



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

February 25, 2022

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$15,097,449 for the year ended June 30, 2021, a 3.3% decrease from the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$9,342,537 a 17.9% decrease from the prior year. These decreases are primarily due to reduction of bridge replacement funding from the Iowa Department of Transportation for bridge replacement and FEMA disaster aid used for erosion control.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 80 through 83 of this report. The findings address a lack of segregation of duties and disbursements exceeding budgeted amounts. Sand provided the County with recommendations to address each of these findings.

The two 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 Auditor of State's web site at <https://admin.auditor.iowa.gov/reports/file/68002/embed>.

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ADAIR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2021

Adair County



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February 14, 2022

Officials of Adair County
Greenfield, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Adair County for the year ended June 30, 2021. 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 Adair 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

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor's Report		5-7
Management's Discussion and Analysis		8-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position – Custodial Funds	J	30
Statement of Changes in Fiduciary Net Position – Custodial Funds	K	31
Notes to Financial Statements		32-53
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		56
Budget to GAAP Reconciliation		57
Notes to Required Supplementary Information – Budgetary Reporting		59
Schedule of the County's Proportionate Share of the Net Pension Liability		60-61
Schedule of County Contributions		62-63
Notes to Required Supplementary Information – Pension Liability		64
Schedule of changes in the County's Total OPEB Liability, Related Ratios and Notes		65
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	68-69
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	70-71
Custodial Funds:		
Combining Schedule of Fiduciary Net Position	3	72-73
Combining Schedule of Changes in Fiduciary Net Position	4	74-75
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	76-77

Table of Contents (Continued)

	<u>Page</u>
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 <u>Government Auditing Standards</u>	78-79
Schedule of Findings	80-83
Staff	84

Adair County

Officials

(Before January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Homan	Board of Supervisors	Jan 2021
John Twombly	Board of Supervisors	Jan 2021
Matt Wedemeyer	Board of Supervisors	Jan 2021
Jodie Hoadley	Board of Supervisors	Jan 2023
Steven Shelley	Board of Supervisors	Jan 2023
Mandy Berg	County Auditor	Jan 2021
Brenda Wallace	County Treasurer	Jan 2023
Janelle Schneider	County Recorder	Jan 2023
Jeff Vandewater	County Sheriff	Jan 2021
Melissa Larson	County Attorney	Jan 2021
Pam Jensen	County Assessor	Jan 2022

(After January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jodie Hoadley	Board of Supervisors	Jan 2023
Steven Shelley	Board of Supervisors	Jan 2023
Jerry Walker	Board of Supervisors	Jan 2025
John Twombly	Board of Supervisors	Jan 2025
Matt Wedemeyer	Board of Supervisors	Jan 2025
Mandy Berg	County Auditor	Jan 2025
Brenda Wallace	County Treasurer	Jan 2023
Janelle Schneider	County Recorder	Jan 2023
Jeff Vandewater	County Sheriff	Jan 2025
Melissa Larson	County Attorney	Jan 2025
Pam Jensen	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of Adair 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 Adair County, Iowa, as of and for the year ended June 30, 2021, 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 Adair County as of June 30, 2021, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Adair County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 15 and 56 through 65 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 who 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.

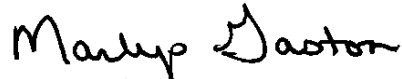
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair 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, 2020 (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 February 14, 2022 on our consideration of Adair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness 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 Adair County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Chief Deputy Auditor of State

February 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adair 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, 2021. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities during fiscal year 2021. The beginning net position for fiduciary (custodial) funds was restated by \$285,514 to retroactively report in accordance with the GASBS.
- Revenues of the County's governmental activities decreased 3.3%, or approximately \$516,000, from fiscal year 2020 to fiscal year 2021. Capital grants, contributions and restricted interest decreased approximately \$679,000, charges for service decreased approximately \$107,000 and operating grants, contributions and restricted interest increased approximately \$106,000. In addition, tax incrementing financing increased approximately \$154,000 and unrestricted interest decreased approximately \$59,000.
- Program expenses of the County's governmental activities were 17.9%, or approximately \$2,030,000, less in fiscal year 2021 than in fiscal year 2020. Roads and transportation expenses decreased approximately \$3,579,000, county environment and education expenses increased approximately \$816,000, public safety and legal services expenses increased approximately \$697,000.
- The County's net position increased 15.4%, or approximately \$5,755,000, over the June 30, 2020 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 Adair 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 Adair 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 Adair County acts solely as an agent or custodian for the benefit of those outside of County government (Custodial Funds).

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Custodial 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, Secondary Roads and Urban Renewal Funds 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) A proprietary fund accounts for the County's Internal Service, Employee 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 Custodial capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Custodial Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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. Adair County's combined net position increased from approximately \$37.4 million to approximately \$43.1 million during the year. 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,	
	2021	2020
Current and other assets	\$ 20,896	23,345
Capital assets	50,432	44,532
Total assets	71,328	67,877
Deferred outflows of resources	620	556
Long-term liabilities	19,873	22,150
Other liabilities	394	391
Total liabilities	20,267	22,541
Deferred inflows of resources	8,532	8,498
Net position:		
Net investment in capital assets	39,710	34,783
Restricted	7,392	7,547
Unrestricted	(3,953)	(4,936)
Total net position	\$ 43,149	37,394

Net position of Adair County's governmental activities increased 15.4% (approximately \$37.4 million compared to approximately \$43.1 million).

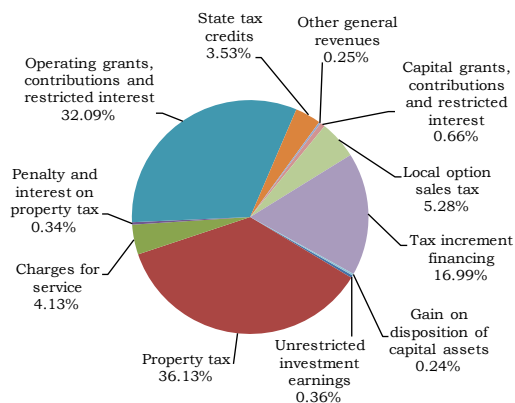
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 14.2% or approximately \$4.9 million, over the prior year. The increase was primarily due to the NW Wind Farm and Sheriff Radio projects.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category decreased approximately \$155,000, or 2.1%, from the prior year. This decrease is primarily due to decreased amounts available in the Special Revenue, Local Option Sales Tax Fund and the Debt Service Fund at year end.

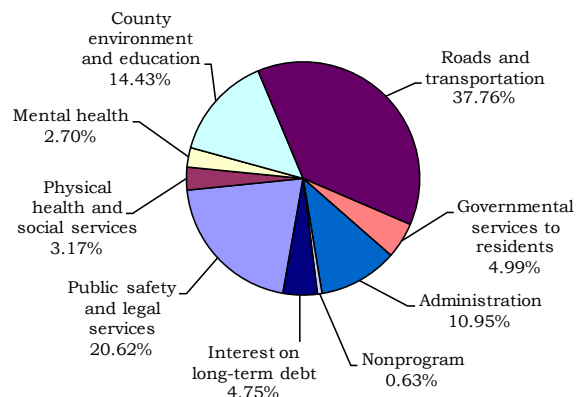
Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$4,936,000 at June 30, 2020 to a deficit of approximately \$3,953,000 at the end of this year, a decrease of 19.9%. The deficit in the unrestricted net position is primarily due to the net pension, total OPEB liabilities and non-capitalized assets financed with general obligation debt.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2021	2020
Revenues:		
Program revenues:		
Charges for service	\$ 623	730
Operating grants, contributions and restricted interest	4,844	4,738
Capital grants, contributions and restricted interest	99	778
General revenues:		
Property tax	5,455	5,411
Tax increment financing	2,565	2,411
Penalty and interest on property tax	52	25
State tax credits	533	539
Local option sales tax	797	797
Unrestricted investment earnings	54	113
Gain on disposition of capital assets	36	19
Other general revenues	38	51
Total revenues	15,096	15,612
Program expenses:		
Public safety and legal services	\$ 1,926	1,229
Physical health and social services	296	266
Mental health	252	259
County environment and education	1,348	532
Roads and transportation	3,527	7,107
Governmental services to residents	466	457
Administration	1,023	1,098
Nonprogram	59	41
Interest on long-term debt	444	383
Total expenses	9,341	11,372
Change in net position	5,755	4,240
Net position beginning of year	37,394	33,154
Net position end of year	\$ 43,149	37,394

Revenues by Source



Expenses by Function



Adair County's governmental activities net position increased approximately \$5,755,000 during the year. Revenues for governmental activities increased approximately \$516,000 over the prior year, including tax increment financing which increased approximately \$154,000, property tax revenue which increased \$44,000, and penalty and interest on property tax which increased approximately \$27,000 over the prior year.

The cost of all governmental activities this year was approximately \$9.3 million compared to approximately \$11.4 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$3,776,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$623,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,943,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2021 from approximately \$6,246,000 to approximately \$5,567,000. Operating grants increased due to increases in TIME21 and RUT funding and capital grants decreased due to decreased disaster grant funding received from prior years.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$11.9 million, a decrease of approximately \$2,778,000 from last year's total of approximately \$14.7 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$130,000, or 3.5%, over the prior year. This increase is primarily due to an increase in property tax revenue and a receipt of rapid response Covid Relief Funds. Expenditures increased approximately \$293,000, or 8.0%, from the prior year. The ending fund balance decreased approximately \$86,000, or 5.0%, from the prior year to approximately \$1,638,000.
- The Special Revenue, Mental Health Fund balance at year end increased approximately \$9,100 over the prior year end. For the year, expenditures totaled \$252,000, a decrease of 2.6% from the prior year.
- The Special Revenue, Local Option Sales Tax Fund balance decreased approximately \$410,000 from the prior year to approximately \$430,000. The decrease is due primarily to increased expenditures in the current year for secondary road projects.
- The Special Revenue, Rural Services Fund balance increased approximately \$101,000 over the prior year to approximately \$310,000. This increase is due primarily to decreased expenditures in the current year, primarily for equipment purchased for the Secondary Roads Department.
- The Special Revenue, Secondary Roads Fund balance increased approximately \$295,000, or 13.5%, over the prior year. Revenues decreased approximately \$489,000, or 9.2%, from the prior year. Expenditures decreased approximately \$876,000, or 13.5%, from the prior year. These decreases are primarily due to reduction of bridge replacement funding from the Iowa Department of Transportation and FEMA disaster aid used for erosion control.
- The Special Revenue, Urban Renewal Fund balance increased from approximately \$3,100,000 at the end of the prior year to approximately \$3,400,000 as increased tax increment financing revenue exceeded debt service payments for the year. The County's policy, consistent with what Chapter 403 of the Code of Iowa allows, is to certify TIF obligations and collect all available TIF revenues from those certifications as they are generated. The TIF revenues are generated faster than they are needed to repay TIF obligations.

- The Debt Service Fund balance decreased approximately \$85,000 from the prior year to approximately \$312,000. This decrease is primarily due to scheduled payments on debt.
- The Capital Projects Fund balance decreased approximately \$2,800,000 from the prior year to approximately \$3,263,000. This decrease is primarily due to the prior year issuance of \$9,495,000 of general obligation bonds, the proceeds of which were used to continue work on multiple capital projects, including TIF roadway surfacing projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget three times. The first amendment was made in January 2021 and increased budgeted disbursements in the public safety, county environment and education, government services to residents, debt service and capital project functions. This amendment also increased budgeted receipts due primarily to intergovernmental activities.

The second amendment was made in February 2021. This amendment increased budgeted receipts due primarily to an increase in the County's local government relief grant received. The amendment also increased budgeted disbursements primarily for expenses related to physical health and social services and county environment functions.

The third amendment was made in May 2021. This amendment increased budgeted receipts due primarily to an increase in County's seat belt grant, court fees and prisoner room and board. The amendment also increased budgeted disbursements primarily for expenses related to public safety, county environment and education and administration functions.

The County's receipts were \$507,348 less than budgeted, primarily because the County did not receive additional COVID funding until after the end of the fiscal year.

Total disbursements were \$9,971,219 less than budgeted. Actual disbursements for the capital projects function were \$8,544,754 less than budgeted primarily due to delays of planned secondary roads and COVID funded projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, Adair County had approximately \$50.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$5,900,000, or 13.3%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2021	2020
Land	\$ 1,034	817
Intangibles, road network	34	34
Construction in progress	8,915	6,179
Buildings and improvements	3,746	3,647
Improvements other than buildings	1,083	1,125
Equipment and vehicles	4,165	4,231
Intangibles	303	340
Infrastructure, road network	31,152	28,159
Total	\$ 50,432	44,532

The increase in net capital assets is primarily due to increased construction in progress for the NW Wind Farm project.

The County had depreciation expense of approximately \$2,334,000 in fiscal year 2021 and total accumulated depreciation of approximately \$17,700,000 at June 30, 2021. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2021, Adair County had \$17,610,000 of outstanding general obligation bonds, compared to total outstanding bonds of \$20,325,000 at June 30, 2020.

Debt decreased due to scheduled payments on general obligation bonds.

Adair County's general obligation debt carries the AA3 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Adair County's outstanding debt is significantly below its constitutional debt limit of approximately \$50.8 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adair County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Adair County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Adair County.

The local option sales tax has generated funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The County estimates it will receive \$904,114 of local option sales tax in fiscal year 2021.

Amounts available for appropriation in the operating budget are approximately \$24.4 million, a decrease of 26.7% from the final fiscal year 2021 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease to approximately \$6,896,128 by the close of fiscal year 2022.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adair 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 Adair County Auditor's Office, 400 Public Square, Suite 5, Greenfield, Iowa 50849.

Adair County

Basic Financial Statements

Adair County
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 11,341,622
Receivables:	
Property tax:	
Delinquent	17,791
Succeeding year	5,449,000
Succeeding year tax increment financing	2,917,000
Interest and penalty on property tax	37,426
Accounts	50,536
Accrued interest	4,224
Due from other governments	514,521
Inventories	341,998
Prepaid items	222,661
Capital assets not being depreciated	9,982,913
Capital assets, net of accumulated depreciation/amortization	40,448,703
Total assets	71,328,395
Deferred Outflows of Resources	
Pension related deferred outflows	618,114
OPEB related deferred outflows	2,194
Total deferred outflows of resources	620,308
Liabilities	
Accounts payable	251,432
Accrued interest payable	31,098
Salaries and benefits payable	80,467
Due to other governments	31,026
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	3,050,000
Compensated absences	148,323
Portion due or payable after one year:	
General obligation bonds	14,560,000
Compensated absences	55,760
Net pension liability	1,995,921
Total OPEB liability	63,029
Total liabilities	20,267,056
Deferred Inflows of Resources	
Unavailable property tax revenue	5,449,000
Unavailable tax increment financing revenue	2,917,000
Pension related deferred inflows	146,226
OPEB related deferred inflows	20,192
Total deferred inflows of resources	8,532,418
Net Position	
Net investment in capital assets	39,709,873
Restricted for:	
Supplemental levy purposes	369,206
Mental health purposes	10,991
Rural services purposes	309,245
Secondary roads purposes	2,354,651
Conservation land acquisition purposes	187,534
Bridge maintenance and replacement	430,011
Debt service	3,676,936
Other purposes	53,379
Unrestricted	(3,952,597)
Total net position	\$ 43,149,229

See notes to financial statements.

Adair County
Statement of Activities
Year ended June 30, 2021

	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	\$ 1,926,398	47,089	40,087	-	(1,839,222)
Physical health and social services	295,920	12,414	78,308	11,768	(193,430)
Mental health	252,000	-	-	-	(252,000)
County environment and education	1,347,717	49,188	8,900	74,001	(1,215,628)
Roads and transportation	3,528,191	219,003	4,574,866	-	1,265,678
Governmental services to residents	465,910	201,161	141,907	13,600	(109,242)
Administration	1,023,282	37,480	-	-	(985,802)
Nonprogram	59,419	57,147	-	-	(2,272)
Interest on long-term debt	443,700	-	-	-	(443,700)
Total	<u>\$ 9,342,537</u>	<u>623,482</u>	<u>4,844,068</u>	<u>99,369</u>	<u>(3,775,618)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					4,757,678
Debt service					697,152
Tax increment financing					2,565,436
Penalty and interest on property tax					52,289
State tax credits					532,715
Local option sales tax					797,380
Unrestricted investment earnings					53,694
Gain on disposition of capital assets					36,357
Miscellaneous					<u>37,829</u>
Total general revenues					<u>9,530,530</u>
Change in net position					5,754,912
Net position beginning of year					<u>37,394,317</u>
Net position end of year					<u>\$ 43,149,229</u>

See notes to financial statements.

Adair County
Balance Sheet
Governmental Funds

June 30, 2021

	Special			
	General	Mental Health	Local Option Sales Tax	Rural Services
Assets				
Cash, cash equivalents and pooled investments	\$ 1,352,206	10,237	403,798	313,394
Receivables:				
Property tax:				
Delinquent	8,870	754	-	6,441
Succeeding year	2,862,000	141,000	-	1,719,000
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	37,426	-	-	-
Accounts	48,070	-	-	-
Accrued interest	4,224	-	-	-
Due from other funds	-	-	-	-
Due from other governments	11,047	-	61,633	3,088
Advance to other funds	161,854	-	-	-
Inventories	-	-	-	-
Prepaid items	129,038	-	-	7,012
Total assets	\$ 4,614,735	151,991	465,431	2,048,935
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 10,983	-	35,420	1,778
Salaries and benefits payable	26,783	-	-	8,449
Due to other funds	2,813	-	-	-
Due to other governments	27,540	-	-	3,451
Advance from other funds	-	-	-	-
Total liabilities	68,119	-	35,420	13,678
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	2,862,000	141,000	-	1,719,000
Succeeding year tax increment financing	-	-	-	-
Other	46,296	754	-	6,441
Total deferred inflows of resources	2,908,296	141,754	-	1,725,441
Fund balances:				
Nonexpendable:				
Inventories	-	-	-	-
Prepaid items	129,038	-	-	7,012
Advance to other funds	161,854	-	-	-
Restricted for:				
Supplemental levy purposes	314,701	-	-	-
Mental health purposes	-	10,237	-	-
Rural services purposes	-	-	-	302,804
Secondary roads purposes	-	-	-	-
Conservation land acquisition/capital improvements	187,534	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Bridge maintenance and replacement	-	-	430,011	-
Other purposes	-	-	-	-
Unassigned	845,193	-	-	-
Total fund balances	1,638,320	10,237	430,011	309,816
Total liabilities, deferred inflows of resources and fund balances	\$ 4,614,735	151,991	465,431	2,048,935

See notes to financial statements.

Revenue					
Secondary Roads	Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total
1,774,799	3,556,545	311,617.00	3,325,181	53,233	11,101,010
-	-	1,726	-	-	17,791
-	-	727,000	-	-	5,449,000
-	2,917,000	-	-	-	2,917,000
-	-	-	-	-	37,426
190	-	-	-	146	48,406
-	-	-	-	-	4,224
2,813	-	-	-	-	2,813
438,748	-	-	-	-	514,516
-	-	-	-	-	161,854
341,998	-	-	-	-	341,998
78,477	-	-	-	-	214,527
<u>2,637,025</u>	<u>6,473,545</u>	<u>1,040,343</u>	<u>3,325,181</u>	<u>53,379</u>	<u>20,810,565</u>
112,049	-	-	61,924	-	222,154
45,235	-	-	-	-	80,467
-	-	-	-	-	2,813
35	-	-	-	-	31,026
-	161,854	-	-	-	161,854
<u>157,319</u>	<u>161,854</u>	<u>-</u>	<u>61,924</u>	<u>-</u>	<u>498,314</u>
-	-	727,000	-	-	5,449,000
-	2,917,000	-	-	-	2,917,000
-	-	1,726	-	-	55,217
<u>-</u>	<u>2,917,000</u>	<u>728,726</u>	<u>-</u>	<u>-</u>	<u>8,421,217</u>
341,998	-	-	-	-	341,998
78,477	-	-	-	-	214,527
-	-	-	-	-	161,854
-	-	-	-	-	314,701
-	-	-	-	-	10,237
-	-	-	-	-	302,804
2,059,231	-	-	-	-	2,059,231
-	-	-	-	-	187,534
-	3,394,691	311,617	-	-	3,706,308
-	-	-	3,263,257	-	3,263,257
-	-	-	-	-	430,011
-	-	-	-	53,379	53,379
-	-	-	-	-	845,193
<u>2,479,706</u>	<u>3,394,691</u>	<u>311,617</u>	<u>3,263,257</u>	<u>53,379</u>	<u>11,891,034</u>
<u>2,637,025</u>	<u>6,473,545</u>	<u>1,040,343</u>	<u>3,325,181</u>	<u>53,379</u>	<u>20,810,565</u>

Adair County

Adair County

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

June 30, 2021

Total governmental fund balances (page 21) \$ 11,891,034

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 \$68,134,207 and the accumulated depreciation/amortization is \$17,702,591. 50,431,616

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. 55,217

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 221,603

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	\$ 620,308	
Deferred inflows of resources	<u>(166,418)</u>	453,890

Long-term liabilities, including bonds 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. (19,904,131)

Net position of governmental activities (page 18) \$ 43,149,229

See notes to financial statements.

Adair County

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

Year ended June 30, 2021

	General	Mental Health	Local Option Sales Tax	Special Rural Services
Revenues:				
Property and other county tax	\$ 2,824,862	240,174	-	1,711,271
Tax increment financing	-	-	-	-
Local option sales tax	-	-	797,380	-
Interest and penalty on property tax	47,531	-	-	-
Intergovernmental	594,961	20,941	-	124,456
Licenses and permits	3,730	-	-	4,855
Charges for service	307,857	-	-	1,350
Use of money and property	49,848	-	1,506	-
Miscellaneous	15,662	-	-	-
Total revenues	3,844,451	261,115	798,886	1,841,932
Expenditures:				
Operating:				
Public safety and legal services	1,465,000	-	-	257,598
Physical health and social services	281,616	-	-	13,702
Mental health	-	252,000	-	-
County environment and education	602,548	-	-	131,275
Roads and transportation	-	-	78,140	230,471
Governmental services to residents	455,889	-	-	3,942
Administration	933,483	-	-	-
Debt service	-	-	-	-
Capital projects	191,834	-	1,130,763	-
Total expenditures	3,930,370	252,000	1,208,903	636,988
Excess (deficiency) of revenues over (under) expenditures	(85,919)	9,115	(410,017)	1,204,944
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(1,104,000)
Total other financing sources (uses)	-	-	-	(1,104,000)
Change in fund balances	(85,919)	9,115	(410,017)	100,944
Fund balances beginning of year	1,724,239	1,122	840,028	208,872
Fund balances end of year	\$ 1,638,320	10,237	430,011	309,816

See notes to financial statements.

Revenue					
Secondary Roads	Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total
-	-	699,731	-	-	5,476,038
-	2,565,436	-	-	-	2,565,436
-	-	-	-	-	797,380
-	-	-	-	-	47,531
4,747,872	84,592	56,416	-	9,106	5,638,344
2,251	-	-	-	-	10,836
-	-	-	-	1,862	311,069
-	7,632	1,206	8,556	95	68,843
76,271	-	-	-	1,200	93,133
4,826,394	2,657,660	757,353	8,556	12,263	15,008,610
-	-	-	-	1,574	1,724,172
-	-	-	-	-	295,318
-	-	-	-	-	252,000
-	84,662	-	-	-	818,485
5,598,874	-	-	-	-	5,907,485
-	-	-	-	-	459,831
-	-	-	-	-	933,483
-	2,320,119	842,318	-	-	3,162,437
36,264	-	-	2,849,695	25,000	4,233,556
5,635,138	2,404,781	842,318	2,849,695	26,574	17,786,767
(808,744)	252,879	(84,965)	(2,841,139)	(14,311)	(2,778,157)
1,104,000	-	-	-	-	1,104,000
-	-	-	-	-	(1,104,000)
1,104,000	-	-	-	-	-
295,256	252,879	(84,965)	(2,841,139)	(14,311)	(2,778,157)
2,184,450	3,141,812	396,582	6,104,396	67,690	14,669,191
2,479,706	3,394,691	311,617	3,263,257	53,379	11,891,034

Adair County

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

Year ended June 30, 2021

Change in fund balances - Total governmental funds (page 25) \$ (2,778,157)

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

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

Expenditures for capital assets	\$ 8,323,375	
Depreciation/amortization expense	<u>(2,333,976)</u>	5,989,399

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. (89,890)

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	(21,208)	
Other	<u>4,758</u>	(16,450)

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. 2,715,000

The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 299,795

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	(3,702)	
Pension expense	(376,350)	
OPEB expense	(4,772)	
Interest on long-term debt	<u>3,737</u>	(381,087)

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

16,302

Change in net position of governmental activities (page 19) \$ 5,754,912

See notes to financial statements.

Adair County
Statement of Net Position
Proprietary Fund

June 30, 2021

	<u>Internal Service - Employee Health Insurance</u>
Assets	
Cash and cash equivalents	\$ 240,612
Accounts receivable	2,130
Due from other governments	5
Prepaid items	<u>8,134</u>
Total current assets	<u>250,881</u>
Liabilities	
Accounts payable	<u>29,278</u>
Net Position	
Restricted for employee health	<u>\$ 221,603</u>

See notes to financial statements.

Adair County

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

Year ended June 30, 2021

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 158,982
Reimbursements from others		56,264
Total operating revenues		215,246
Operating expenses:		
Medical claims	\$ 125,183	
Insurance premiums	63,047	
Administrative fees	10,480	
Miscellaneous	<u>6,990</u>	<u>205,700</u>
Operating income		9,546
Non-operating revenues:		
Interest income		<u>6,756</u>
Net income		16,302
Net position beginning of year		<u>205,301</u>
Net position end of year		<u>\$ 221,603</u>

See notes to financial statements.

Adair County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2021

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 158,982
Cash received from others	55,794
Cash paid to suppliers for services	(184,184)
Net cash provided by operating activities	30,592
Cash flows from investing activities:	
Interest on investments	6,756
Net increase in cash and cash equivalents	37,348
Cash and cash equivalents beginning of year	203,264
Cash and cash equivalents end of year	\$ 240,612
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 9,546
Adjustment to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	(470)
Prepaid items	(7,395)
Accounts payable	29,081
Due to other government	(170)
Net cash provided by operating activities	\$ 30,592

See notes to financial statements.

Adair County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 648,053
Other County officials	29,144
Receivables:	
Property tax:	
Delinquent	29,913
Succeeding year	13,298,000
Accounts	13,955
Special assessments	40,242
Due from other governments	146
Prepaid expenses	740
	<u>14,060,193</u>

Total assets**Liabilities**

Accounts payable	174
Due to other governments	490,458
Trusts payable	574
Compensated absences	17,223
	<u>508,429</u>

Total liabilities**Deferred Inflows of Resources**

Unavailable property tax revenue	<u>13,298,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 253,764</u>
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See notes to financial statements.

Adair County

Statement of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2021

Additions:	
Property and other county tax	\$ 13,070,244
State tax credits	1,264,781
Office fees and collections	256,952
Auto licenses, use tax and postage	3,680,397
Assessments	11,114
Trusts	300,410
Miscellaneous	<u>211</u>
Total additions	<u>18,584,109</u>
Deductions:	
Agency remittances:	
To other funds	238,605
To other governments	18,188,520
Trusts paid out	<u>188,734</u>
Total deductions	<u>18,615,859</u>
Change in net position	(31,750)
Net position beginning of year, as restated	<u>285,514</u>
Net position end of year	<u>\$ 253,764</u>

See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

Adair 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, Adair 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: County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Landfill and Recycling Center and South Central Iowa Regional 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax (LOST) Fund is used to account for the collection and use of the local option sales tax, for purposes authorized in the LOST referendum.

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

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

The Urban Renewal Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service 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 – Custodial 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 lease agreements are reported as other financing sources.

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2020.

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.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2021, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a nonspendable fund balance which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Special Assessments Receivable – Special assessments receivable represent amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due 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 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) assets acquired after July 1, 1980, are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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
Intangibles	65,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment and infrastructure are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	10 - 65
Intangibles	5 - 25
Equipment	3 - 20
Vehicles	3 - 15

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/expenditures) 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. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. 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, 2021. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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

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.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, disbursements did not exceed the budget for any function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,628,425 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

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

Credit risk – The investment in the IPAIT is unrated.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.

(3) Interfund Assets/Liabilities

The detail of amounts due from and due to other funds at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	<u>\$ 2,813</u>

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

The detail of advances to/from other funds at June 30, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Urban Renewal	<u>\$ 161,854</u>

The General Fund advanced \$161,854 to the Special Revenue, Urban Renewal Fund to pay for bridge repair projects in the urban renewal area. The amounts will be repaid with tax increment financing receipts as they are collected.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 1,104,000</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 817,319	216,834	-	1,034,153
Intangibles, road network	34,220	-	-	34,220
Construction in progress	6,178,859	7,177,859	4,442,178	8,914,540
Total capital assets not being depreciated/amortized	7,030,398	7,394,693	4,442,178	9,982,913
Capital assets being depreciated/amortized:				
Buildings	4,789,110	217,318	-	5,006,428
Improvements other than buildings	1,333,196	-	-	1,333,196
Equipment and vehicles	8,884,674	711,364	322,670	9,273,368
Intangibles	499,888	-	-	499,888
Infrastructure, road network	37,596,236	4,442,178	-	42,038,414
Total capital assets being depreciated/amortized	53,103,104	5,370,860	322,670	58,151,294
Less accumulated depreciation/amortization for:				
Buildings	1,141,836	119,022	-	1,260,858
Improvements other than buildings	208,589	41,577	-	250,166
Equipment and vehicles	4,653,407	687,562	232,780	5,108,189
Intangibles	160,218	36,683	-	196,901
Infrastructure, road network	9,437,345	1,449,132	-	10,886,477
Total accumulated depreciation/amortization	15,601,395	2,333,976	232,780	17,702,591
Total capital assets being depreciated/amortized, net	37,501,709	3,036,884	89,890	40,448,703
Governmental activities capital assets, net	\$ 44,532,107	10,431,577	4,532,068	50,431,616

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 232,259
County environment and education	51,516
Roads and transportation	1,965,061
Administration	<u>85,140</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 2,333,976</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2021 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 27,540</u>
Special Revenue:		
Rural Services		3,451
Secondary Roads	Services	<u>35</u>
Total for governmental funds		<u>\$ 31,026</u>
Custodial:		
County Offices		\$ 28,570
Agricultural Extension		1,508
Schools		62,213
Community Colleges		4,105
Corporations		26,291
Townships		3,425
County Hospital		15,137
Auto License and Use Tax		308,851
All other		<u>40,358</u>
Total for custodial funds		<u>\$ 490,458</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 20,325,000	200,381	1,567,694	56,363	22,149,438
Increases	-	59,237	428,227	9,386	496,850
Decreases	<u>2,715,000</u>	55,535	-	2,720	<u>2,773,255</u>
Balance end of year	<u>\$ 17,610,000</u>	<u>204,083</u>	<u>1,995,921</u>	<u>63,029</u>	<u>19,873,033</u>
Due within one year	<u>\$ 3,050,000</u>	<u>148,323</u>	-	-	<u>3,198,323</u>

A summary of the County's June 30, 2021 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Public Safety Building			General Obligation, Series 2014 Secondary Roads and GIS portion		
	Issued Sept 1, 2010			Issued Apr 2, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.00%	\$ 155,000	11,550	1.85%	\$ 955,000	20,398
2023	3.00	165,000	6,900	2.10	65,000	2,730
2024	3.00	65,000	1,950	2.10	65,000	1,365
2025		-	-		-	-
2026		-	-		-	-
2027-2030		-	-		-	-
Total		<u>\$ 385,000</u>	<u>20,400</u>		<u>\$ 1,085,000</u>	<u>24,493</u>

Year Ending June 30,	Bridge, Road and Culvert			General Obligation, Series 2017 Secondary Roads and Elevator		
	Issued September 1, 2015			Issued July 12, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.50%	\$ 490,000	110,113	2.00%	\$ 465,000	73,087
2023	2.75	655,000	97,862	2.00	470,000	63,788
2024	2.75	820,000	79,850	2.00	485,000	54,387
2025	3.00	940,000	57,300	2.00	500,000	45,688
2026	3.00	970,000	29,100	2.25	505,000	34,688
2027-2030		-	-	2.25-2.50	985,000	34,949
Total		<u>\$ 3,875,000</u>	<u>374,225</u>		<u>\$ 3,410,000</u>	<u>306,587</u>

Year Ending June 30,	General Obligation, Series 2018 Purchases, Sheriff Equipment, Etc.			General Obligation, Series 2019 Secondary Roads and Sheriff Equipment		
	Issued Jul 25, 2018			Issued Aug 14, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.30%	\$ 75,000	1,725	2.00%	\$ 710,000	85,700
2023		-	-	2.00	730,000	71,500
2024		-	-	2.00	755,000	56,900
2025		-	-	2.00	320,000	41,800
2026		-	-	2.00	330,000	35,400
2027-2030		-	-	2.00	1,440,000	73,300
Total		<u>\$ 75,000</u>	<u>1,725</u>		<u>\$ 4,285,000</u>	<u>364,600</u>

Year Ending June 30,	General Obligation, Series 2020 Road and Bridge Infrastructure			Total		
	Issued June 17, 2020			Principal	Interest	Total
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.00%	\$ 200,000	89,900	\$ 3,050,000	392,473	3442473
2023	2.00	500,000	85,900	2,585,000	328,680	2,913,680
2024	2.00	400,000	75,900	2,590,000	270,352	2,860,352
2025	2.00	400,000	67,900	2,160,000	212,688	2,372,688
2026	2.00	400,000	59,900	2,205,000	159,088	2,364,088
2027-2030	2.00	2,595,000	129,600	5,020,000	237,849	5,257,849
Total		<u>\$ 4,495,000</u>	<u>509,100</u>	<u>\$ 17,610,000</u>	<u>1,601,130</u>	<u>19,211,130</u>

On September 1, 2010, the County issued \$3,000,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for public safety building. During the year ended June 30, 2021, the County paid principal of \$150,000 and interest of \$16,060 on the bonds.

On April 2, 2014, the County issued \$5,830,000 of general obligation bonds with interest rates ranging from 1.50% to 2.10% per annum. The bonds were issued for bridge, road and culvert repair, secondary road building, and GIS system. During the year ended June 30, 2021, the County paid principal of \$930,000 and interest of \$36,208 on the bonds.

On September 1, 2015, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 1.50% to 3.00% per annum. The bonds were issued for bridge, road and culvert repairs. During the year ended June 30, 2021, the County paid principal of \$385,000 and interest of \$119,738 on the bonds.

On July 12, 2017, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 2.00% to 2.50% per annum. The bonds were issued for courthouse elevator project, roads, bridges and culverts. During the year ended June 30, 2021, the County paid principal of \$460,000 and interest of \$82,288 on the bonds.

On July 25, 2018, the County issued \$300,000 of general obligation bonds with an interest rate of 2.30% per annum. The bonds were issued for an elevator project and software. During the year ended June 30, 2021, the County paid principal of \$75,000 and interest of \$3,450 on the bonds.

On August 14, 2019, the County issued \$5,000,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for digitization of County Recorder records, County Sheriff radio equipment and bridge, culvert and road repair. During the year ended June 30, 2021, the County paid principal of \$715,000 and interest of \$100,000 on the bonds.

On June 17, 2020, the County issued \$9,495,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued to aid in planning, undertaking and carrying out of urban renewal projects and bridge, culvert and road repair. During the year ended June 30, 2021, the County paid interest of \$85,904 and no principal on the bonds.

(8) Pension Plan

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

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

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

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

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

The formula used to calculate a sheriff's, deputy's 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 2021, 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 9.26% of covered payroll, for a total rate of 18.52%. Protection occupation members contributed 6.41% of covered payroll and the County contributed 9.61% of covered payroll, for a total rate of 16.02%.

The County's contributions to IPERS for the year ended June 30, 2021 totaled \$299,795.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the County reported a liability of \$1,995,921 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the County's proportion was 0.028413%, which was an increase of 0.001340% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$376,350. At June 30, 2021, 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	\$ 10,178	51,540
Changes of assumptions	135,797	38,291
Net difference between projected and actual earnings on IPERS' investments	166,266	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	-	-
County contributions subsequent to the measurement date	6,078	56,395
	<u>299,795</u>	<u>-</u>
Total	<u>\$ 618,114</u>	<u>146,226</u>

\$299,795 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, 2022. 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
2022	\$ 12,987
2023	31,909
2024	43,945
2025	87,177
2026	<u>(3,925)</u>
Total	<u>\$ 172,093</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 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 2020 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 geometric 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%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 3,850,348	1,995,921	441,459

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, 2021.

(9) Other Postemployment Benefits (OPEB)

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

OPEB Benefits – Individuals who are employed by Adair 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>72</u>
Total	<u>72</u>

Total OPEB Liability – The County's total OPEB liability of \$63,029 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 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, 2021)	3.00% per annum.
Rates of salary increase (effective June 30, 2021)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2021)	2.66% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2021)	8.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.66% 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 RP-2014 annuitant distinct mortality table adjusted to 2017 with MP 2016 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 56,363
Changes for the year:	
Service cost	7,209
Interest	2,177
Benefit payments	<u>(2,720)</u>
Net changes	<u>6,666</u>
Total OPEB liability end of year	<u>\$ 63,029</u>

Changes of assumptions reflect a change in the discount rate from 3.50% in fiscal year 2020 to 2.66% in fiscal year 2021.

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 (1.66%) or 1% higher (3.66%) than the current discount rate.

	<u>1% Decrease (1.66%)</u>	<u>Discount Rate (2.66%)</u>	<u>1% Increase (3.66%)</u>
Total OPEB liability	\$ 67,528	63,029	58,864

Sensitivity of the County’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
 – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 56,443	63,029	70,925

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the County recognized OPEB expense of \$4,772. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	20,192
Changes in assumptions	2,194	-
Total	\$ 2,194	20,192

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

Year ending June 30,	Amount
2022	\$ (1,894)
2023	(1,894)
2024	(1,894)
2025	(1,894)
2026	(1,894)
Thereafter	(8,528)
	\$ (17,998)

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2021 were \$144,411.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2021, no liability has been recorded in the County's financial statements. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$250,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Health Insurance Fund was established to account for the partial self-funding of the County's health insurance benefit plan. On January 1, 2019 the County began partial self-funding of the County's health insurance benefit plan which is administered through a service agreement with Secure Benefits. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$6,350 for a single plan and \$12,700 for a family plan. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Secure Benefits from the Employee Health Insurance Fund. The County's contribution for the year ended June 30, 2021 was \$158,982.

Amounts payable from the Employee Group Health Fund at June 30, 2021 total \$29,278, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$221,603 at June 30, 2021 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	-
Incurred claims (including claims incurred but not reported at June 30, 2021)		125,183
Payments on claims during the year		<u>(95,905)</u>
Unpaid claims end of year	\$	<u>29,278</u>

(12) County Financial Information Included in the Southern Hills Mental Health Region

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa includes the following member counties: Adams County, Union County, Taylor County, and Adair County. The financial activity of Adair County's Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2021, as follows:

Revenues:		
Property and other county tax		\$ 240,174
Intergovernmental revenues:		
State tax credits	\$ 12,918	
Other	8,023	20,941
Total revenues		<u>261,115</u>
Expenditures:		
General administration:		
Distribution to regional fiscal agent		<u>252,000</u>
Excess of expenditures over revenues		9,115
Fund balance beginning of the year		<u>1,122</u>
Fund balance end of the year		<u>\$ 10,237</u>

(13) Tax Abatements

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

Tax Abatements of Other Entities

Other entities within the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the County of Anywhere offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Stuart	Urban renewal and economic development projects	\$ 14,285
City of Greenfield	Urban renewal and economic development projects	3,040
City of Fontanelle	Urban renewal and economic development projects	987

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Adair County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Adair County's operations and finances.

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

The restatement to retroactively report the change in net position is as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2020, as previously reported	\$ -
Change to implement GASBS No. 84	<u>285,514</u>
Net position July 1, 2020, as restated	<u>\$ 285,514</u>

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Adair County

Required Supplementary Information

Adair 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, 2021

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 8,890,148	9,016,767	9,016,767	(126,619)
Interest and penalty on property tax	47,531	30,000	30,000	17,531
Intergovernmental	6,117,470	6,414,718	6,592,064	(474,594)
Licenses and permits	459	12,400	12,400	(11,941)
Charges for service	304,823	233,391	275,257	29,566
Use of money and property	69,113	74,965	76,433	(7,320)
Miscellaneous	95,729	28,700	29,700	66,029
Total receipts	15,525,273	15,810,941	16,032,621	(507,348)
Disbursements:				
Public safety and legal services	1,756,169	1,897,571	1,959,727	203,558
Physical health and social services	278,496	314,188	326,188	47,692
Mental health	252,000	252,000	252,000	-
County environment and education	796,212	555,800	818,288	22,076
Roads and transportation	6,052,012	7,111,866	7,110,553	1,058,541
Governmental services to residents	460,200	481,351	494,951	34,751
Administration	959,336	1,008,181	1,019,181	59,845
Debt service	3,162,437	3,075,934	3,162,439	2
Capital projects	3,986,038	11,321,590	12,530,792	8,544,754
Total disbursements	17,702,900	26,018,481	27,674,119	9,971,219
Excess (deficiency) of receipts over (under) disbursements	(2,177,627)	(10,207,540)	(11,641,498)	9,463,871
Balance beginning of year	13,278,637	17,276,590	17,315,051	(4,036,414)
Balance end of year	\$ 11,101,010	7,069,050	5,673,553	5,427,457

See accompanying independent auditor's report.

Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2021

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,525,273	(516,663)	15,008,610
Expenditures	17,702,900	83,867	17,786,767
Net	(2,177,627)	(432,796)	(2,778,157)
Beginning fund balances	13,278,637	1,390,554	14,669,191
Ending fund balances	\$ 11,101,010	957,758	11,891,034

See accompanying independent auditor's report.

Adair County

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2021

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 Fund and the Custodial 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, three budget amendments increased budgeted disbursements by \$1,655,638. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County 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, 2021, disbursements did not exceed the amount budgeted for any function. However, disbursements in two departments exceeded the amount appropriated.

Adair County

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

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

Required Supplementary Information

	2021	2020	2019	2018
County's proportion of the net pension liability	0.028413%	0.027073%	0.028620%	0.030499%
County's proportionate share of the net pension liability	\$ 1,996	1,568	1,811	2,032
County's covered payroll	\$ 2,991	2,960	2,924	2,868
County's proportionate share of the net pension liability as a percentage of its covered payroll	66.73%	52.97%	61.94%	70.85%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.030568%	0.027811%	0.026506%
1,924	1,374	1,051
2,629	2,596	2,620
73.18%	52.93%	40.11%
81.82%	85.19%	87.61%

Adair County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 299	285	285	267
Contributions in relation to the statutorily required contribution	<u>(299)</u>	<u>(285)</u>	<u>(285)</u>	<u>(267)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 3,137	2,991	2,960	2,924
Contributions as a percentage of covered payroll	9.53%	9.53%	9.63%	9.13%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
262	254	245	241	221	192
(262)	(254)	(245)	(241)	(221)	(192)
-	-	-	-	-	-
2,868	2,629	2,596	2,620	2,502	2,361
9.14%	9.66%	9.44%	9.20%	8.83%	8.13%

Adair County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

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.

Adair County

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

For the Last Four Years
Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 7,209	6,999	6,441	6,253
Interest cost	2,177	1,928	2,349	2,100
Difference between expected and actual experiences	-	(18,327)	-	(7,395)
Changes in assumptions	-	197	-	3,023
Benefit payments	(2,720)	(1,307)	(2,183)	(8,182)
Net change in total OPEB liability	6,666	(10,510)	6,607	(4,201)
Total OPEB liability beginning of year	56,363	66,873	60,266	64,467
Total OPEB liability end of year	\$ 63,029	56,363	66,873	60,266
Covered-employee payroll	\$ 3,320,480	3,223,767	2,797,925	2,716,432
Total OPEB liability as a percentage of covered-employee payroll	1.90%	1.75%	2.39%	2.22%

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, 2021	2.66%
Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

Adair County

Supplementary Information

Adair County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2021

				Special
Assets	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Reserve	
Cash, cash equivalents and pooled investments	\$ 10,381	17,801	10,736	
Receivables:				
Property tax:				
Accounts	-	146	-	
Total assets	\$ 10,381	17,947	10,736	
Liabilities and Fund Balances				
Liabilities:				
None	\$ -	-	-	
Fund balances:				
Restricted for other purposes	10,381	17,947	10,736	
Total liabilities and fund balances	\$ 10,381	17,947	10,736	

See accompanying independent auditor's report.

Revenue

<u>Special Law Enforcement</u>	<u>Total</u>
14,315	53,233
-	146
<u>14,315</u>	<u>53,379</u>
-	-
<u>14,315</u>	<u>53,379</u>
<u>14,315</u>	<u>53,379</u>

Adair County

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

Year ended June 30, 2021

	Resource Enhancement and Protection	County Recorder's Records Management	Special Sheriff's Reserve
Revenues:			
Intergovernmental	\$ 9,106	-	-
Charges for services	-	1,862	-
Use of money and property	9	34	20
Miscellaneous	-	-	1,200
Total revenues	9,115	1,896	1,220
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Capital projects	25,000	-	-
Total expenditures	25,000	-	-
Excess (deficiency) of revenues over (under) expenditures	(15,885)	1,896	1,220
Fund balances beginning of year	26,266	16,051	9,516
Fund balances end of year	\$ 10,381	17,947	10,736

See accompanying independent auditor's report.

<u>Revenue</u>	
<u>Special Law Enforcement</u>	<u>Total</u>
-	9,106
-	1,862
32	95
-	1,200
<u>32</u>	<u>12,263</u>
1,574	1,574
-	25,000
<u>1,574</u>	<u>26,574</u>
(1,542)	(14,311)
<u>15,857</u>	<u>67,690</u>
<u>14,315</u>	<u>53,379</u>

Adair County

Combining Schedule of Fiduciary Net Position –
Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,508	186,165	62,213
Other County officials	29,144	-	-	-
Receivables:				
Property tax:				
Delinquent	-	530	835	19,842
Succeeding year	-	167,000	269,000	7,229,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	740	-
Total assets	29,144	169,038	456,740	7,311,055
Liabilities				
Accounts payable	-	-	174	-
Due to other governments	28,570	1,508	-	62,213
Trusts payable	574	-	-	-
Compensated absences	-	-	17,223	-
Total liabilities	29,144	1,508	17,397	62,213
Deferred Inflows of Resources				
Unavailable revenues	-	167,000	269,000	7,229,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	530	170,343	19,842

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
4,105	26,291	3,425	15,137	308,851	40,358	648,053
-	-	-	-	-	-	29,144
1,546	1,123	716	5,316	-	5	29,913
476,000	3,033,000	408,000	1,715,000	-	1,000	13,298,000
-	-	-	-	13,955	-	13,955
-	-	-	-	-	40,242	40,242
-	-	-	-	-	146	146
-	-	-	-	-	-	740
481,651	3,060,414	412,141	1,735,453	322,806	81,751	14,060,193
-	-	-	-	-	-	174
4,105	26,291	3,425	15,137	308,851	40,358	490,458
-	-	-	-	-	-	574
-	-	-	-	-	-	17,223
4,105	26,291	3,425	15,137	308,851	40,358	508,429
476,000	3,033,000	408,000	1,715,000	-	1,000	13,298,000
1,546	1,123	716	5,316	13,955	40,393	253,764

Adair County

Combining Schedule of Changes in Fiduciary Net Position –
Custodial Funds

Year ended June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	167,929	264,706	7,128,681
State tax credits	-	14,709	23,185	608,704
Office fees and collections	254,822	-	219	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	188,734	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>443,556</u>	<u>182,638</u>	<u>288,110</u>	<u>7,737,385</u>
Deductions:				
Agency remittances:				
To other funds	115,229	-	-	-
To other governments	139,593	183,398	274,974	7,769,049
Trusts paid out	188,734	-	-	-
Total deductions	<u>443,556</u>	<u>183,398</u>	<u>274,974</u>	<u>7,769,049</u>
Changes in net position	-	(760)	13,136	(31,664)
Net position beginning of year, as restated	-	1,290	157,207	51,506
Net position end of year	<u>\$ -</u>	<u>530</u>	<u>170,343</u>	<u>19,842</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
453,609	2,971,679	396,787	1,685,375	-	1,478	13,070,244
38,812	398,941	32,680	147,621	-	129	1,264,781
-	-	-	-	-	1,911	256,952
-	-	-	-	3,680,397	-	3,680,397
-	-	-	-	-	11,114	11,114
-	-	-	-	-	111,676	300,410
-	-	-	-	-	211	211
492,421	3,370,620	429,467	1,832,996	3,680,397	126,519	18,584,109
-	-	-	-	123,376	-	238,605
494,557	3,389,883	431,252	1,840,631	3,543,066	122,117	18,188,520
-	-	-	-	-	-	188,734
494,557	3,389,883	431,252	1,840,631	3,666,442	122,117	18,615,859
(2,136)	(19,263)	(1,785)	(7,635)	13,955	4,402	(31,750)
3,682	20,386	2,501	12,951	-	35,991	285,514
1,546	1,123	716	5,316	13,955	40,393	253,764

Adair County

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

For the Last Ten Years

	2021	2020	2019	2018
Revenues:				
Property and other county tax	\$ 5,476,038	5,387,528	5,476,038	4,965,147
Tax increment financing	2,565,436	2,411,037	2,565,436	2,092,451
Local option sales tax	797,380	797,464	797,380	440,621
Interest and penalty on property tax	47,531	18,860	47,531	36,251
Intergovernmental	5,638,344	5,819,052	5,638,344	4,814,467
Licenses and permits	10,836	20,447	10,836	8,562
Charges for service	311,069	240,803	311,069	271,367
Use of money and property	68,843	127,100	68,843	78,643
Miscellaneous	93,133	407,903	93,133	32,131
Total	<u>\$ 15,008,610</u>	<u>15,230,194</u>	<u>15,008,610</u>	<u>12,739,640</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,724,172	1,782,427	1,724,172	1,539,025
Physical health and social services	295,318	265,740	295,318	251,344
Mental health	252,000	258,796	252,000	251,932
County environment and education	818,485	515,989	818,485	507,451
Roads and transportation	5,907,485	6,218,017	5,907,485	5,115,660
Governmental services to residents	459,831	451,205	459,831	453,921
Administration	933,483	1,000,195	933,483	864,545
Debt service	3,162,437	2,291,666	3,162,437	1,641,011
Capital projects	4,233,556	7,568,189	4,233,556	4,596,477
Total	<u>\$ 17,786,767</u>	<u>20,352,224</u>	<u>17,786,767</u>	<u>15,221,366</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
4,858,085	4,876,507	4,684,579	4,423,885	4,251,744	3,869,754
1,938,657	1,488,399	1,096,189	832,544	644,439	13,541
471,324	455,910	457,492	435,869	503,817	393,649
36,412	34,859	34,530	31,576	34,847	38,153
4,368,385	4,708,473	3,909,137	3,344,693	3,512,965	3,345,918
12,484	15,633	14,742	13,628	13,234	19,665
246,238	214,329	215,489	212,097	208,137	216,685
51,584	299,038	45,327	47,802	68,027	111,898
57,693	203,452	182,542	285,658	133,964	125,581
12,040,862	12,296,600	10,640,027	9,627,752	9,371,174	8,134,844
1,355,584	1,351,740	1,321,975	1,338,217	1,166,708	1,157,935
255,760	289,723	370,989	312,561	285,058	253,437
262,448	318,903	377,669	269,793	313,493	965,012
527,711	514,430	520,418	455,202	458,616	442,356
4,507,749	4,422,962	4,320,420	4,356,764	5,146,178	3,900,205
404,593	416,683	330,420	326,728	306,720	283,578
794,843	772,103	684,815	785,889	744,504	689,376
1,461,195	1,368,848	1,298,897	1,053,050	765,449	268,250
2,543,937	4,600,763	2,355,581	5,140,604	1,281,359	1,949,111
12,113,820	14,056,155	11,581,184	14,038,808	10,468,085	9,909,260



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

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 Adair 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 Adair County, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adair County's internal control over financial reporting as a basis for designing 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 Adair County's internal control. Accordingly, we do not express an opinion on the effectiveness of Adair County's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair 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 financial statements. 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, 2021 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.

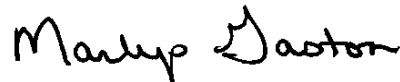
Adair County's Responses to the Findings

Adair County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Adair 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 Adair 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
Chief Deputy Auditor of State

February 14, 2022

Adair County

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

Segregation of Duties

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

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

	Applicable Offices
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Sheriff, Recorder and Conservation
(2) The mail opener also has access to the accounts receivable records.	Sheriff

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

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

Recommendation – The County offices noted above should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Responses and Corrective Action Planned

Conservation – The Conservation Board Director or Park Ranger, depending upon who is scheduled to work, collect the camper fee self-registration envelopes from the park and brings them to the office. The Director runs a total from the amount written on the self-registration envelope to reconcile with what the Secretary does. The envelopes are put into a locked file until the Secretary can open the envelopes, count the money and prepare a deposit slip. The Director takes the money and deposit slip to the Adair County Treasurer for deposit. Camping fees are entered into the Conservation Board financial records and balanced with the County Treasurer’s report at the end of the month.

Adair County

Schedule of Findings

Year ended June 30, 2021

Recorder – While we cannot segregate all duties due to limited staff, we have implemented the following procedures:

One and one-half staff, including myself. I open mail and list the mail receipts. I then record any real estate document in our Eagle software which in turn goes into cash receipting and then verified by one of my staff.

DNR and Vital Records requests are handed over to my deputy or part time recorder to complete. All these transactions are electronic now. After they are entered into the DNR website or the Iowa Department of Public Health's system, they can be printed for the customer which in turn generates a report in the state's system to balance with. This is also entered into our Eagle software. Which again goes into cash receipting.

Daily balancing is completed by one staff member who counts the cash and the other balances the daily transactions. This is done with the fee book, cash register, and our Eagle software. This process is alternated by a different staff member or myself daily. We balance daily, monthly, and quarterly with our Eagle software and our fee book.

Bank reconciliations are verified by an employee in the Auditor's office. In years past they were completed by an employee in the Assessor's office.

I believe we tried to segregate our deputies to the best of all our abilities. It is very hard to segregate duties with a small staff when we are busy most of the time.

Sheriff – As acknowledged in the audit's recommendation section, the ability to segregate some duties is limited by available staff. When I am available and not on an assignment outside the confines of the office and/or jail, I have implemented procedures to open incoming mail as well as keeping a written log which is in addition to our computerized Records Management System (RMS) for listing receipts. I also reconcile my written receipts log with our monthly bank statements to ensure maximum internal control under the circumstances.

Conclusion – Responses acknowledged. Departments should continue to review control activities to obtain the maximum control possible under the circumstances.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Adair County

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted. However, disbursements in two departments exceeded the amount appropriated.

Recommendation – 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 increase or decrease should be made before disbursements are allowed to exceed the appropriation.

Response – Adair County will make every effort to comply with Chapter 331.434(6) of the Code of Iowa.

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) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	\$ 1,983
Jerry Walker, Board of Supervisor, Daughter and Son in Law own GHI Greenfield Home Improvement	Garbage clean up services	70

The transactions with Don Carlos Insurance and GHI Home Improvement do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were less than \$6,000 during the fiscal year.

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

Adair County

Schedule of Findings

Year ended June 30, 2021

- (8) 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.
- (9) 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).
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Adair County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Chief Deputy
Deborah M. Moser, CPA, Manager
Nichole D. Tucker, Senior Auditor
Kathryn A. Blumer, Staff Auditor
April R. Davenport, Staff Auditor
Sarah B. Roemer, Staff Auditor
Tristan J. Swiggum, Staff Auditor
Mackenzie L. Johnson, Assistant Auditor