responsibilities for opening mail, collection, deposit preparation, and reconciliation functions are not segregated from those for recording and accounting for cash.	Recorder, Sheriff, Ag Extension, Engineer and Treasurer
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements, handling cash and recording cash receipts.	Sheriff, Recorder
(4) Responsibilities for recordkeeping and investing are not segregated from having custody of investment.	Treasurer
(5) Responsibility for maintaining detail accounts receivable records and delinquent records not segregated from collections, records posting and reconciliation.	Treasurer
(6) Journal entries are not reviewed and approved by an independent person.	Auditor and Treasurer
(7) The person who prepares a summary of delinquent tax collections also reconciles delinquencies at year end.	Treasurer

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

Union County

Schedule of Findings

Year ended June 30, 2019

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

Responses –

County Treasurer – Limited staffing within the Treasurer’s Office makes it difficult for all duties to be segregated. However, we will use the resources available and follow best practices to delegate and segregate duties to the best of our ability when possible. A procedure will be established to ensure journal entries are independently reviewed.

County Auditor – A procedure will be established for independent review of monthly journal entries.

County Engineer – We can only do so much segregating with the office staff levels we have. In fact, we lost our technician last week, taking our office staff from 3 to 2. We hope to replace this individual, but the tight labor market makes that uncertain. We do have checks and balances, such as receipt book, monthly fund balances, expense/revenue reports. Going forward, checks are being stamped “for deposit only” on arrival and a spreadsheet is being kept for my review, in addition to a receipt book.

County Recorder – Lack of staff makes it difficult to segregate these duties. However, we will use all resources available and follow best practices to delegate to the best of our ability.

Ag Extension – The limited number of office staff on duty makes the segregation of duties very difficult. However, we will work with our Council to improve our internal control process to reduce the risk of fraud.

County Sheriff – Whenever possible I open the mail, record checks on a varying schedule, and then give the civil clerk the checks for processing. However, there are occasions that prevent this from happening as there are only myself, Chief Deputy Maitlen, and the Civil Clerk working in this office. We will continue to use the resources available to delegate and separate duties where possible.

Conclusions – Responses accepted.

Union County
Schedule of Findings
Year ended June 30, 2019

(B) Financial Reporting

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

Condition – Material amounts of capital assets and receivables were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Recommendation – The County should implement procedures to ensure all receivables and capital assets are properly recorded and included in the County’s financial statements.

Response – The County will develop policies and procedures to ensure all receivables and capital assets are properly recorded or included in the County’s financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Union 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 exceeded the amount budgeted in the debt service function prior to the budget amendment. Also, disbursements in the conservation department exceeded the amounts appropriated prior to the budget amendment and at year end.

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

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

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

Conclusion – Response accepted.

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

Union County

Schedule of Findings

Year ended June 30, 2019

- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2019 for the County Extension Office did not exceed the amount budgeted.

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

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

- (11) 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.

Union County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Deborah J. Moser, CPA, Manager
Adjoa S. Adanledji, Senior Auditor
Nicholas Gassman, Staff Auditor
Alyson Logel, Staff Auditor
Valerie Davis, Staff Auditor
Ryan Martin, Intern Auditor