

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

March 25, 2022

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$41,760,351 for the year ended June 30, 2021, a 10.2% increase over the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$30,994,347 a 2.2% decrease from the prior year. The increase in the revenues is due primarily to increases in operating and capital grants and contributions for roads and transportation.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and expenditure of taxpayer funds, two of which pertain to the County and two which pertain to the 28E organizations audited with the County. They are found on pages 90 through 95 of this report. The findings address issues such as lack of segregation of duties and non-compliance with the publication requirements of Chapter 28E of the Code of Iowa. Sand provided the County and the 28E organizations with recommendations to address each of these findings.

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

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

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MUSCATINE COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2021

Muscatine County



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Rob Sand
Auditor of State

March 21, 2022

Officials of Muscatine County
Muscatine, Iowa

Dear Board Members:

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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**Muscatine County
Officials**

(Before January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nathan Mather	Board of Supervisors	Jan 2021
Scott Sauer	Board of Supervisors	Jan 2021
Doug Holliday	Board of Supervisors	Jan 2023
Santos Saucedo	Board of Supervisors	Jan 2023
Jeff Sorenson	Board of Supervisors	Jan 2023
Leslie Soule	County Auditor	Jan 2021
Amy Zybarth	County Treasurer	Jan 2023
Sarah Hearst	County Recorder	Jan 2023
C.J. Ryan	County Sheriff	Jan 2021
James Barry (Appointed May 2020)	County Attorney	Nov 2020
Randy Spies	County Assessor	Jan 2028

(After January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Holliday	Board of Supervisors	Jan 2023
Santos Saucedo	Board of Supervisors	Jan 2023
Jeff Sorenson	Board of Supervisors	Jan 2023
Nathan Mather	Board of Supervisors	Jan 2025
Scott Sauer	Board of Supervisors	Jan 2025
Tibe Vander Linden	County Auditor	Jan 2025
Amy Zybarth	County Treasurer	Jan 2023
Sarah Hearst	County Recorder	Jan 2023
Quinn Riess	County Sheriff	Jan 2025
James Barry	County Attorney	Jan 2025
Randy Spies	County Assessor	Jan 2028



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Independent Auditor's Report

To the Officials of Muscatine County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 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 Muscatine 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 20 to the financial statements, Muscatine 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 14 and 58 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muscatine County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2022 on our consideration of Muscatine County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness on the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Muscatine County's internal control over financial reporting and compliance.


Marlys K Gaston, CPA
Chief Deputy Auditor of State

March 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Muscatine County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$2,411,528, to retroactively report in accordance with the GASBS.
- Revenue of the County's governmental activities increased 10.2%, or approximately \$3.9 million, from fiscal year 2020 to fiscal year 2021. Operating grants, contributions and restricted interest increased approximately \$3.0 million, capital grants, contributions, and restricted interest increased approximately \$1.3 million, and local options sales tax increased approximately \$455,000.
- Expenses of the County's governmental activities decreased 2.2%, or approximately \$701,000, from fiscal year 2020 to fiscal year 2021. Roads and transportation expenses decreased approximately \$1.5 million, mental health expenses decreased approximately \$388,000, public safety function expenses increased approximately \$372,000, and the administration function expenses increased approximately \$243,000.
- Muscatine County's net position at June 30, 2021 increased 13.8%, or approximately \$10.8 million, 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 Muscatine County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Muscatine County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Muscatine County acts solely as an agent or custodian for the benefit of those outside of County government (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 Internal Service and Custodial Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Funds for health insurance and County insurance. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or 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 is 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. Muscatine County's combined net position increased from approximately \$78 million to approximately \$89 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2021	2020
Current and other assets	\$ 56,063	45,453
Capital assets	73,989	68,843
Total assets	130,052	114,296
Deferred outflows of resources	2,432	2,164
Long-term liabilities	19,533	17,763
Other liabilities	5,835	1,351
Total liabilities	25,368	19,114
Deferred inflows of resources	18,217	19,213
Net position:		
Net investment in capital assets	66,615	61,367
Restricted	12,888	9,938
Unrestricted	9,396	6,828
Total net position	\$ 88,899	78,133

Net position of Muscatine County's governmental activities increased 13.8% (approximately \$88.9 million compared to approximately \$78.1 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased approximately \$5.2 million, or 8.5%, over the prior year, primarily due to a significant increase in capital assets contributed by the Iowa Department of Transportation.

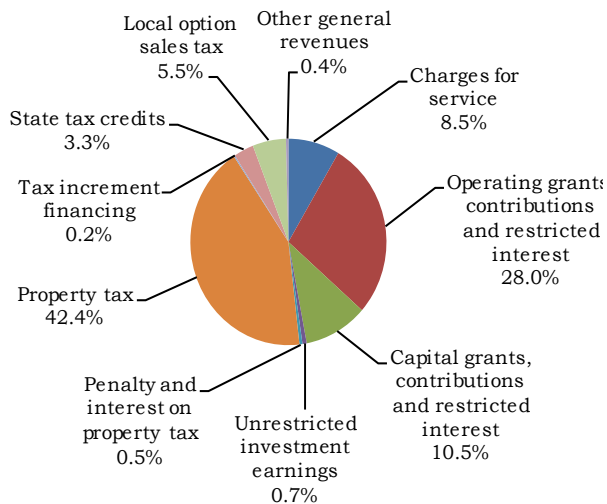
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$2.9 million, or 29.4%, over the prior year, primarily due to increased funds on hand at year end in the Special Revenue, Secondary Roads fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$2.6 million over the prior year, an increase of 38.4%. The balance available in the General Fund at year end was 20.1% higher than in the prior year.

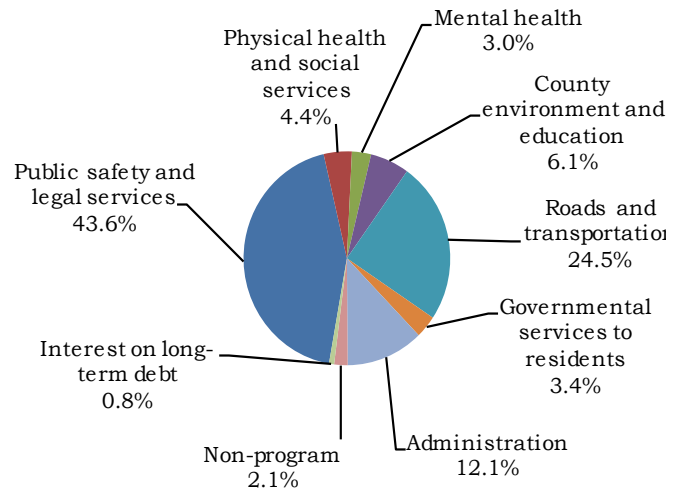
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Revenues:		
Program revenues:		
Charges for service	\$ 3,554	4,126
Operating grants, contributions and restricted interest	11,701	8,704
Capital grants, contributions and restricted interest	4,364	3,042
General revenues:		
Property tax	17,718	17,700
Tax increment financing	81	87
Penalty and interest on property tax	198	106
State tax credits	1,354	1,412
Local option sales tax	2,310	1,855
Unrestricted investment earnings	300	517
Other general revenues	180	342
Total revenues	41,760	37,891
Program expenses:		
Public safety and legal services	13,520	13,148
Physical health and social services	1,361	1,335
Mental health	946	1,334
County environment and education	1,881	1,592
Roads and transportation	7,587	9,040
Governmental services to residents	1,054	972
Administration	3,741	3,498
Non-program	643	530
Interest on long-term debt	262	247
Total expenses	30,995	31,696
Change in net position	10,765	6,195
Net position beginning of year	78,133	71,938
Net position end of year	\$ 88,898	78,133

Revenues by Source



Expenses by Program



Muscatine County's governmental activities net position increased approximately \$10.8 million during the year. Revenues for governmental activities increased approximately \$3.9 million over the prior year, with operating grants, contributions, and restricted interest up from the prior year approximately \$3.0 million, or 34.4%, and capital grants, contributions and restricted interest up \$1.3 million, or 43.5%. The large increase in operating grants, contributions and restricted interest was primarily due to an increase in federal inmate reimbursements for housing prisoners and reimbursement from a neighboring county for a joint road project. The large increase in capital grants, contributions and restricted interest was primarily due to infrastructure received from the Iowa Department of Transportation.

Muscatine County's general basic levy decreased by \$0.26, the general supplemental levy was unchanged, the mental health levy decreased \$0.00723, the debt service levy increased \$0.09993, and the rural services basic levy was unchanged. The rural taxable property valuation increased \$22,705,126 and the countywide taxable valuation increased \$31,784,136

INDIVIDUAL MAJOR FUND ANALYSIS

As Muscatine County completed the year, its governmental funds reported a combined fund balance of approximately \$30.9 million, an increase of approximately \$6.0 million above last year's total of approximately \$24.9 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$1,694,000 and expenditures increased approximately \$864,000. Revenue increased primarily due to an increase in prisoner inmate reimbursements. The fund balance at the end of the fiscal year was approximately \$15.5 million, an increase of approximately \$2.6 million over the prior year.
- The Special Revenue, Mental Health Fund balance at year end increased approximately \$500,000 over the prior year to approximately \$1,150,000. The increase was due primarily due to a decrease in expenditures of approximately \$377,000 from the prior year.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$44,000 from the prior year to approximately \$670,000. Revenues increased approximately \$115,000 and expenditures increased \$225,000. Expense increased primarily due to the County purchasing a house with FEMA dollars. The house had structural damage beyond repair and was declared uninhabitable.
- The Special Revenue, Secondary Roads Fund ending fund balance increased approximately \$2.6 million over the prior year to approximately \$6.7 million. Revenue increased approximately \$935,000 and expenditures decreased approximately \$1.9 million. Revenues increased primarily due to local option sales tax increasing and expenditures decreased primarily due to a decrease in resurfacing asphalt project.
- The Debt Service Fund ending fund balance increased approximately \$270,000 over the prior year to approximately \$3.2 million. Expenditures increased approximately \$222,000 due to scheduled payments on the County's debt. Transfers in from the General Fund increased \$735,000 to help pay for the increased payments on the County's debt.
- The Capital Projects Fund ending fund balance increased minimally by \$31,652 over the prior year fund balance. Revenues increased \$473,453 and expenditures increased approximately \$744,000. The largest change occurred in transfers in to support construction costs which decreased \$1,200,000 but notes issued increased \$150,000.

BUDGETARY HIGHLIGHTS

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

Over the course of the year, Muscatine County amended the operating budget two times. The amendments were made in March 2021 and June 2021.

The first amendment increased COVID-19 receipts and disbursements, increase in jail disbursements and receipts for additional inmate reimbursements. The amendment also increased budgeted disbursements primarily for an increase in personnel costs in the County Sheriff department as well as an increase in medical examiner autopsy fees and capital and roads project timeline changes. The second amendment increased budgeted receipts for additional inmate reimbursements and jail commissary receipts. The amendment also increased budgeted disbursements primarily for jail commissary costs, medical examiner costs, public health costs due to COVID-19 and administration building repair costs.

The County's receipts were approximately \$1.9 million more than budgeted, a variance of 4.8%. Total disbursements were approximately \$7.4 million less than the amended budget. Disbursements for the capital projects function were approximately \$3.5 million less than budgeted due to projects not started in fiscal year 2021.

The County exceeded the amount appropriated in one department prior to amendment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, Muscatine County had approximately \$74.0 million invested in a broad range of capital assets, including public safety equipment, buildings, land, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$5,146,000, or 7.5%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2021	2020
Land	\$ 2,403	2,403
Intangibles, road network	1,196	1,196
Construction in progress	6,599	5,379
Buildings	23,633	20,756
Improvements other than buildings	318	354
Equipment and vehicles	7,609	7,976
Intangibles	-	9
Infrastructure	32,231	30,770
Total	\$ 73,989	68,843

The increase in the net book value of capital assets is primarily due the conservation cabins constructed in FY21, Engineer's parking lot resurfacing in FY21, as well as sheriff's office additions, jail expansion, and administrative building renovations in progress at the end of fiscal year 2021. The Iowa Department of Transportation also contributed more than \$3.0 million in infrastructure to the County during fiscal year 2021.

Muscatine County had depreciation/amortization expense of \$4,050,725 in fiscal year 2021 and total accumulated depreciation/amortization of \$51,459,235 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 the end of fiscal year 2021, Muscatine County had \$10,695,000 of long term debt outstanding, compared to \$10,765,000 at the end of fiscal year 2020.

Muscatine County's outstanding debt had virtually no change as a result of a general obligation note issuance and scheduled principal repayments made in the current year. Muscatine County's general obligation bond rating continues to be the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Muscatine County's outstanding general obligation debt of \$12,976,682, including development agreements of \$2,281,682, is significantly below its constitutional debt limit of approximately \$168 million. Additional information about the County's long-term debt is presented in Note 7 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Muscatine County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget and tax rates and the fees charged for various County activities. The amount available for appropriation in the fiscal year 2022 operating budget is approximately \$53.8 million, a decrease of approximately 11.7% from the final fiscal year 2021 budget. Muscatine County's operating fund balances are expected to decrease approximately \$5.3 million to approximately \$17.0 million 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 Muscatine County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sherry Seright at the Muscatine County Administration Office, 414 E 3rd Street, Suite 101, Muscatine, Iowa, 52761.

Basic Financial Statements

Muscatine County
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 36,315,700
Held by component units	33,507
Receivables:	
Property tax:	
Delinquent	85,951
Succeeding year	17,525,000
Succeeding year tax increment financing	79,000
Interest and penalty on property tax	174,461
Accounts	132,366
Accrued interest	4,050
Loan	45,000
Due from other governments	1,265,633
Inventories	243,557
Prepaid expenses	158,349
Capital assets not being depreciated	10,197,461
Capital assets, net of accumulated depreciation/amortization	63,791,516
Total assets	130,051,551
Deferred Outflows of Resources	
Pension related deferred outflows	2,344,968
OPEB related deferred outflows	87,471
Total deferred outflows of resources	2,432,439
Liabilities	
Accounts payable	1,129,111
Accrued interest payable	18,478
Salaries and benefits payable	522,134
Due to other governments	22,240
Unearned Revenue	4,143,491
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds/notes	1,980,000
Compensated absences	800,599
Total OPEB liability	43,856
Portion due or payable after one year:	
General obligation bonds/notes	8,715,000
Compensated absences	797,712
Net pension liability	6,300,660
Total OPEB liability	895,414
Total liabilities	25,368,695
Deferred Inflows of Resources	
Unavailable property tax revenue	17,708,100
Unavailable tax increment financing revenue	79,000
Pension related deferred inflows	392,143
OPEB related deferred inflows	37,767
Total deferred inflows of resources	18,217,010
Net Position	
Net investment in capital assets	66,614,615
Restricted for:	
Supplemental levy purposes	3,857,219
Mental health purposes	1,111,979
Rural services purposes	653,999
Secondary roads purposes	6,409,322
Conservation land acquisition	193,116
Debt service	335,541
Other purposes	326,380
Unrestricted	9,396,114
Total net position	\$ 88,898,285

See notes to financial statements.

Muscatine 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	\$ 13,519,761	1,804,707	5,774,203	-	(5,940,851)
Physical health and social services	1,360,537	207,430	569,652	-	(583,455)
Mental health	946,064	-	38,890	-	(907,174)
County environment and education	1,880,708	50,674	34,789	500,000	(1,295,245)
Roads and transportation	7,587,038	45,140	4,825,562	3,863,694	1,147,358
Governmental services to residents	1,054,289	761,590	46,049	-	(246,650)
Administration	3,740,816	44,207	198,717	-	(3,497,892)
Non-program	642,919	640,336	-	-	(2,583)
Interest on long-term debt	262,223	-	212,843	-	(49,380)
Total	\$ 30,994,355	3,554,084	11,700,705	4,363,694	(11,375,872)
General Revenues:					
Property and other county tax levied for:					
General purposes					16,210,635
Debt service					1,507,341
Tax increment financing					80,979
Penalty and interest on property tax					198,176
State tax credits					1,354,655
Local option sales tax					2,309,771
Unrestricted investment earnings					300,122
Gain on disposition of capital assets					151,452
Miscellaneous					28,737
Total general revenues					22,141,868
Change in net position					10,765,996
Net position beginning of year					78,132,289
Net position end of year					\$ 88,898,285

See notes to financial statements.

Muscatine County
Balance Sheet
Governmental Funds

June 30, 2021

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments				
County Treasurer	\$ 15,590,205	1,185,475	710,658	6,195,502
Held by component units	-	-	-	-
Receivables:				
Property tax:				
Delinquent	58,028	5,927	15,189	-
Succeeding year	12,538,000	844,000	2,658,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	174,461	-	-	-
Accounts	127,332	31	-	5,003
Accrued interest	4,050	-	-	-
Loan	45,000	-	-	-
Due from other funds	-	-	-	6,935
Due from other governments	643,671	-	2,745	619,217
Inventories	-	-	-	243,557
Prepaid expenditures	158,349	-	-	-
Total assets	\$ 29,339,096	2,035,433	3,386,592	7,070,214
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 301,672	12,738	7,014	231,660
Salaries and benefits payable	405,934	5,218	8,792	101,897
Due to other funds	6,935	-	-	-
Due to other governments	17,010	4,412	465	353
Unearned Revenue	-	-	-	-
Total liabilities	731,551	22,368	16,271	333,910
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	12,665,100	857,000	2,685,000	-
Succeeding year tax increment financing	-	-	-	-
Other	405,875	5,927	15,189	-
Total deferred inflows of resources	13,070,975	862,927	2,700,189	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	243,557
Prepaid expenditures	158,349	-	-	-
Loan receivable	45,000	-	-	-
Restricted for:				
Supplemental levy purposes	3,846,836	-	-	-
Mental health purposes	-	1,150,138	-	-
Rural services purposes	-	-	670,132	-
Secondary roads purposes	-	-	-	6,492,747
Conservation land acquisition	193,116	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned:				
Building maintenance	2,000,000	-	-	-
Debt service	-	-	-	-
Unassigned	9,293,269	-	-	-
Total fund balances	15,536,570	1,150,138	670,132	6,736,304
Total liabilities, deferred inflows of resources and fund balances	\$ 29,339,096	2,035,433	3,386,592	7,070,214

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
3,218,212	7,598,260	299,212	34,797,524
-	-	33,507	33,507
6,807	-	-	85,951
1,485,000	-	-	17,525,000
-	-	79,000	79,000
-	-	-	174,461
-	-	-	132,366
-	-	-	4,050
-	-	-	45,000
-	-	-	6,935
-	-	-	1,265,633
-	-	-	243,557
-	-	-	158,349
4,710,019	7,598,260	411,719	54,551,333
-	134,131	6,046	693,261
-	-	293	522,134
-	-	-	6,935
-	-	-	22,240
-	4,143,491	-	4,143,491
-	4,277,622	6,339	5,388,061
1,501,000	-	-	17,708,100
-	-	79,000	79,000
6,807	-	-	433,798
1,507,807	-	79,000	18,220,898
-	-	-	243,557
-	-	-	158,349
-	-	-	45,000
-	-	-	3,846,836
-	-	-	1,150,138
-	-	-	670,132
-	-	-	6,492,747
-	-	-	193,116
347,212	-	-	347,212
-	3,320,638	-	3,320,638
-	-	326,380	326,380
-	-	-	2,000,000
2,855,000	-	-	2,855,000
-	-	-	9,293,269
3,202,212	3,320,638	326,380	30,942,374
4,710,019	7,598,260	411,719	54,551,333

Muscatine County

Muscatine County

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

June 30, 2021

Total governmental fund balances (page 19) \$ 30,942,374

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 \$125,448,212 and the accumulated depreciation/amortization is \$51,459,235. 73,988,977

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. 433,798

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and County insurance to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position. 1,082,326

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

Deferred outflows of resources	\$ 2,432,439	
Deferred inflows of resources	<u>(429,910)</u>	2,002,529

Long-term liabilities, including bonds/notes payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (19,551,719)

Net position of governmental activities (page 16) \$ 88,898,285

See notes to financial statements.

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

Year ended June 30, 2021

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 12,392,764	1,265,415	2,633,350	-
Local option sales tax	-	-	-	2,309,771
Tax increment financing	-	-	-	-
Interest and penalty on property tax	175,796	-	-	-
Intergovernmental	7,657,255	103,798	156,195	4,879,842
Licenses and permits	16,525	-	95,620	44,974
Charges for service	1,185,634	-	-	166
Use of money and property	1,326,892	-	-	-
Miscellaneous	281,802	825	1,250	20,794
Total revenues	<u>23,036,668</u>	<u>1,370,038</u>	<u>2,886,415</u>	<u>7,255,547</u>
Expenditures:				
Operating:				
Public safety and legal services	12,101,553	-	-	-
Physical health and social services	1,341,718	-	153,173	-
Mental health	-	869,662	-	-
County environment and education	936,665	-	614,694	-
Roads and transportation	-	-	-	6,087,793
Governmental services to residents	980,252	-	1,906	-
Administration	3,528,542	-	-	-
Debt service	-	-	-	-
Capital projects	83,504	-	-	974,253
Total expenditures	<u>18,972,234</u>	<u>869,662</u>	<u>769,773</u>	<u>7,062,046</u>
Excess (deficiency) of revenues over (under) expenditures	4,064,434	500,376	2,116,642	193,501
Other financing sources (uses):				
Sale of capital assets	35,100	-	-	-
Transfers in	41,044	-	-	2,420,000
Transfers out	(1,535,000)	-	(2,161,044)	-
General obligation notes issued	-	-	-	-
Total other financing sources (uses)	<u>(1,458,856)</u>	<u>-</u>	<u>(2,161,044)</u>	<u>2,420,000</u>
Change in fund balances	2,605,578	500,376	(44,402)	2,613,501
Fund balances beginning of year	12,930,992	649,762	714,534	4,122,803
Fund balances end of year	<u>\$ 15,536,570</u>	<u>1,150,138</u>	<u>670,132</u>	<u>6,736,304</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,530,116	-	-	17,821,645
-	-	-	2,309,771
-	-	80,979	80,979
-	-	-	175,796
337,004	-	22,590	13,156,684
-	-	-	157,119
-	-	8,169	1,193,969
-	-	74	1,326,966
-	500,000	103,248	907,919
1,867,120	500,000	215,060	37,130,848
-	-	81,287	12,182,840
-	-	-	1,494,891
-	-	-	869,662
-	-	92,732	1,644,091
-	-	-	6,087,793
-	-	9,940	992,098
-	-	-	3,528,542
2,332,092	-	-	2,332,092
-	2,968,348	-	4,026,105
2,332,092	2,968,348	183,959	33,158,114
(464,972)	(2,468,348)	31,101	3,972,734
-	-	-	35,100
735,000	500,000	-	3,696,044
-	-	-	(3,696,044)
-	2,000,000	-	2,000,000
735,000	2,500,000	-	2,035,100
270,028	31,652	31,101	6,007,834
2,932,184	3,288,986	295,279	24,934,540
3,202,212	3,320,638	326,380	30,942,374

Muscatine County

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

Year ended June 30, 2021

Change in fund balances - Total governmental funds (page 23) \$ 6,007,834

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 and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 5,271,207	
Capital assets contributed by the Iowa Department of Transportation	3,809,414	
Depreciation/amortization expense	(4,050,725)	5,029,896

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. 116,352

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	(116,791)	
Other	192,079	75,288

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

Issued	(2,000,000)	
Repaid	2,070,000	70,000

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 1,079,052

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	(80,596)	
Pension expense	(1,368,063)	
OPEB expense	(52,899)	
Interest on long-term debt	(131)	(1,501,689)

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and County insurance to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. (110,729)

Change in net position of governmental activities (page 17) \$ 10,766,004

See notes to financial statements.

Muscatine County
Statement of Net Position
Proprietary Funds

June 30, 2021

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 1,518,176
Current Liabilities	
Accounts payable	<u>435,850</u>
Net Position	
Unrestricted	<u>\$ 1,082,326</u>

See notes to financial statements.

Muscatine County

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

Year ended June 30, 2021

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 2,628,192
Reimbursements from employees and others		<u>370,097</u>
Total operating revenues		2,998,289
Operating expenses:		
Health claims and administrative services	\$ 2,962,790	
Loss contingencies and deductibles	<u>147,014</u>	<u>3,109,804</u>
Operating loss		(111,515)
Non-operating revenues:		
Interest income		<u>786</u>
Net loss		(110,729)
Net position beginning of year		<u>1,193,055</u>
Net position end of year		<u>\$ 1,082,326</u>

See notes to financial statements.

Muscatine County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2021

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 2,628,193
Cash received from employees and others	370,118
Cash paid to suppliers for services	<u>(3,076,939)</u>
Net cash used by operating activities	(78,628)
Cash flows from investing activities:	
Interest on investments	<u>786</u>
Net decrease in cash and cash equivalents	(77,842)
Cash and cash equivalents beginning of year	<u>1,596,018</u>
Cash and cash equivalents end of year	<u>\$ 1,518,176</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (111,515)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts receivable	22
Accounts payable	<u>32,865</u>
Net cash used by operating activities	<u>\$ (78,628)</u>

See notes to financial statements.

Muscatine County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 5,784,247
Other County officials	2,736,373
Receivables:	
Property tax:	
Delinquent	202,003
Succeeding year	51,904,000
Accounts	36,300
Assessments	221,478
Due from other governments	56,947
Total assets	<u>60,941,348</u>

Liabilities

Accounts payable	68,975
Salaries and benefits payable	55,692
Due to other governments	3,178,050
Trusts payable	3,180,838
Total liabilities	<u>6,483,555</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>51,904,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 2,211,080</u>
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See notes to financial statements.

Muscatine County

Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2021

Additions:	
Property and other county tax	\$ 50,268,403
911 surcharge	278,198
State tax credits	4,434,387
Office fees and collections	871,965
Auto licenses, use tax, postage and drivers license fees	14,949,817
Assessments	599,018
Trusts	7,160,295
Miscellaneous	3,876,246
Total additions	<u>82,438,329</u>
Deductions:	
Agency remittances:	
To other funds	905,488
To other governments	74,467,992
Trusts paid out	7,265,297
Total deductions	<u>82,638,777</u>
Change in net position	(200,448)
Net position beginning of year, as restated	<u>2,411,528</u>
Net position end of year	<u>\$ 2,211,080</u>

See notes to financial statements.

Muscatine County

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

These financial statements present Muscatine County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational of financial relationship with the County.

Blended Component Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

The Muscatine County Volunteer Sheriff's Patrol has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations to function as a law enforcement representation and participate in law enforcement activities including crime prevention and enforcement. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

Fiduciary Funds – 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 Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivable represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the

following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) assets acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (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 an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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)
Infrastructure	10 - 65
Buildings and improvements	20 - 50
Intangibles	2 - 20
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2021. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 receivable and tax increment financing receivable that will not be recognized until the year for which they are levied, and unrecognized items not yet charged to pension expense.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2021, disbursements did not exceed the budgeted amounts in any function. However, disbursements in one department exceeded the amount appropriated prior to the approval of an appropriation amendment.

(2) Cash 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 \$1,095,626. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	<u>\$ 6,935</u>

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

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Rural Services	<u>\$ 41,044</u>
Special Revenue:		
Secondary Roads	General	300,000
	Special Revenue:	
	Rural Services	<u>2,120,000</u>
		<u>2,420,000</u>
Capital Projects	General	<u>500,000</u>
Debt Service	General	<u>735,000</u>
Total		<u>\$ 3,696,044</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	\$ 2,402,862	-	-	2,402,862
Intangibles, road network	1,195,713	-	-	1,195,713
Construction in progress	4,171,724	1,619,935	5,293,523	498,136
Construction in progress, road network	1,207,772	7,092,962	2,199,984	6,100,750
Total capital assets not being depreciated/amortized	8,978,071	8,712,897	7,493,507	10,197,461
Capital assets being depreciated/amortized:				
Buildings and improvements	34,090,408	3,754,379	-	37,844,787
Improvements other than building	418,027	-	-	418,027
Equipment and vehicles	15,270,696	1,357,377	679,923	15,948,150
Intangibles	372,167	-	-	372,167
Infrastructure, road network	55,642,689	2,199,984	-	57,842,673
Infrastructure, other	2,051,496	773,451	-	2,824,947
Total capital assets being depreciated/amortized	107,845,483	8,085,191	679,923	115,250,751
Less accumulated depreciation/amortization for:				
Buildings and improvements	13,334,736	876,502	-	14,211,238
Improvements other than building	63,798	36,160	-	99,958
Equipment and vehicles	7,294,747	1,617,000	572,315	8,339,432
Intangibles	363,574	8,592	-	372,166
Infrastructure, road network	26,174,005	1,375,237	-	27,549,242
Infrastructure, other	749,965	137,234	-	887,199
Total accumulated depreciation/amortization	47,980,825	4,050,725	572,315	51,459,235
Total capital assets being depreciated/amortized, net	59,864,658	4,034,466	107,608	63,791,516
Governmental activities capital assets, net	\$ 68,842,729	12,747,363	7,601,115	73,988,977

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 1,143,379
Physical health and social services	24,331
Mental health	69,021
County environment and education	237,423
Roads and transportation	2,257,989
Governmental services to residents	28,112
Administration	290,469
Total depreciation/amortization expense - governmental activities	\$ 4,050,725

(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	\$ 17,010
Special Revenue:		
Mental Health	Services	4,412
Rural Services	Services	465
Secondary Roads	Services	353
		<u>5,230</u>
Total for governmental funds		<u>\$ 22,240</u>
Agency:		
County Assessor	Collections	\$ 134
Schools		250,585
Community Colleges		15,277
Corporations		202,001
Townships		4,479
Auto License and Use Tax		1,320,488
Drainage Districts		1,330,029
All other		55,057
Total for agency funds		<u>\$ 3,178,050</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 County Building Improvement Notes	General Obligation County Refunding Bonds	General Obligation Urban Renewal Refunding Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning	\$ 2,415,000	3,125,000	5,225,000	1,517,715	4,585,058	895,608	17,763,381
Increases	2,000,000	-	-	987,652	1,715,602	113,542	4,816,796
Decreases	760,000	800,000	510,000	907,056	-	69,880	3,046,936
Balance end of year	<u>\$ 3,655,000</u>	<u>2,325,000</u>	<u>4,715,000</u>	<u>1,598,311</u>	<u>6,300,660</u>	<u>939,270</u>	<u>19,533,241</u>
Due within one year	<u>\$ 760,000</u>	<u>690,000</u>	<u>530,000</u>	<u>800,599</u>	<u>-</u>	<u>43,856</u>	<u>2,824,455</u>

Notes Payable

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

Year Ending June 30,	Interest Rate	County Building Improvement Note (2012)			Interest Rates	County Building Improvement Note (2019)		
		Principal	Interest	Total		Principal	Interest	Total
2022	1.50%	\$ 375,000	5,625	380,625	3.30%	\$ 185,000	49,518	234,518
2023		-	-	-	3.30	185,000	43,329	228,329
2024		-	-	-	3.30	185,000	37,240	222,240
2025		-	-	-	3.30	185,000	30,949	215,949
2026		-	-	-	3.30	185,000	24,759	209,759
2027-2029		-	-	-	3.30	555,000	37,173	1,110,795
Total		\$ 375,000	5,625	380,625		\$ 1,480,000	222,968	1,702,968

Year Ending June 30,	Interest Rate	County Building Improvement Note (2020)			Total		
		Principal	Interest	Total	Principal	Interest	Total
2022	1.95%	\$ 200,000	35,588	235,588	\$ 760,000	90,731	850,731
2023	1.95	200,000	31,633	231,633	385,000	74,962	459,962
2024	1.95	200,000	27,755	227,755	385,000	64,995	449,995
2025	1.95	200,000	23,725	223,725	385,000	54,674	439,674
2026	1.95	200,000	19,771	219,771	385,000	44,530	429,530
2027-2029	1.95	800,000	39,574	839,574	1,355,000	76,747	1,431,747
Total		\$ 1,800,000	178,046	1,978,046	\$ 3,655,000	406,639	4,061,639

On August 27, 2012, the County issued \$3,750,000 of general obligation county purpose notes with interest rate of 1.50% per annum. The notes were issued to provide funds to help defray the costs associated with HVAC system upgrades and other structural improvements. During the year ended June 30, 2021, the County paid principal of \$375,000 and interest of \$11,250 on the notes.

On October 1, 2019, the County issued \$1,850,000 of general obligation county building improvement notes with interest rate of 3.30% per annum. The notes were issued for improvements and repairs to County buildings. During the year ended June 30, 2021, the County paid principal of \$185,000 and interest of \$55,708 on the notes.

On September 1, 2020, the County issued \$2,000,000 of general obligation county building improvement notes with an interest rate of 1.95% per annum. The notes were issued for improvements and repairs to County buildings. During the year ended June 30, 2021, the County paid principal of \$200,000 and interest of \$29,575 on the notes.

General Obligation Bonds

On June 28, 2016, the County issued \$6,365,000 of general obligation bonds with interest rates ranging from 1.50% to 2.00% per annum. The bonds were issued to refund outstanding debt and for financial improvements and repairs to the community services building, repaving a parking lot and acquiring voting equipment. A summary of the County's June 30, 2021 general obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	County Refunding Bonds (2016A)		
		Principal	Interest	Total
2022	1.50%	\$ 690,000	41,337	731,337
2023	1.75	685,000	30,988	715,988
2024	2.00	550,000	19,000	569,000
2025	2.00	400,000	8,000	408,000
Total		\$ 2,325,000	99,325	2,424,325

During the year ended June 30, 2021, the County paid principal of \$800,000 and interest of \$53,337 on the bonds.

General Obligation Urban Renewal Bonds

On July 27, 2016, the County issued \$6,690,000 of general obligation urban renewal refunding bonds with interest rates ranging from 1.50% to 2.30% per annum. The bonds were issued to refund the 2009 general obligation jail improvement bonds. A summary of the County's June 30, 2021 general obligation urban renewal bonds indebtedness is as follows:

Year Ending June 30,	Interest Rates	County Refunding Bonds (2016B)		
		Principal	Interest	Total
2022	2.00%	\$ 530,000	100,898	630,898
2023	2.00	545,000	90,297	635,297
2024	2.00	560,000	79,398	639,398
2025	2.00	580,000	68,197	648,197
2026	2.20	595,000	56,598	651,598
2027-2029	2.25-2.30	1,905,000	88,242	1,993,242
Total		\$ 4,715,000	483,630	5,198,630

During the year ended June 30, 2021, the County paid \$510,000 of principal and \$111,097 of interest 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 or protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 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 \$1,079,052.

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 \$6,300,660 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 collective proportion was 0.089693%, which was an increase of 0.010513% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$1,368,063. 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	\$ 48,433	167,538
Changes of assumptions	487,308	168,546
Net difference between projected and actual earnings on IPERS' investments	622,337	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	107,838	56,059
County contributions subsequent to the measurement date	1,079,052	-
Total	<u>\$ 2,344,968</u>	<u>392,143</u>

\$1,079,052 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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	\$ 94,752
2023	171,247
2024	230,955
2025	376,465
2026	354
Total	<u>\$ 873,773</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 (asset)	\$ 13,099,286	6,300,660	602,476

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

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>182</u>
Total	<u>191</u>

Total OPEB Liability – The County’s total OPEB liability of \$939,270 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)	2.60% per annum.
Rates of salary increase (effective June 30, 2021)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2021)	2.19% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2021)	7.50% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.19% 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 Public Plan 2010 tables. 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	\$ 895,608
Changes for the year:	
Service cost	58,647
Interest	24,804
Differences between expected and actual experiences	30,091
Changes in assumptions	(26,024)
Benefit payments	<u>(43,856)</u>
Net changes	<u>43,662</u>
Total OPEB liability end of year	<u>\$ 939,270</u>

Changes of assumptions reflect a change in the discount rate from 2.66% in fiscal year 2020 to 2.19% 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 (1.19%) or 1% higher (3.19%) than the current discount rate.

	1% Decrease (1.19%)	Discount Rate (2.19%)	1% Increase (3.19%)
Total OPEB liability	\$ 1,005,297	939,270	876,099

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 (6.5%) or 1% higher (8.5%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 828,867	939,270	1,071,897

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 \$96,755. 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	\$ 40,174	37,767
Changes in assumptions	47,297	-
Total	<u>\$ 87,471</u>	<u>37,767</u>

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

Year ending June 30,	Amount
2022	\$ 13,307
2023	22,671
2024	12,911
2025	815
	<u>\$ 49,704</u>

(10) Risk Management

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2021 were \$277,712.

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 \$5,000,000 and \$250,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Health Insurance Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Health Insurance Trust Fund. The County's contribution for the year ended June 30, 2021 was \$2,962,670.

Amounts payable from the Internal Service, Health Insurance Trust Fund at June 30, 2021 total \$396,547, 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 \$1,082,326 at June 30, 2021 and is reported as a designation of the Internal Service, Health Insurance Trust Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 360,428
Incurred claims (including claims incurred but not reported at June 30, 2021)	2,962,790
Payment on claims during the fiscal year	<u>(2,926,671)</u>
Unpaid claims end of year	<u>\$ 396,547</u>

(12) Development Agreements

In November 2010, the County entered into a development agreement with Svenskt Stal Aktiebolag Iowa, Inc (SSAB). Under the agreement, SSAB agreed to construct a research and development center and the County agreed to provide a combination of property tax abatement and tax increment rebates. The total to be paid by the County under the agreement is not to exceed \$2,650,000. During the year \$62,385 was rebated and as of June 30, 2021, a total of \$458,990 had been rebated under the agreement, leaving an outstanding balance at June 30, 2021 of \$2,191,010.

In July 2013, the County entered into a development agreement with Van Meter, Inc. Under the agreement, Van Meter, Inc. agreed to construct a warehouse and the County agreed to provide economic development tax increment payments to the developer, not to exceed \$250,000. During the year \$23,795 was rebated and as of June 30, 2021, a total of \$159,328 had been rebated under the agreement, leaving an outstanding balance at June 30, 2021 of \$90,672.

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

(13) Tax Abatements

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

County Tax Abatements

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

For the year ended June 30, 2021, \$38,572 of property tax was diverted from the County under the urban renewal and economic development projects.

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Muscatine	Urban renewal and economic development projects	\$ 304,421
	Other tax abatement program	20,230
City of West Liberty	Urban renewal and economic development projects	12,986
City of Wilton	Urban renewal and economic development projects	71,487

(14) Jointly Governed Organizations

The County participates in the Muscatine County Joint Communications (MUSCOM) Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Custodial Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2021:

Additions:		
Contributions from Muscatine County		\$ 1,599,631
Miscellaneous		<u>183</u>
Total additions		1,599,814
Deductions:		
Salaries	\$ 659,384	
Benefits	267,905	
Office supplies	3,037	
Legal representation	40	
Postage and publications	847	
Telephone and internet	5,210	
Travel	1,188	
Capital projects	43,590	
Training	4,665	
Equipment replacement	1,492	
Maintenance and rentals	110,602	
Insurance	27,718	
Radio system fees	281,075	
Miscellaneous	<u>1,061</u>	<u>1,407,814</u>
Net		192,000
Balance beginning of year, as restated		<u>538,992</u> *
Balance end of year		<u>\$ 730,992</u>

* The beginning balance was restated by \$(130,525) due to implementation of GASBS No. 84, Fiduciary Activities.

The County participates in the Muscatine County Drug Task Force, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are maintained by the County Attorney and included in the County's financial statements as part of the Custodial Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2021:

Additions:		
Grant reimbursements		\$ 43,186
Reimbursements from special investigations		9,070
Restitution		687
Forfeiture		4,994
Miscellaneous		<u>13,204</u>
Total additions		71,140
Deductions:		
Reimbursements to governmental units	\$ 34,069	
Office supplies and equipment	37	
Investigations	35,467	
Forfeiture	3,559	
Miscellaneous	<u>13,676</u>	<u>86,807</u>
Net		(15,667)
Balance beginning of year		<u>68,004</u>
Balance end of year		<u><u>\$ 52,337</u></u>

(15) Industrial Development Revenue Notes

In May 2013, the County issued \$6,000,000 of industrial development revenue notes under the provisions of Chapter 419 of the Code of Iowa on behalf of the Lutheran Homes Society. The notes and related interest are not a liability of the County but are payable solely and only from the revenues derived by the property constructed by the Lutheran Homes Society. The outstanding principal balance was \$5,175,270 as of June 30, 2021.

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

Eastern Iowa Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which includes the following member counties: Cedar County, Clinton County, Jackson County, Scott County and Muscatine County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Eastern Iowa Mental Health Region for the year ended June 30, 2021, as follows:

Revenues:		
Property and other county tax		\$ 1,265,415
Intergovernmental revenues:		
State tax credits	\$ 67,658	
Other intergovernmental revenues	<u>36,140</u>	103,798
Miscellaneous		<u>825</u>
Total revenues		<u>1,370,038</u>
Expenditures:		
Services to persons with:		
Mental illness	128,696	
Intellectual disabilities	1,231	
Other developmental disabilities	<u>9,741</u>	139,668
General administration:		
Direct administration	199,066	
Distribution to regional fiscal agent	<u>530,928</u>	<u>729,994</u>
Total expenditures		<u>869,662</u>
Change in fund balance		500,376
Fund balance beginning of the year		<u>649,762</u>
Fund balance end of the year		<u>\$ 1,150,138</u>

(17) Revolving Loan Account

The Economic Revolving Loan Fund was established within the General Fund to promote economic development in the County through grants and loans. Upon receipt of loan payments from the businesses, the funds remain in the Economic Revolving Loan Fund for subsequent loans to other businesses.

In March 2019, the County made a loan to WeLead, Inc. of \$75,000 with annual installments of \$15,000 over five years with no interest. During fiscal year 2021, the County was repaid \$15,000 leaving an outstanding loan receivable of \$45,000.

(18) Muscatine-Louisa Island Joint Drainage District #13 Loan

In June 2019, the Muscatine-Louisa Island Joint Drainage District #13 issued a State of Iowa contingency fund loan for \$187,500. The loan requires annual payments on December 31st each year of \$9,375. The balance of the note at June 30, 2021 is \$159,375.

(19) 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 economics, including that of Muscatine County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Muscatine County. However, the extend 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 Muscatine County.

(20) 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 restatements to retroactively report the change in new position are as follows:

	<u>Fiduciary Activities</u>
Net position/fund balance June 30, 2020, as previously reported	\$ -
Change to implement GASBS No. 84	<u>2,411,528</u>
Net position July 1, 2020, as restated	<u>\$ 2,411,528</u>

(21) Prospective Accounting Change

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

Required Supplementary Information

Muscatine County

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

Required Supplementary Information

Year ended June 30, 2021

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property tax	\$ 17,394,200	16,863,713	16,863,713	530,487
Tax increment financing and other county tax	2,817,525	2,440,765	2,440,765	376,760
Interest and penalty on property tax	175,796	123,500	123,500	52,296
Intergovernmental	17,351,253	10,656,827	16,723,463	627,790
Licenses and permits	156,444	98,100	112,275	44,169
Charges for service	1,188,912	1,044,070	1,128,020	60,892
Use of money and property	1,330,949	1,093,925	1,233,925	97,024
Miscellaneous	847,194	983,600	749,800	97,394
Total receipts	41,262,273	33,304,500	39,375,461	1,886,812
Disbursements:				
Public safety and legal services	12,092,700	12,798,217	13,386,117	1,293,417
Physical health and social services	1,477,636	1,445,469	1,759,466	281,830
Mental health	865,859	1,070,608	1,070,608	204,749
County environment and education	1,535,739	2,095,443	1,748,138	212,399
Roads and transportation	5,910,816	7,495,000	7,495,000	1,584,184
Governmental services to residents	977,658	970,037	1,005,687	28,029
Administration	3,544,702	3,658,157	3,726,807	182,105
Debt service	2,418,272	2,476,393	2,476,393	58,121
Capital projects	3,968,266	6,909,493	7,477,493	3,509,227
Total disbursements	32,791,648	38,918,817	40,145,709	7,354,061
Excess (deficiency) of receipts over (under) disbursements	8,470,625	(5,614,317)	(770,248)	9,240,873
Other financing sources, net	2,035,368	2,011,000	2,011,000	24,368
Change in balances	10,505,993	(3,603,317)	1,240,752	9,265,241
Balance beginning of year	24,291,531	19,533,000	21,728,506	2,563,025
Balance end of year	\$ 34,797,524	15,929,683	22,969,258	11,828,266

See accompanying independent auditor's report.

Muscatine 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	\$ 41,262,273	(4,131,425)	37,130,848
Expenditures	32,791,648	366,466	33,158,114
Net	8,470,625	(4,497,891)	3,972,734
Other financing sources, net	2,035,368	(268)	2,035,100
Beginning fund balances	24,291,531	643,009	24,934,540
Ending fund balances	<u>\$ 34,797,524</u>	<u>(3,855,150)</u>	<u>30,942,374</u>

See accompanying independent auditor's report.

Muscatine County

Muscatine County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2021

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds and 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, two budget amendments increased budgeted disbursements by \$1,226,862. 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 by function did not exceed amounts budgeted. However, disbursements in one department exceeded the amount appropriated prior to budget amendment.

Muscatine 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	0.089693%	0.079180%	0.082360%	0.091945%
County's proportionate share of the net pension liability	\$ 6,301	4,585	5,212	6,125
County's covered payroll	\$ 10,885	9,790	9,275	9,497
County's proportionate share of the net pension liability as a percentage of its covered payroll	57.89%	46.83%	56.19%	64.49%
IPERS' net position as a percentage of the total pension liability	82.90%	84.45%	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
0.090860%	0.082257%	0.076187%
5,718	4,064	3,022
9,110	8,939	8,908
62.77%	45.46%	33.92%
81.82%	85.19%	87.61%

Muscatine 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	\$ 1,079	1,038	1,004	904
Contributions in relation to the statutorily required contribution	<u>(1,079)</u>	<u>(1,038)</u>	<u>(1,004)</u>	<u>(904)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 11,448	10,885	9,790	9,275
Contributions as a percentage of covered payroll	9.43%	9.54%	10.26%	9.75%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
875	845	833	830	854	829
(875)	(845)	(833)	(830)	(854)	(829)
-	-	-	-	-	-
9,497	9,110	8,939	8,908	9,282	9,468
9.21%	9.28%	9.32%	9.32%	9.20%	8.76%

Muscatine 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.

Muscatine 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	\$ 58,647	50,771	44,927	35,301
Interest cost	24,804	28,883	28,349	27,157
Difference between expected and actual experiences	(26,024)	49,591	26,046	(84,748)
Changes in assumptions	30,091	10,895	22,755	37,921
Benefit payments	(43,856)	(33,006)	(42,020)	(60,426)
Net change in total OPEB liability	43,662	107,134	80,057	(44,795)
Total OPEB liability beginning of year	895,608	788,474	708,417	753,212
Total OPEB liability end of year	\$ 939,270	895,608	788,474	708,417
Covered-employee payroll	\$ 10,309,235	9,966,636	9,933,233	9,775,040
Total OPEB liability as a percentage of covered-employee payroll	9.1%	9.0%	7.9%	7.2%

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	2.19%
Year ended June 30, 2020	2.66%
Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Muscatine County

Supplementary Information

Muscatine County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2021

				Special
	County Recorder's Records Management	Resource Enhancement and Protection		County Sheriff's Forfeiture
Assets				
Cash, cash equivalents and pooled Investments:				
County Treasurer	\$ 33,270	138,884		97,500
Cash held by component unit	-	-		-
Receivables:				
Succeeding year tax increment financing	-	-		-
Total assets	\$ 33,270	138,884		97,500
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-		6,046
Salaries payable	-	293		-
	-	293		6,046
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year tax increment financing	-	-		-
Fund balances:				
Restricted for other purposes	33,270	138,591		91,454
Total liabilities, deferred inflows of resources and fund balances	\$ 33,270	138,884		97,500

See accompanying independent auditor's report.

<u>Revenue</u>			
<u>County</u>	<u>Tax</u>	<u>Reserve</u>	
<u>Attorney's</u>	<u>Increment</u>	<u>Police</u>	
<u>Forfeiture</u>	<u>Financing</u>	<u>Officers</u>	<u>Total</u>
29,558	-	-	299,212
-	-	33,507	33,507
-	79,000	-	79,000
<u>29,558</u>	<u>79,000</u>	<u>33,507</u>	<u>411,719</u>
-	-	-	6,046
-	-	-	293
-	-	-	<u>6,339</u>
-	79,000	-	79,000
<u>29,558</u>	-	<u>33,507</u>	<u>326,380</u>
<u>29,558</u>	<u>79,000</u>	<u>33,507</u>	<u>411,719</u>

Muscatine County

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

Year ended June 30, 2021

	County Recorder's Records Management	Resource Enhancement and Protection	Special County Sheriff's Forfeiture
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	17,389	-
Charges for service	8,169	-	-
Use of money and property	-	74	-
Miscellaneous	-	-	15,660
Total revenues	<u>8,169</u>	<u>17,463</u>	<u>15,660</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	54,298
County environment and education	-	6,552	-
Governmental services to residents	9,940	-	-
Total expenditures	<u>9,940</u>	<u>6,552</u>	<u>54,298</u>
Excess (deficiency) of revenues over (under) expenditures	(1,771)	10,911	(38,638)
Fund balances beginning of year	<u>35,041</u>	<u>127,680</u>	<u>130,092</u>
Fund balances end of year	<u>\$ 33,270</u>	<u>138,591</u>	<u>91,454</u>

See accompanying independent auditor's report.

Revenue

County Attorney's Forfeiture	Tax Increment Financing	Reserve Police Officers	Total
-	80,979	-	80,979
-	5,201	-	22,590
-	-	-	8,169
-	-	-	74
29,891	-	57,697	103,248
29,891	86,180	57,697	215,060
2,799	-	24,190	81,287
-	86,180	-	92,732
-	-	-	9,940
2,799	86,180	24,190	183,959
27,092	-	33,507	31,101
2,466	-	-	295,279
29,558	-	33,507	326,380

Schedule 3

Muscatine County

Combining Schedule of Net Position
Proprietary Funds

June 30, 2021

	Internal Service - Health Insurance Trust	Internal Service - County Insurance Trust	Total
Assets			
Cash and cash equivalents	\$ 1,438,185	79,991	1,518,176
Liabilities			
Accounts payable	396,547	39,303	435,850
Net Position			
Unrestricted	\$ 1,041,638	40,688	1,082,326

See accompanying independent auditor's report.

Muscatine County

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

Year ended June 30, 2021

	Internal Service - Health Insurance Trust	Internal Service - County Insurance Trust	Total
Operating revenues:			
Reimbursements from operating funds	\$ 2,603,192	25,000	2,628,192
Reimbursements from others	290,421	79,676	370,097
Total operating revenues	2,893,613	104,676	2,998,289
Operating expenses:			
Health claims and administrative services	2,962,790	-	2,962,790
Loss contingencies and deductibles	-	147,014	147,014
Total operating expenses	2,962,790	147,014	3,109,804
Operating loss	(69,177)	(42,338)	(111,515)
Non-operating revenues:			
Interest income	786	-	786
Net loss	(68,391)	(42,338)	(110,729)
Net position beginning of year	1,110,029	83,026	1,193,055
Net position end of year	\$ 1,041,638	40,688	1,082,326

See accompanying independent auditor's report.

Muscatine County

Muscatine County
Combining Schedule of Cash Flows
Proprietary Funds

Year ended June 30, 2021

	Internal Service - Health Insurance Trust	Internal Service - County Insurance Trust	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 2,603,193	25,000	2,628,193
Cash received from employees and others	290,442	79,676	370,118
Cash paid to suppliers for services	(2,926,671)	(150,268)	(3,076,939)
Net cash used by operating activities	(33,036)	(45,592)	(78,628)
Cash flows from investing activities:			
Interest on investments	786	-	786
Net increase in cash and cash equivalents	(32,250)	(45,592)	(77,842)
Cash and cash equivalents beginning of year	1,470,435	125,583	1,596,018
Cash and cash equivalents end of year	\$ 1,438,185	79,991	1,518,176
Reconciliation of operating loss to net cash cash used by operating activities:			
Operating loss	\$ (69,177)	(42,338)	(111,515)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Change in assets and liabilities:			
Accounts receivable	22	-	22
Accounts payable	36,119	(3,254)	32,865
Net cash used by operating activities	\$ (33,036)	(45,592)	(78,628)

See accompanying independent auditor's report.

Muscatine County

Combining Schedule of Fiduciary Assets and Liabilities
Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Assets						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	2,708	678,766	250,585	15,277	202,001
Other County officials	2,684,036	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	1,361	3,193	125,165	7,632	60,499
Succeeding year	-	295,000	668,000	27,521,000	1,889,000	20,943,000
Accounts	18,378	-	-	-	-	-
Assessments	-	-	-	-	-	221,478
Due from other governments	-	-	-	-	-	-
Total assets	\$ 2,702,414	299,069	1,349,959	27,896,750	1,911,909	21,426,978
Liabilities						
Accounts payable	\$ -	-	1,877	-	-	-
Salaries and benefits payable	-	-	11,987	-	-	-
Due to other governments	43,383	2,708	134	250,585	15,277	202,001
Trusts payable	2,659,031	-	-	-	-	-
Notes payable	-	-	-	-	-	-
Compensated absences	-	-	76,811	-	-	-
Total liabilities	2,702,414	2,708	90,809	250,585	15,277	202,001
Deferred Inflow of Resources						
Unavailable revenues	-	295,000	668,000	27,521,000	1,889,000	20,943,000
Net Position						
Restricted for individuals, organizations and other governments	\$ -	1,361	591,150	125,165	7,632	281,977

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
4,479	1,320,488	1,531,230	784,643	9,117	984,953	5,784,247
-	-	-	-	52,337	-	2,736,373
3,624	-	-	-	-	529	202,003
559,000	-	-	-	-	29,000	51,904,000
-	-	-	20	-	17,902	36,300
-	-	-	-	-	-	221,478
-	-	243	-	-	56,704	56,947
567,103	1,320,488	1,531,473	784,663	61,454	1,089,088	60,941,348
-	-	42,069	12,089	9,117	3,823	68,975
-	-	-	41,243	-	2,462	55,692
4,479	1,320,488	1,330,029	409	-	8,557	3,178,050
-	-	-	-	-	521,807	3,180,838
-	-	159,375	-	-	-	159,375
-	-	-	90,447	-	16,080	183,338
4,479	1,320,488	1,531,473	144,188	9,117	552,729	6,826,268
559,000	-	-	-	-	29,000	51,904,000
3,624	-	-	640,475	52,337	507,359	2,211,080

Muscatine County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Custodial Funds

Year ended June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
Additions:						
Property and other county tax	\$ -	288,698	677,141	26,814,689	1,639,117	19,964,363
911 surcharge	-	-	-	-	-	-
State tax credits	-	23,842	55,922	2,211,684	134,994	1,976,676
Office fees and collections	871,965	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	159,956
Trusts	7,160,295	-	-	-	-	-
Miscellaneous	743	-	741	58,043	-	-
Total additions	8,033,003	312,540	733,804	29,084,416	1,774,111	22,100,995
Deductions:						
Agency remittances:						
To other funds	439,773	-	-	-	-	-
To other governments	433,060	314,507	636,117	29,267,227	1,785,181	22,179,946
Trusts paid out	7,160,170	-	-	-	-	-
Total deductions	8,033,003	314,507	636,117	29,267,227	1,785,181	22,179,946
Changes in net position	-	(1,967)	97,687	(182,811)	(11,070)	(78,951)
Net position beginning of year, as restated	-	3,328	493,463	307,976	18,702	360,928
Net position end of year	\$ -	1,361	591,150	125,165	7,632	281,977

See accompanying independent auditor's report.

Townships	Auto License and Use Tax	Drainage Districts	Joint Communications Center	Muscatine County Drug Task Force	Other	Total
538,401	-	-	-	-	345,994	50,268,403
-	-	-	-	-	278,198	278,198
29,538	-	-	-	-	1,731	4,434,387
-	-	-	-	-	-	871,965
-	14,949,817	-	-	-	-	14,949,817
-	-	439,062	-	-	-	599,018
-	-	-	-	-	-	7,160,295
-	-	129,866	1,599,814	71,140	2,015,899	3,876,246
567,939	14,949,817	568,928	1,599,814	71,140	2,641,822	82,438,329
-	465,715	-	-	-	-	905,488
570,908	14,484,102	568,928	1,498,261	86,807	2,642,948	74,467,992
-	-	-	-	-	105,127	7,265,297
570,908	14,949,817	568,928	1,498,261	86,807	2,748,075	82,638,777
(2,969)	-	-	101,553	(15,667)	(106,253)	(200,448)
6,593	-	-	538,922	68,004	613,612	2,411,528
3,624	-	-	640,475	52,337	507,359	2,211,080

Muscatine 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	\$ 17,821,645	17,560,295	17,560,295	15,598,013
Local option sales tax	2,309,771	1,855,100	1,855,100	2,070,774
Tax increment financing	80,979	86,870	86,870	86,325
Interest and penalty on property tax	175,796	70,272	70,272	158,030
Intergovernmental	13,156,684	11,345,024	11,345,024	10,644,978
Licenses and permits	157,119	85,997	85,997	99,481
Charges for service	1,193,969	1,106,293	1,106,293	1,096,519
Use of money and property	1,326,966	1,436,362	1,436,362	1,486,993
Miscellaneous	907,919	405,131	405,131	643,283
Total	\$ 37,130,848	33,951,344	33,951,344	31,884,396
Expenditures:				
Operating:				
Public safety and legal services	\$ 12,182,840	12,025,204	12,025,204	11,517,204
Physical health and social services	1,494,891	1,272,794	1,272,794	1,066,511
Mental health	869,662	1,246,440	1,246,440	1,437,479
County environment and education	1,644,091	1,345,478	1,345,478	1,418,799
Roads and transportation	6,087,793	7,766,379	7,766,379	6,297,873
Governmental services to residents	992,098	921,887	921,887	851,978
Administration	3,528,542	3,228,629	3,228,629	3,067,190
Debt service	2,332,092	2,109,763	2,109,763	1,893,360
Capital projects	4,026,105	3,413,537	3,413,537	2,082,330
Total	\$ 33,158,114	33,330,111	33,330,111	29,632,724

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
15,976,080	15,451,678	15,270,600	15,361,152	15,013,220	14,501,893
1,868,551	1,742,843	1,748,584	1,674,268	1,578,784	1,660,363
87,444	76,889	38,696	28,799	20,326	2,646,694
123,955	140,335	137,528	26,500	137,636	142,125
9,916,962	9,583,356	7,930,172	8,736,740	8,407,267	12,088,460
106,446	96,334	98,809	79,010	69,129	56,217
1,232,865	1,092,826	994,284	1,045,893	1,049,328	1,014,654
1,099,398	754,263	543,784	537,210	728,408	529,790
305,998	439,513	588,395	349,462	229,717	255,121
30,717,699	29,378,037	27,350,852	27,839,034	27,233,815	32,895,317
10,053,308	9,466,411	8,917,179	8,502,516	9,230,897	9,097,021
1,085,437	1,052,397	1,078,192	1,165,740	1,111,050	1,165,653
1,540,680	3,677,254	3,013,461	2,481,692	2,555,780	6,145,291
1,263,242	1,283,865	1,127,924	1,012,652	924,589	920,798
6,019,011	6,039,385	5,984,880	5,123,328	5,082,667	5,284,511
861,780	782,245	743,278	783,569	758,477	920,329
2,836,858	2,773,214	2,781,434	2,575,095	2,700,947	2,713,389
1,918,335	8,600,742	1,808,964	1,630,158	1,574,173	4,461,871
2,506,326	4,205,733	1,544,236	4,796,032	2,895,030	1,219,947
28,084,977	37,881,246	26,999,548	28,070,782	26,833,610	31,928,810

Muscatine County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226	FY21	\$ 4,858
U.S. Department of Justice:			
COVID-19, Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0267	<u>41,147</u>
Total direct			<u>46,005</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SANP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY21	<u>49,337</u>
U.S. Department of Defense:			
Iowa Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112	FY21	<u>24,876</u>
U.S. Department of Justice:			
City of Muscatine:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FY21	<u>7,882</u>
Governor's Office of Drug Control Policy:			
COVID-19, Coronavirus Emergency Supplemental Funding Program	16.034	20-CESF-356419	<u>18,031</u>
Public Safety Partnership and Community Policing Grants	16.710	19-CAMP-10	<u>8,000</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FY21	<u>34,000</u>
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Highway Safety Cluster:			
Alcohol Impaired Driving Countermeasures	20.601	402-MOPT, Task 30-00-00	23,529
Alcohol Impaired Driving Countermeasures	20.601	402-MOPT, Task 24-00-00	<u>22,579</u>
			<u>46,108</u>
U.S. Department of Treasury:			
Iowa Department of Revenue:			
COVID-19, Coronavirus Relief Fund Fund(\$219,631 provided to subrecipients)	21.019	FY21	<u>760,526</u>
U.S. Election Assistance Commission:			
Iowa Secretary of State:			
COVID-19, Help America Vote Act	90.404	370-11320-HAVACARES	<u>24,400</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.235	5881NB31	<u>19,425</u>
Immunization Cooperative Agreements	93.268	5881I466	9,646
COVID-19, Immunization Cooperative Agreements	93.268	5881I466	8,600
COVID-19, Immunization Cooperative Agreements	93.268	5885BT470	<u>127,337</u>
			<u>145,583</u>

Grantor/Program	Assistance Listing Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
Assistance Programs for Chronic Disease Prevention and Control	93.945	5881CD25	3,500
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Guardianship Assistance	93.090	FY21	7
Refugee and Entrant Assistance-State Administered Programs	93.566	FY21	1,970
Foster Care Title IV-E	93.658	FY21	13,920
Adoption Assistance	93.659	FY21	6,214
Social Services Block Grant	93.667	FY21	10,068
Children's Health Insurance Program	93.767	FY21	3,839
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY21	11,497
Medicaid Cluster:			
Medical Assistance Program	93.778	FY21	47,630
Executive Office of the President:			
Iowa Department of Public Safety:			
High Intensity Drug Trafficking Areas Program	95.001	G19MW0002A	10,186
High Intensity Drug Trafficking Areas Program	95.001	G20MW0002A	64,319
High Intensity Drug Trafficking Areas Program	95.001	G21MW0002A	13,737
			88,242
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FY21	3,413
Total indirect			1,328,468
Total			\$ 1,374,473

* Total for Assistance Listing Number 16.034 is \$59,178.

^ Total for Assistance Listing Number 16.738 is \$41,882.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Muscatine County under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Muscatine County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Muscatine County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Muscatine County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

Rob Sand
Auditor of State

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

To the Officials of Muscatine County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Muscatine County, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 21, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Muscatine County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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 certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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.

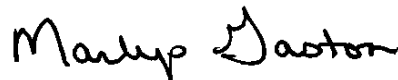
Muscatine County's Responses to the Findings

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

Purpose of this Report

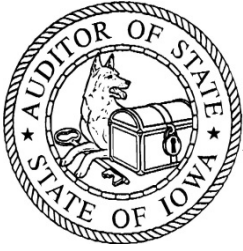
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance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

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



Marlys K. Gaston, CPA
Chief Deputy Auditor of State

March 21, 2022



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

Rob Sand
Auditor of State

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

To the Officials of Muscatine County:

Report on Compliance for Each Major Federal Program

We have audited Muscatine County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2021. Muscatine County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Muscatine County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

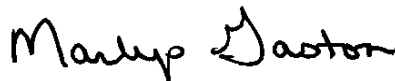
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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


Marlys K. Gaston, CPA
Chief Deputy Auditor of State

March 21, 2022

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 21.019 – COVID-19, Coronavirus Relief Fund.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Muscatine County did not qualify as a low-risk auditee.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-21 Segregation of Duties
(2021-001)

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

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

	<u>Applicable Offices</u>
(1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder
(2) Generally, one individual may have control over collecting, depositing, posting, maintaining receivable records and daily reconciling of receipts for which no compensating controls exist.	Recorder

Cause – The County Recorder's office has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

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

Response – We do the best we can with the small staff we have.

Conclusion – Response acknowledged. The County Recorder should utilize current personnel, including staff from other offices, to provide additional control through review of financial transactions, reconciliations and reports.

Muscatine County
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amount appropriated prior to the approval of an appropriation amendment by the Board of Supervisors.

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 by increasing or decreasing the appropriation of another office or department as long as the function is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

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

Conclusion – Response accepted.

IV-B-21 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-21 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-21 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-21 Restricted Donor Activity – No transactions were noted between the County, County officials or County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-21 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.

IV-G-21 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-21 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.

IV-I-21 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-21 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.

Muscatine County

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- IV-K-21 Muscatine County Drug Task Force – The Muscatine County Drug Task Force is operated under the authority of Chapter 28E of the Code of Iowa and is administered by an Executive Committee separate and distinct from County operations.

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

Also, in accordance with Chapter 28E.6(3b), if the entity has less than one hundred thousand dollars at the end of the previous fiscal year and total expenditures of less than one hundred thousand dollars during the prior fiscal year, the entity does not need to publish bills as required. The information would need to be filed with the county recorder in the most populous county served by the entity. Muscatine County Drug Task Force did not file this information with the County Recorder.

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

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

Conclusion – Response accepted.

- IV-L-21 Muscatine County Joint Communications (MUSCOM) – MUSCOM is operated under the authority of Chapter 28E of the Code of Iowa and is administered by the Muscatine County Joint Communications Commission (MCJCC) and the MUSCOM User Group (User Group) separate and distinct from County operations. Section 8 of the 28E agreement requires both the MCJCC and the User Group to follow the meeting requirements of Chapters 21, 22 and 28E of the Code of Iowa. Minutes of meetings should include the date, time, and location of the meetings. Information should be submitted for publication to the newspaper within 20 days following the adjournment of the meeting. Summaries of the proceedings of each meeting were not submitted to newspaper for publication as required by Chapter 28E.6(3a) of the Code of Iowa.

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

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

Conclusion – Response accepted.

Muscatine County

Staff

This audit was performed by:

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