

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

September 30, 2022

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$12,207,599 for the year ended June 30, 2021, a 16.7% increase over the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$10,520,288, a 1.2% decrease from the prior year. The significant increase in revenues is primarily due to increased capital contributions from the Iowa Department of Transportation.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 76 through 80 of this report. The findings addressed issues such as lack of segregation of duties and material adjustments needed to properly record capital assets. Sand provided the County with recommendations to address each of the findings.

The segregation of duties finding discussed above is repeated from the prior year. The County Board of Supervisors and other County officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

###

AUDUBON COUNTY

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

JUNE 30, 2021

Audubon County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

September 15, 2022

Officials of Audubon County
Audubon, Iowa

Dear Board Members:

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

Sincerely,

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

Rob Sand
Auditor of State

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		8-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Position	G	25
Statement of Revenues, Expenses and Changes in Net Position	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position – Custodial Funds	J	28
Statement of Changes in Fiduciary Net Position – Custodial Funds	K	29
Notes to Financial Statements		30-49
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		52
Budget to GAAP Reconciliation		53
Notes to Required Supplementary Information – Budgetary Reporting		55
Schedule of the County’s Proportionate Share of the Net Pension Liability		56-57
Schedule of County Contributions		58-59
Notes to Required Supplementary Information – Pension Liability		60
Schedule of Changes in the County’s Total OPEB Liability, Related Ratios and Notes		61
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	64-65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	66-67
Custodial Funds:		
Combining Schedule of Fiduciary Net Position	3	68-69
Combining Schedule of Changes in Fiduciary Net Position	4	70-71
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	72-73
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		74-75
Schedule of Findings		76-80
Staff		81

Audubon County

Officials

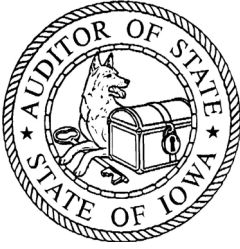
(Before January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Todd M. Nelsen	Board of Supervisors	Jan 2021
Rick Thompson	Board of Supervisors	Jan 2021
Gary VanAernam	Board of Supervisors	Jan 2023
Lisa Frederiksen	County Auditor	Jan 2021
Debbie Campbell	County Treasurer	Jan 2023
Miranda Bills	County Recorder	Jan 2023
Todd Johnson	County Sheriff	Jan 2021
Sarah Jennings	County Attorney	(Resigned Sep 2020)
Christopher Swensen (Appointed Nov 2020)	County Attorney	Nov 2022
Debra Umland	County Assessor	Jan 2022

(After January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gary VanAernam	Board of Supervisors	Jan 2023
Doug Sorensen	Board of Supervisors	Jan 2025
Rick Thompson	Board of Supervisors	Jan 2025
Lisa Frederiksen	County Auditor	Jan 2025
Debbie Campbell	County Treasurer	Jan 2023
Miranda Bills	County Recorder	Jan 2023
Todd Johnson	County Sheriff	Jan 2025
Christopher Swensen	County Attorney	Nov 2022
Debra Umland	County Assessor	Jan 2022

Audubon County



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

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

Emphasis of a Matter

As discussed in Note 14 to the financial statements, Audubon 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 52 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Audubon County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2022 on our consideration of Audubon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Audubon County's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

September 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Audubon 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 \$1,040,101 to retroactively report in accordance with the GASBS.
- Revenues of the County's governmental activities increased 16.6%, or approximately \$1,742,000, from fiscal year 2020 to fiscal year 2021. Property tax, including tax increment financing increased approximately \$871,000 and capital grants, contributions and restricted interest increased approximately \$1,304,000 while charges for service decreased approximately \$412,000.
- Program expenses of the County's governmental activities were 1.2%, or approximately \$129,000, less in fiscal year 2021 than in fiscal year 2020. Physical health and social services expenses decreased approximately \$193,000 and county environment and education expenses decreased approximately \$157,000 while governmental services to residents expenses increased approximately \$159,000.
- The County's net position increased 8.4%, or approximately \$1,687,000, over the June 30, 2020 balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Audubon 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 Audubon 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 Audubon 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 funds and the individual Custodial Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Audubon County’s combined net position increased from approximately \$20.0 million to approximately \$21.7 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	\$ 17,542	11,564
Capital assets	24,516	23,696
Total assets	42,058	35,260
Deferred outflows of resources	658	635
Long-term liabilities	14,643	9,593
Other liabilities	299	366
Total liabilities	14,942	9,959
Deferred inflows of resources	6,106	5,955
Net position:		
Net investment in capital assets	17,655	16,640
Restricted	3,649	3,367
Unrestricted	364	(26)
Total net position	\$ 21,668	19,981

Net position of Audubon County’s governmental activities increased 8.4% (approximately \$21.7 million compared to approximately \$20.0 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 \$1,015,000, or 6.1% over the prior year.

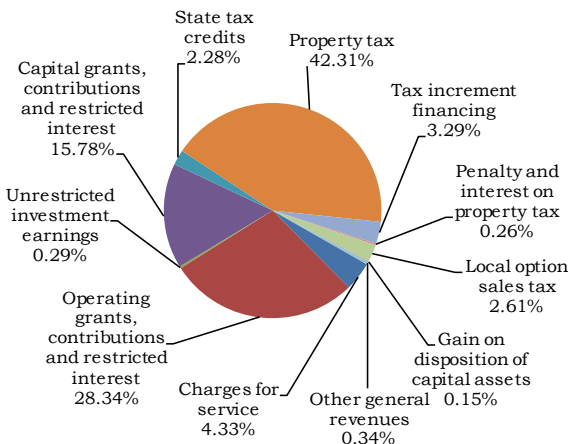
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased 8.4% over the prior year primarily due to an increase in the balance of the Special Revenue, Secondary Roads Fund.

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 from a deficit of approximately \$26,000 at June 30, 2020 to approximately \$364,000 at the end of this year, an increase of \$390,000. The increase is mainly due to an increased balance in the General Fund from June 30, 2020 to June 30, 2021.

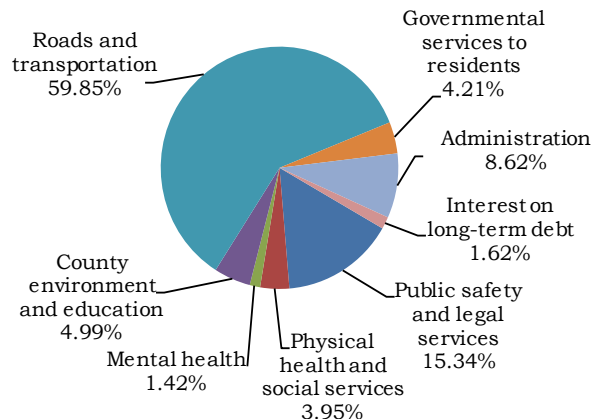
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Revenues:		
Program revenues:		
Charges for service	\$ 529	941
Operating grants, contributions and restricted interest	3,460	3,355
Capital grants, contributions and restricted interest	1,926	622
General revenues:		
Property tax	5,165	4,311
Tax increment financing	402	385
Penalty and interest on property tax	32	11
State tax credits	278	280
Local option sales tax	319	381
Unrestricted investment earnings	36	61
Gain on disposition of capital assets	18	49
Other general revenues	42	69
Total revenues	12,207	10,465
Program expenses:		
Public safety and legal services	1,614	1,504
Physical health and social services	416	609
Mental health	149	178
County environment and education	525	682
Roads and transportation	6,296	6,349
Governmental services to residents	443	284
Administration	907	858
Interest on long-term debt	170	185
Total expenses	10,520	10,649
Change in net position	1,687	(184)
Net position beginning of year	19,981	20,165
Net position end of year	\$ 21,668	19,981

Revenues by Source



Expenses by Function



The County increased property tax rates for fiscal year 2021 by 6.5%. The overall rate increase, coupled with an increase in taxable valuation of approximately \$56,849,000, increased the County's property tax revenue approximately \$854,000 in fiscal year 2021.

The cost of all governmental activities this year was approximately \$10.5 million compared to approximately \$10.6 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$4.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$529,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,386,000). Charges for services decreased approximately \$412,000, or 43.8%, due to the sale of rock for a wind project in fiscal year 2020. Capital grants, contributions and restricted interest increased approximately \$1,304,000, or 209.6%, due to more contributions by the Iowa Department of Transportation for road projects in fiscal year 2021. Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2021 from approximately \$4,918,000 to approximately \$5,915,000.

INDIVIDUAL MAJOR FUND ANALYSIS

As Audubon County completed the year, its governmental funds reported a combined fund balance of approximately \$10.5 million, an increase of approximately \$5.5 million from last year's total of approximately \$5.0 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 \$188,000 over the prior year and expenditures decreased approximately \$227,000 from the prior year. The largest increase in revenues was property and other county tax revenues with an increase of approximately \$177,000. The ending balance increased approximately \$488,000 over the prior year to approximately \$2,842,000.
- Special Revenue, Mental Health Fund revenues increased approximately \$144,000, due to the County levying property taxes in fiscal year 2021. Expenditures totaled approximately \$152,000, a decrease of approximately \$26,000 from the prior year, due primarily to a decrease in distributions to the fiscal agent. The Special Revenue, Mental Health Fund balance at year end remained virtually unchanged from the prior year.
- Special Revenue, Rural Services Fund revenues increased approximately \$644,000 due to increased property tax revenues. Expenditures increased approximately \$277,000, due primarily to a change in the allocation method of sheriff patrol services. In fiscal year 2021, expenditures were paid 80% from this fund and 20% from the General fund while in fiscal year 2020, the expenditures were split 50/50 with the General Fund. The ending balance increased approximately \$105,000 over the prior year to approximately \$769,000.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$136,000 from the prior year. Local option sales tax revenues decreased approximately \$61,000, intergovernmental revenues increased approximately \$315,000 due to increased road use tax revenues in fiscal year 2021 and miscellaneous revenues decreased approximately \$392,000 due to the sale of rock to a local vendor for a wind project in fiscal year 2020. Expenditures decreased approximately \$910,000 from the prior year. The Special Revenue, Secondary Roads Fund ending balance increased approximately \$260,000 to approximately \$1,673,000.
- Special Revenue, Tax Increment Financing Fund revenues increased approximately \$14,000 and expenditures increased approximately \$52,000. The ending balance decreased approximately \$27,000 from the prior year to \$5,377.

- The Capital Projects Fund revenues increased \$8,566 and expenditures increased approximately \$127,000 due to more road projects in fiscal year 2021. The ending balance increased approximately \$4,700,000 over the prior year to approximately \$4,723,000 due to the issuance of \$5 million of general obligation bonds.

BUDGETARY HIGHLIGHTS

Over the course of the year, Audubon County amended its budget three times. The first amendment was made in February 2021 and resulted in an increase of \$512,022 in budgeted disbursements in most functions. The largest increase was in the capital projects function for additional capital projects. Budgeted revenues also increased approximately \$5,458,000 due to the issuance of general obligation bonds. The second amendment was made in May 2021 and resulted in an overall increase in budgeted disbursements of \$64,200. The third amendment was made in June 2021 and resulted in an increase of \$15,000 in the physical health and social services.

The County’s receipts were \$386,703 more than budgeted, a variance of 3.9%. Total disbursements were \$1,398,727 less than the amended budget, a variance of 12.2%. Disbursements did not exceed the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, Audubon County had approximately \$24.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities and roads and bridges. This is a net increase (including additions and deletions) of approximately \$821,000, or 3.5%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2021	2020
Land	\$ 931	931
Construction in progress	248	9
Buildings and improvements	750	682
Equipment and vehicles	2,448	2,751
Infrastructure, road network and other	20,139	19,322
Total	<u>\$ 24,516</u>	<u>23,695</u>

The County had depreciation expense of \$1,850,000 for fiscal year 2021 and total accumulated depreciation of \$18,362,231 at June 30, 2021. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2021, Audubon County had approximately \$11,584,000 of general obligation bonds and other debt outstanding, compared to approximately \$7,056,000 at June 30, 2020, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2021	2020
General obligation bonds	\$ 10,700	5,965
Capital lease purchase agreement	884	1,091
Total	<u>\$ 11,584</u>	<u>7,056</u>

Debt increased as a result of issuing general obligation urban renewal bonds to finance projects in the Audubon County consolidated urban renewal area involving the construction, reconstruction and improvement of county roads and bridges.

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. Audubon County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$37.6 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Audubon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2022 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Another major factor is the taxable valuation of property within the County. The taxable valuation for rural areas for fiscal year 2022 is up 2.94% to \$426 million and the countywide taxable valuation increased 0.22% to \$502 million.

Audubon County budgets on a cash basis. Budgeted disbursements for fiscal year 2022 are approximately \$18.4 million, an increase of 60.9% over the final fiscal year 2021 budget due to additional capital projects in the urban renewal area. The operating ending balance is expected to decrease approximately \$3,813,000 from the re-estimated June 30, 2021 balance. The fiscal year 2021 actual cash basis ending balance was \$9.9 million, approximately \$1,697,000 higher than projected, which will increase the estimated fiscal year 2022 ending balance accordingly.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Audubon County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Audubon County Auditor's Office, 318 Leroy Street, #4, Audubon, Iowa 50025.

Basic Financial Statements

Audubon County
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 10,652,918
Receivables:	
Property tax:	
Delinquent	2,483
Succeeding year	5,085,000
Succeeding year tax increment financing	923,000
Interest and penalty on property tax	12,250
Accounts	8,534
Accrued interest	1,553
Due from other governments	387,643
Inventories	432,969
Prepaid expenses	35,305
Capital assets, net of accumulated depreciation	24,515,890
Total assets	42,057,545
Deferred Outflows of Resources	
Pension related deferred outflows	658,376
Liabilities	
Accounts payable	223,158
Accrued interest payable	9,791
Salaries and benefits payable	63,811
Due to other governments	2,187
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	210,431
Bonds payable	315,000
Compensated absences	137,036
Total OPEB liability	18,448
Portion due or payable after one year:	
Capital lease purchase agreement	673,666
Bonds payable	10,385,000
Compensated absences	159,480
Net pension liability	2,220,638
Total OPEB liability	523,727
Total liabilities	14,942,373
Deferred Inflows of Resources	
Unavailable property tax revenue	5,085,000
Unavailable tax increment financing	923,000
Pension related deferred inflows	97,408
Total deferred inflows of resources	6,105,408
Net Position	
Net investment in capital assets	17,655,153
Restricted for:	
Supplemental levy purposes	890,450
Mental health purposes	396,461
Rural services purposes	734,792
Secondary roads purposes	1,523,421
Conservation purposes	900
Other purposes	102,591
Unrestricted	364,372
Total net position	\$ 21,668,140

See notes to financial statements.

Audubon County
Statement of Activities
Year ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,613,995	135,317	35,305	-	(1,443,373)
Physical health and social services	416,286	50,875	166,334	-	(199,077)
Mental health	148,893	-	6,104	-	(142,789)
County environment and education	524,886	143,679	8,737	8,900	(363,570)
Roads and transportation	6,295,770	33,567	3,242,286	1,917,070	(1,102,847)
Governmental services to residents	442,940	146,973	-	-	(295,967)
Administration	906,997	18,590	1,000	-	(887,407)
Interest on long-term debt	170,521	-	-	-	(170,521)
Total	\$ 10,520,288	529,001	3,459,766	1,925,970	(4,605,551)
General Revenues:					
Property and other county tax levied for general purposes					5,164,736
Tax increment financing					402,654
Penalty and interest on property tax					31,710
State tax credits					278,505
Local option sales tax					319,454
Unrestricted investment earnings					35,838
Gain on disposition of capital assets					18,000
Miscellaneous					41,965
Total general revenues					6,292,862
Change in net position					1,687,311
Net position beginning of year					19,980,829
Net position end of year					\$ 21,668,140

See notes to financial statements.

Audubon County
Balance Sheet
Governmental Funds

June 30, 2021

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 2,847,480	396,573	791,132
Receivables:			
Property tax:			
Delinquent	2,283	112	88
Succeeding year	2,750,000	-	2,335,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	12,250	-	-
Accounts	4,929	-	-
Accrued interest	581	-	-
Due from other governments	18,645	-	-
Inventories	-	-	-
Prepaid expenditures	19,614	-	-
Total assets	\$ 5,655,782	396,685	3,126,220
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 24,653	-	13,191
Salaries and benefits payable	22,773	112	9,411
Due to other governments	1,541	-	-
Total liabilities	48,967	112	22,602
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,750,000	-	2,335,000
Succeeding year tax increment financing	-	-	-
Other	14,533	112	88
Total deferred inflows of resources	2,764,533	112	2,335,088
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	19,614	-	-
Restricted for:			
Supplemental levy purposes	905,241	-	90,948
Mental health purposes	-	396,461	-
Rural services purposes	-	-	677,582
Secondary road purposes	-	-	-
Conservation land acquisition	900	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Assigned for:			
Sheriff	58,144	-	-
Fairboard	22,000	-	-
Park improvements	173,798	-	-
Economic development	156	-	-
Jail commissary	4,220	-	-
EMA	54,500	-	-
Unassigned	1,603,709	-	-
Total fund balances	2,842,282	396,461	768,530
Total liabilities, deferred inflows of resources and fund balances	\$ 5,655,782	396,685	3,126,220

See notes to financial statements.

Revenue				
Secondary Roads	Tax Increment Financing	Capital Projects	Nonmajor	Total
1,069,529	5,377	4,722,390	102,288	9,934,769
-	-	-	-	2,483
-	-	-	-	5,085,000
-	923,000	-	-	923,000
-	-	-	-	12,250
3,304	-	-	301	8,534
-	-	970	2	1,553
368,998	-	-	-	387,643
432,969	-	-	-	432,969
15,691	-	-	-	35,305
1,890,491	928,377	4,723,360	102,591	16,823,506
185,314	-	-	-	223,158
31,515	-	-	-	63,811
646	-	-	-	2,187
217,475	-	-	-	289,156
-	-	-	-	5,085,000
-	923,000	-	-	923,000
-	-	-	-	14,733
-	923,000	-	-	6,022,733
432,969	-	-	-	432,969
15,691	-	-	-	35,305
-	-	-	-	996,189
-	-	-	-	396,461
-	-	-	-	677,582
1,224,356	-	-	-	1,224,356
-	-	-	-	900
-	5,377	-	-	5,377
-	-	4,723,360	-	4,723,360
-	-	-	102,591	102,591
-	-	-	-	58,144
-	-	-	-	22,000
-	-	-	-	173,798
-	-	-	-	156
-	-	-	-	4,220
-	-	-	-	54,500
-	-	-	-	1,603,709
1,673,016	5,377	4,723,360	102,591	10,511,617
1,890,491	928,377	4,723,360	102,591	16,823,506

Audubon County

Audubon County

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

June 30, 2021

Total governmental fund balances (page 19) \$ 10,511,617

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$42,878,121 and the accumulated depreciation is \$18,362,231. 24,515,890

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. 14,733

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 718,149

Pension 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	\$ 658,376	
Deferred inflows of resources	<u>(97,408)</u>	560,968

Long-term liabilities, including capital lease purchase agreement payable, bonds payable, net pension liability, total OPEB liability, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (14,653,217)

Net position of governmental activities (page 16) \$ 21,668,140

See notes to financial statements.

Audubon County

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

Year ended June 30, 2021

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,790,580	137,363	2,285,834
Tax increment financing	-	-	-
Local option sales tax	-	-	-
Interest and penalty on property tax	32,844	-	-
Intergovernmental	469,241	14,159	92,511
Licenses and permits	29,982	-	-
Charges for service	331,064	-	-
Use of money and property	50,142	-	-
Miscellaneous	55,152	-	919
Total revenues	3,759,005	151,522	2,379,264
Expenditures:			
Operating:			
Public safety and legal services	1,142,183	-	501,581
Physical health and social services	410,600	-	-
Mental health	-	151,706	-
County environment and education	402,267	-	168,267
Roads and transportation	-	-	478,429
Governmental services to residents	446,722	-	1,125
Administration	770,654	-	22,522
Debt service	-	-	-
Capital projects	98,779	-	2,761
Total expenditures	3,271,205	151,706	1,174,685
Excess (deficiency) of revenues over (under) expenditures	487,800	(184)	1,204,579
Other financing sources (uses):			
General obligation bonds issued	-	-	-
Premium on general obligation bond	-	-	-
Bond anticipation project note proceeds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(1,100,000)
Total other financing sources (uses)	-	-	(1,100,000)
Change in fund balances	487,800	(184)	104,579
Fund balances beginning of year	2,354,482	396,645	663,951
Fund balances end of year	\$ 2,842,282	396,461	768,530

See notes to financial statements.

Revenue				
Secondary Roads	Tax Increment Financing	Capital Projects	Nonmajor	Total
-	-	-	-	5,213,777
-	402,654	-	-	402,654
319,454	-	-	-	319,454
-	-	-	-	32,844
3,345,482	14,322	-	8,737	3,944,452
3,780	-	-	-	33,762
-	-	-	2,224	333,288
-	-	8,566	41	58,749
32,096	-	-	318	88,485
<u>3,700,812</u>	<u>416,976</u>	<u>8,566</u>	<u>11,320</u>	<u>10,427,465</u>
-	-	-	6,787	1,650,551
-	-	-	-	410,600
-	-	-	-	151,706
-	-	-	-	570,534
4,421,712	-	-	-	4,900,141
-	-	-	-	447,847
-	-	-	-	793,176
-	444,438	-	85,998	530,436
294,364	-	128,811	57,500	582,215
<u>4,716,076</u>	<u>444,438</u>	<u>128,811</u>	<u>150,285</u>	<u>10,037,206</u>
<u>(1,015,264)</u>	<u>(27,462)</u>	<u>(120,245)</u>	<u>(138,965)</u>	<u>390,259</u>
-	-	5,000,000	-	5,000,000
-	-	58,695	-	58,695
38,883	-	-	-	38,883
1,236,157	-	-	85,998	1,322,155
-	-	(222,155)	-	(1,322,155)
<u>1,275,040</u>	<u>-</u>	<u>4,836,540</u>	<u>85,998</u>	<u>5,097,578</u>
259,776	(27,462)	4,716,295	(52,967)	5,487,837
<u>1,413,240</u>	<u>32,839</u>	<u>7,065</u>	<u>155,558</u>	<u>5,023,780</u>
<u>1,673,016</u>	<u>5,377</u>	<u>4,723,360</u>	<u>102,591</u>	<u>10,511,617</u>

Audubon 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) \$ 5,487,837

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

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

Expenditures for capital assets	\$ 808,844	
Capital assets contributed by the Iowa Department of Transportation	1,843,552	
Depreciation expense	<u>(1,850,000)</u>	802,396

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. 18,000

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 and other county tax	(49,041)	
Other	<u>(32,377)</u>	(81,418)

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

Issued	(5,000,000)	
Repaid	<u>471,687</u>	(4,528,313)

The current year County share of IPERS contributions are reported as expenditures in the governmental funds but are reported as a deferred outflow of resources in the Statement of Net Position. 283,972

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(38,092)	
OPEB expense	(36,032)	
Pension expense	(415,812)	
Interest on long-term debt	<u>(2,663)</u>	(492,599)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 197,436

Change in net position of governmental activities (page 17) \$ 1,687,311

See notes to financial statements.

Audubon County
Statement of Net Position
Proprietary Fund
June 30, 2021

	<u>Internal Service - Health Reserve Account</u>
Assets	
Cash and cash equivalents	<u>\$ 718,149</u>
Net Position	
Unrestricted	<u>\$ 718,149</u>

Audubon County

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

Year ended June 30, 2021

	<u>Internal Service - Health Reserve Account</u>
Operating revenues:	
Reimbursements from operating funds	\$ 291,984
Miscellaneous	625
Total operating revenues	<u>292,609</u>
Operating expenses:	
Medical claims	90,245
Administrative and other fees	4,928
Total operating expenses	<u>95,173</u>
Operating/net income	197,436
Net position beginning of year	<u>520,713</u>
Net position end of year	<u>\$ 718,149</u>

See notes to financial statements.

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

	Internal Service - Health Reserve Account
Cash flows from operating activities:	
Cash received from operating fund contributions	\$ 291,984
Cash received from employees and others	625
Cash paid to suppliers for services	(95,173)
Net cash provided by operating activities	197,436
Cash and cash equivalents beginning of year	520,713
Cash and cash equivalents end of year	\$ 718,149

See notes to financial statements.

Audubon County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 1,376,453
Other County officials	25,041
Receivables:	
Property tax:	
Delinquent	13,919
Succeeding year	9,253,000
Accounts	6,009
Accrued interest	102
Special assessments	6,208
Due from other governments	51,958
Prepaid expenses	<u>3,923</u>
Total assets	<u>10,736,613</u>

Liabilities

Accounts payable	3,873
Salaries and benefits payable	889
Due to other governments	340,962
Trusts payable	59,708
Compensated absences	<u>19,726</u>
Total liabilities	<u>425,158</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>9,253,000</u>
----------------------------------	------------------

Net position

Restricted for individuals, organizations and other governments	<u>\$ 1,058,455</u>
--	---------------------

See notes to financial statements.

Audubon County

Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2021

Additions:	
Property and other county tax	\$ 9,362,729
911 surcharge	37,497
State tax credits	697,503
Office fees and collections	283,786
Auto licenses, use tax and postage	2,814,272
Assessments	19,734
Trusts	30,599
Miscellaneous	<u>182,388</u>
Total additions	<u>13,428,508</u>
Deductions:	
Agency remittances:	
To other funds	207,813
To other governments	13,127,888
Trusts paid out	<u>74,453</u>
Total deductions	<u>13,410,154</u>
Change in net position	18,354
Net position beginning of year, as restated	<u>1,040,101</u>
Net position end of year	<u>\$ 1,058,455</u>

See notes to financial statements.

Audubon County

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission, County Joint 911 Service Board, County Solid Waste Commission and the Audubon County Airport Authority. 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.

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 inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay indebtedness incurred for urban renewal projects.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to 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 – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

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

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

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

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

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

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

Asset Class	Amount
Infrastructure, roads	\$ 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 and infrastructure are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	20 - 50
Building improvements	20 - 50
Infrastructure	30 - 65
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 20

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

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

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

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

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 and OPEB expense, information has been determined based on the Audubon 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 the 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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied and unrecognized items not yet charged to pension expense.

Fund Equity – 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 Reserve Account is designed for anticipated future catastrophic losses to the County.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 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 which are valued at an amortized cost of \$91,025. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services Capital Projects	\$ 1,100,000 136,157 <u>1,236,157</u>
Debt Service	Capital Projects	<u>85,998</u>
Total		<u>\$ 1,322,155</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 930,886	-	-	930,886
Construction in progress	8,730	2,309,730	2,070,066	248,394
Total capital assets not being depreciated	939,616	2,309,730	2,070,066	1,179,280
Capital assets being depreciated:				
Buildings	1,460,627	104,454	-	1,565,081
Building improvements	205,035	-	-	205,035
Equipment and vehicles	7,374,263	256,212	81,233	7,549,242
Infrastructure, roads	28,994,428	2,070,066	-	31,064,494
Infrastructure, other	1,314,989	-	-	1,314,989
Total capital assets being depreciated	39,349,342	2,430,732	81,233	41,698,841
Less accumulated depreciation for:				
Buildings	778,482	36,424	-	814,906
Building improvements	205,035	-	-	205,035
Equipment and vehicles	4,623,230	559,155	81,233	5,101,152
Infrastructure, roads	10,106,118	1,189,922	-	11,296,040
Infrastructure, other	880,599	64,499	-	945,098
Total accumulated depreciation	16,593,464	1,850,000	81,233	18,362,231
Total capital assets being depreciated, net	22,755,878	580,732	-	23,336,610
Governmental activities capital assets, net	\$ 23,695,494	2,890,462	2,070,066	24,515,890

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 44,791
County environment and education	78,094
Roads and transportation	1,701,456
Administration	<u>25,659</u>
Total depreciation expense - governmental activities	<u>\$ 1,850,000</u>

The County acquired four motor graders for Secondary Roads under a capital lease purchase agreement. The cost of the equipment was \$1,196,380 and the accumulated depreciation at June 30, 2021 was \$239,276.

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 1,541
Special Revenue:		
Secondary Roads	Services	<u>646</u>
Total for governmental funds		<u>\$ 2,187</u>
Custodial:		
County Offices	Collections	\$ 20,983
Agriculture Extension Education		1,217
County Hospital		9,900
Schools		47,053
Community Colleges		2,723
Corporations		23,353
Townships		1,623
Auto License and Use Tax		228,391
All other		<u>5,719</u>
Total for custodial funds		<u>\$ 340,962</u>

(6) Long-Term Liabilities

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

	General Obligation Urban Renewal Bonds	Capital Lease Purchase Agreement	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 5,965,000	1,090,784	258,424	1,773,039	506,143	9,593,390
Increases	5,000,000	-	167,333	447,599	36,032	5,650,964
Decreases	265,000	206,687	129,241	-	-	600,928
Balance end of year	<u>\$ 10,700,000</u>	<u>884,097</u>	<u>296,516</u>	<u>2,220,638</u>	<u>542,175</u>	<u>14,643,426</u>
Due within one year	<u>\$ 315,000</u>	<u>210,431</u>	<u>137,036</u>	<u>-</u>	<u>-</u>	<u>662,467</u>

General Obligation Bonds

On February 20, 2018, the County issued \$6,265,000 of general obligation urban renewal bonds with interest rates ranging from 3.00-3.125% per annum. The bonds were issued to pay costs of carrying out projects in the Audubon County consolidated urban renewal area consisting of construction, reconstruction and improvement of county roads and making an economic development grant to Audubon County Economic Development. The County retired \$265,000 of these general obligation bonds during the year. During the year ended June 30, 2021, the County paid \$179,438 of interest of the bonds.

On October 15, 2020, the County issued \$5,000,000 of general obligation urban renewal bonds with interest rates ranging from 1.00 – 2.00% per annum. The bonds were issued to finance projects in the Audubon County consolidated urban renewal area involving the construction, reconstruction and improvement of county roads and bridges. The County did not retire any of the general obligation bonds during the year. During the year ended June 30, 2021, the County paid \$47,068 of interest on the bonds.

Details of the general obligation bonds outstanding at June 30, 2021 are as follows:

Year Ending June 30,	General Obligation Urban Renewal Bonds, Series 2018A Issued Feb 20, 2018				General Obligation Urban Renewal Bonds, Series 2020A Issued Oct 15, 2020			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2022	3.00%	\$ 315,000	171,487	486,487	1.55-2.00%	\$ -	74,975	74,975
2023	3.00	325,000	162,037	487,037	1.55-2.00	-	74,975	74,975
2024	3.00	335,000	152,288	487,288	1.55-2.00	-	74,975	74,975
2025	3.00	345,000	142,237	487,237	2.00	150,000	74,975	224,975
2026	3.00	355,000	131,888	486,888	1.55	150,000	71,975	221,975
2027-2031	3.00	1,945,000	492,787	2,437,787	1.00-2.00	1,520,000	306,930	1,826,930
2032-2036	3.00-3.125	2,080,000	186,488	2,266,488	1.30-1.55	1,695,000	200,695	1,895,695
2037-2040		-	-	-	1.60-1.75	1,485,000	63,880	1,548,880
		<u>\$ 5,700,000</u>	<u>1,439,212</u>	<u>7,139,212</u>		<u>\$ 5,000,000</u>	<u>943,380</u>	<u>5,943,380</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 315,000	246,462	561,462
2023	325,000	237,012	562,012
2024	335,000	227,263	562,263
2025	495,000	217,212	712,212
2026	505,000	203,863	708,863
2027-2031	3,465,000	799,717	4,264,717
2032-2036	3,775,000	387,183	4,162,183
2037-2040	1,485,000	63,880	1,548,880
	<u>\$ 10,700,000</u>	<u>2,382,592</u>	<u>13,082,592</u>

General Obligation Road Improvements Bond Anticipation Project Note – Direct Borrowing

On September 1, 2020, the County entered into a bond anticipation project note agreement with Exchange State Bank to borrow up to \$300,000 to finance projects in the Audubon County consolidated urban renewal agreement. The note bears a fixed interest rate of 1.00%, payable on November 1, 2020. During the year ended June 30, 2021, the County received proceeds of \$38,883. Interest paid totaled \$47, and the balance was paid in full on October 29, 2020 using proceeds from the general obligation bonds issued October 15, 2020.

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease 4 motor graders with a historical cost of \$1,196,380. The following is a schedule of the future minimum lease payments, including interest at 3.35% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2021:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Motor</u> <u>Graders</u>
2022	\$ 240,562
2023	240,562
2024	240,562
2025	<u>240,171</u>
Total minimum lease payments	961,857
Less amount representing interest	<u>(77,760)</u>
Present value of net minimum lease payments	<u>\$ 884,097</u>

(7) Pension Plan

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

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is 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 received 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 contributions 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 \$283,972.

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 \$2,220,638 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 0.031612%, which was an increase of 0.000993% from its collective proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$415,812. 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	\$ 6,828	56,433
Changes of assumptions	135,982	32,866
Net difference between projected and actual earnings on IPERS' investments	159,565	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	72,029	8,109
County contributions subsequent to the measurement date	<u>283,972</u>	-
Total	<u>\$ 658,376</u>	<u>97,408</u>

\$283,972 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	\$ 52,114
2023	62,553
2024	65,819
2025	97,702
2026	<u>(1,192)</u>
Total	<u>\$ 276,996</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	100.0%	

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	\$ 4,037,157	2,220,638	697,750

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.

(8) Other Postemployment Benefits (OPEB)

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

OPEB Benefits – Individuals who are employed by Audubon 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	2
Active employees	<u>62</u>
Total	<u>64</u>

Total OPEB Liability – The County’s total OPEB liability of \$542,175 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	3.25% per annum, including
(effective June 30, 2021)	inflation.
Discount rate	2.19% compounded annually,
(effective June 30, 2021)	including inflation.
Healthcare cost trend rate	7.50% initial rate decreasing by .5%
(effective June 30, 2021)	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	<u>\$ 506,143</u>
Changes for the year:	
Service cost	54,871
Interest	14,604
Differences between expected and actual experiences	(24,001)
Changes in assumptions	14,686
Benefit payments	<u>(24,128)</u>
Net changes	<u>36,032</u>
Total OPEB liability end of year	<u><u>\$ 542,175</u></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.

	<u>1% Decrease (1.19%)</u>	<u>Discount Rate (2.19%)</u>	<u>1% Increase (3.19%)</u>
Total OPEB liability	\$ 575,058	542,175	511,508

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.

	<u>1% Decrease (6.50%)</u>	<u>Healthcare Cost Trend Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Total OPEB liability	\$ 495,572	542,175	596,801

OPEB Expense – For the year ended June 30, 2021, the County recognized OPEB expense of \$36,032. Under the alternative measurement method, all deferred outflows/inflows of resources related to OPEB are fully recognized immediately.

(9) Voluntary Termination Benefit Program for the County Engineer’s and Sheriff’s Offices

A voluntary termination benefit program has been established for County employees who are covered by the County Engineer Union contract and the County Sheriff Union contract. The program allows employees who are eligible, upon a bona fide retirement, to use the value of their unused sick leave to pay towards the purchase of health insurance after their retirement.

Upon retirement, employees with at least 15 years of service may convert 25% of their accumulated, unused sick leave at their current regular hourly rate of pay.

The final calculated dollar value will be credited to the employee's Sick Leave Upon Retirement account. Each month, the County will pay 100% of the employee's monthly health insurance premium from the retiree's Sick Leave Upon Retirement account.

The employer will continue to pay the employee's monthly health insurance premium each month until the converted value of the retiree's Sick Leave Upon Retirement balance is exhausted.

All program benefits are financed on a pay-as-you-go basis by the County. A liability of \$96,420 has been included in compensated absences on the Statement of Net Position.

During the year ended June 30, 2021, five employees received benefits totaling \$6,704 under the Sick Leave Upon Retirement program.

(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 expense for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2021 were \$90,798.

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 shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, 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 Reserve 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 Secure Benefits Systems. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$15,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Health Reserve 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 Secure Benefits Systems from the Health Reserve Fund. The County's contributions for the year ended June 30, 2021 was \$291,984.

Unpaid claims at June 30, 2021, as determined by an actuary, were not material and were not recorded in the financial statements.

(12) Audubon County Financial Information Included in the Heart of Iowa Community Services Mental Health Region

Heart of Iowa Community Services Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2016, includes the following member counties: Dallas, Greene, Guthrie and Audubon County. On July 1, 2018, Greene County exited the Heart of Iowa Community Services Mental Health Region. The financial activity of Audubon County's Special Revenue, Mental Health Fund is included in the Heart of Iowa Community Services Mental Health Region for the year ended June 30, 2021, as follows:

Revenues:		
Property and other county tax	\$	137,363
Intergovernmental:		
State tax credits	\$	8,055
Other		14,159
		<u>14,159</u>
Total revenues		<u>151,522</u>
Expenditures:		
Services to persons with:		
Intellectual disabilities		3,870
General administration:		
Distribution to regional fiscal agent		147,836
		<u>147,836</u>
Total expenditures		<u>151,706</u>
Excess of expenditures over revenues		(184)
Fund balance beginning of year		<u>396,645</u>
Fund balance end of year	\$	<u>396,461</u>

(13) COVID-19

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

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

(14) Accounting Change/Restatement

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

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

	<u>Fiduciary</u>
	<u>Activities</u>
Net position June 30, 2020, as previously reported	\$ -
Change to implement GASBS No. 84	<u>1,040,101</u>
Net position July 1, 2020, as restated	<u>\$ 1,040,101</u>

(15) Subsequent Event

In December 2021, the County issued \$5,000,000 of general obligation urban renewal county road improvement bonds to finance improvements to County roads and bridges within the urban renewal area.

(16) Prospective Accounting Change

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

Audubon County

Required Supplementary Information

Audubon County

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

Required Supplementary Information

Year ended June 30, 2021

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 5,936,831	5,821,489	5,896,489	40,342
Interest and penalty on property tax	32,844	-	-	32,844
Intergovernmental	3,947,784	3,847,580	3,833,921	113,863
Licenses and permits	26,057	10,000	10,000	16,057
Charges for service	332,098	232,172	234,572	97,526
Use of money and property	63,215	30,920	33,920	29,295
Miscellaneous	59,780	2,050	3,000	56,780
Total receipts	10,398,609	9,944,211	10,011,902	386,707
Disbursements:				
Public safety and legal services	1,630,733	1,821,003	1,851,397	220,664
Physical health and social services	416,931	478,990	493,960	77,029
Mental health	152,724	156,655	163,155	10,431
County environment and education	562,243	619,046	627,046	64,803
Roads and transportation	4,983,476	4,743,381	5,105,441	121,965
Governmental services to residents	447,620	540,567	540,567	92,947
Administration	825,153	1,034,533	1,054,533	229,380
Nonprogram	-	100	100	100
Debt service	530,435	445,038	535,836	5,401
Capital projects	507,325	1,024,832	1,083,332	576,007
Total disbursements	10,056,640	10,864,145	11,455,367	1,398,727
Excess (deficiency) of receipts over (under) disbursements	341,969	(919,934)	(1,443,465)	1,785,434
Other financing sources, net	5,049,884	210,230	5,047,284	2,600
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,391,853	(709,704)	3,603,819	1,788,034
Balance beginning of year	4,542,916	3,235,072	4,542,920	(4)
Balance end of year	\$ 9,934,769	2,525,368	8,146,739	1,788,030

See accompanying independent auditor's report.

Audubon 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	\$ 10,398,609	28,856	10,427,465
Expenditures	10,056,640	(19,434)	10,037,206
Net	341,969	48,290	390,259
Other financing sources, net	5,049,884	47,694	5,097,578
Beginning fund balances	4,542,916	480,864	5,023,780
Ending fund balances	\$ 9,934,769	576,848	10,511,617

See accompanying independent auditor's report.

Audubon County

Audubon 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 Fund 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, three budget amendments increased budgeted disbursements by \$591,222. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted.

Audubon 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	0.031612%	0.030619%	0.029908%	0.031062%
County's proportionate share of the net pension liability	\$ 2,221	1,773	1,893	2,069
County's covered payroll	\$ 2,958	2,895	2,745	2,650
County's proportionate share of the net pension liability as a percentage of its covered payroll	75.08%	61.24%	68.96%	78.08%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

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

See accompanying independent auditor's report.

2017	2016	2015
0.030089%	0.028348%	0.026995%
1,894	1,400	1,071
2,492	2,384	2,295
76.00%	58.72%	46.67%
81.82%	85.19%	87.61%

Audubon County

Schedule of County Contributions

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

Required Supplementary Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 284	280	276	248
Contributions in relation to the statutorily required contribution	(284)	(280)	(276)	(248)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 3,004	2,958	2,895	2,745
Contributions as a percentage of covered payroll	9.45%	9.47%	9.53%	9.03%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
242	227	220	210	197	181
(242)	(227)	(220)	(210)	(197)	(181)
-	-	-	-	-	-
2,650	2,492	2,384	2,295	2,207	2,156
9.13%	9.11%	9.23%	9.15%	8.93%	8.40%

Audubon 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.

Audubon 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	\$ 54,871	52,207	45,878	32,042
Interest cost	14,604	19,239	17,815	13,989
Difference between expected and actual experiences	(24,001)	(58,620)	24,618	9,088
Changes in assumptions	14,686	7,509	10,822	13,387
Benefit payments	(24,128)	(20,054)	(15,322)	(10,223)
Net change in total OPEB liability	36,032	281	83,811	58,283
Total OPEB liability beginning of year	506,143	505,862	422,051	363,768
Total OPEB liability end of year	\$ 542,175	506,143	505,862	422,051
Covered-employee payroll	\$ 2,932,954	2,753,630	2,653,580	2,606,392
Total OPEB liability as a percentage of covered-employee payroll	18.5%	18.4%	19.1%	16.2%

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 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%

Audubon County

Supplementary Information

Audubon County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2021

				Special
	Resource Enhancement and Protection	County Recorder's Records Management		Forfeiture
Assets				
Cash, cash equivalents and pooled investments	\$ 10,612	5,683		33,316
Receivables:				
Accounts receivable	-	301		-
Accrued interest	-	-		-
Total assets	\$ 10,612	5,984		33,316
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
None	\$ -	-		-
Deferred inflows of resources:				
None	-	-		-
Fund balances:				
Restricted for:				
Other purposes	10,612	5,984		33,316
Total fund balances	10,612	5,984		33,316
Total liabilities, deferred inflows of resources and fund balances	\$ 10,612	5,984		33,316

See accompanying independent auditor's report.

<u>Revenue</u>			
<u>AAE Task Force</u>	<u>Equitable Sharing - Sheriff</u>	<u>Equitable Sharing - Attorney</u>	<u>Total</u>
4,297	40,161	8,219	102,288
-	-	-	301
-	2	-	2
<u>4,297</u>	<u>40,163</u>	<u>8,219</u>	<u>102,591</u>
-	-	-	-
-	-	-	-
<u>4,297</u>	<u>40,163</u>	<u>8,219</u>	<u>102,591</u>
<u>4,297</u>	<u>40,163</u>	<u>8,219</u>	<u>102,591</u>
<u>4,297</u>	<u>40,163</u>	<u>8,219</u>	<u>102,591</u>

Audubon County

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

Year ended June 30, 2021

	Resource Enhancement and Protection	County Recorder's Records Management	Special Forfeiture
Revenues:			
Intergovernmental	\$ 8,737	-	-
Charges for service	-	2,224	-
Use of money and property	19	-	-
Miscellaneous	-	-	-
Total revenues	<u>8,756</u>	<u>2,224</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Debt service	-	-	-
Capital projects	57,500	-	-
Total expenditures	<u>57,500</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(48,744)	2,224	-
Other financing uses:			
Transfers in	-	-	-
Change in fund balances	(48,744)	2,224	-
Fund balances beginning of year	59,356	3,760	33,316
Fund balances end of year	<u>\$ 10,612</u>	<u>5,984</u>	<u>33,316</u>

See accompanying independent auditor's report.

Revenue					
AAE Task Force	Equitable Sharing - Sheriff	Equitable Sharing - Attorney	Debt Service		Total
-	-	-	-	-	8,737
-	-	-	-	-	2,224
-	20	2	-	-	41
318	-	-	-	-	318
318	20	2	-	-	11,320
500	-	6,287	-	-	6,787
-	-	-	85,998	-	85,998
-	-	-	-	-	57,500
500	-	6,287	85,998	-	150,285
(182)	20	(6,285)	(85,998)	-	(138,965)
-	-	-	85,998	-	85,998
(182)	20	(6,285)	-	-	(52,967)
4,479	40,143	14,504	-	-	155,558
4,297	40,163	8,219	-	-	102,591

Audubon County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,217	158,725	9,900	47,053
Other County officials	25,041	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	121	221	989	4,715
Succeeding year	-	147,000	257,000	1,199,000	5,725,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	3,923	-	-
Total assets	25,041	148,338	419,869	1,209,889	5,776,768
Liabilities					
Accounts payable	-	-	710	-	-
Salaries and benefits payable	-	-	889	-	-
Due to other governments	20,983	1,217	-	9,900	47,053
Trusts payable	4,058	-	-	-	-
Compensated absences	-	-	19,726	-	-
Total liabilities	25,041	1,217	21,325	9,900	47,053
Deferred Inflows of Resources					
Unavailable revenues	-	147,000	257,000	1,199,000	5,725,000
Net Position					
Restricted for individuals, organizations and other governments	\$ -	121	141,544	989	4,715

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
2,723	23,353	1,623	228,391	903,468	1,376,453
-	-	-	-	-	25,041
251	7,610	11	-	1	13,919
357,000	1,321,000	246,000	-	1,000	9,253,000
-	-	-	-	6,009	6,009
-	-	-	-	102	102
-	-	-	-	6,208	6,208
-	-	-	-	51,958	51,958
-	-	-	-	-	3,923
359,974	1,351,963	247,634	228,391	968,746	10,736,613
-	-	-	-	3,163	3,873
-	-	-	-	-	889
2,723	23,353	1,623	228,391	5,719	340,962
-	-	-	-	55,650	59,708
-	-	-	-	-	19,726
2,723	23,353	1,623	228,391	64,532	425,158
357,000	1,321,000	246,000	-	1,000	9,253,000
251	7,610	11	-	903,214	1,058,455

Audubon County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	County Schools
Additions:					
Property and other county tax	\$ -	146,860	267,346	1,196,013	5,685,651
911 surcharge	-	-	-	-	-
State tax credits	-	8,702	15,847	70,854	335,784
Office fees and collections	249,787	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	30,599	-	-	-	-
Miscellaneous	-	-	42	-	-
Total additions	<u>280,386</u>	<u>155,562</u>	<u>283,235</u>	<u>1,266,867</u>	<u>6,021,435</u>
Deductions:					
Agency remittances:					
To other funds	105,032	-	-	-	-
To other governments	144,755	157,095	262,784	1,279,308	6,079,829
Trusts paid out	30,599	-	-	-	-
	<u>280,386</u>	<u>157,095</u>	<u>262,784</u>	<u>1,279,308</u>	<u>6,079,829</u>
Changes in net position	-	(1,533)	20,451	(12,441)	(58,394)
Net position beginning of year, as restated	-	1,654	121,093	13,430	63,109
Net position end of year	<u>\$ -</u>	<u>121</u>	<u>141,544</u>	<u>989</u>	<u>4,715</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
330,282	1,503,194	227,978	-	5,405	9,362,729
-	-	-	-	37,497	37,497
19,542	237,614	9,084	-	76	697,503
-	-	-	-	33,999	283,786
-	-	-	2,814,272	-	2,814,272
-	-	-	-	19,734	19,734
-	-	-	-	-	30,599
-	-	-	-	182,346	182,388
349,824	1,740,808	237,062	2,814,272	279,057	13,428,508
-	-	-	102,781	-	207,813
353,559	1,766,708	239,306	2,711,491	133,053	13,127,888
-	-	-	-	43,854	74,453
353,559	1,766,708	239,306	2,814,272	176,907	13,410,154
(3,735)	(25,900)	(2,244)	-	102,150	18,354
3,986	33,510	2,255	-	801,064	1,040,101
251	7,610	11	-	903,214	1,058,455

Audubon County

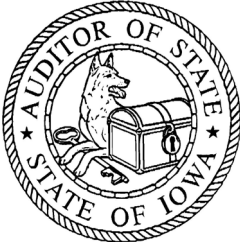
Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds

For the Last Ten Years

	2021	2020	2019	2018
Revenues:				
Property and other county tax	\$ 5,213,777	4,261,938	4,245,176	3,876,798
Tax increment financing	402,654	385,272	274,941	201,664
Local option sales tax	319,454	380,496	265,405	247,841
Interest and penalty on property tax	32,844	9,906	20,762	18,977
Intergovernmental	3,944,452	3,810,050	3,526,381	3,414,156
Licenses and permits	33,762	18,758	34,168	20,728
Charges for service	333,288	358,945	318,462	284,569
Use of money and property	58,749	84,712	88,925	69,625
Miscellaneous	88,485	488,124	190,985	252,301
Total	<u>\$ 10,427,465</u>	<u>9,798,201</u>	<u>8,965,205</u>	<u>8,386,659</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,650,551	1,510,520	1,478,344	1,315,278
Physical health and social services	410,600	617,093	675,267	714,437
Mental health	151,706	178,065	240,102	173,116
County environment and education	570,534	588,606	636,162	913,290
Roads and transportation	4,900,141	5,985,828	4,699,232	4,277,948
Governmental services to residents	447,847	406,057	369,895	364,252
Administration	793,176	858,095	761,970	800,890
Debt service	530,436	355,138	511,094	3,518,280
Capital projects	582,215	97,724	1,384,155	1,637,430
Total	<u>\$ 10,037,206</u>	<u>10,597,126</u>	<u>10,756,221</u>	<u>13,714,921</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
3,730,942	3,527,666	3,485,797	3,558,722	3,846,211	3,476,195
145,762	62,342	29,838	51,049	-	-
279,922	271,219	257,299	264,025	268,687	242,276
22,188	2,471	25,509	23,612	20,974	24,799
3,670,689	4,153,940	3,392,261	3,095,806	2,996,795	2,998,188
18,149	18,059	20,981	12,950	17,329	25,264
257,485	275,371	243,060	219,127	243,770	245,291
42,379	39,961	40,578	26,474	29,102	45,219
53,374	161,662	89,954	45,791	129,890	171,682
<u>8,220,890</u>	<u>8,512,691</u>	<u>7,585,277</u>	<u>7,297,556</u>	<u>7,552,758</u>	<u>7,228,914</u>
1,211,549	1,224,285	1,247,374	1,118,953	1,055,931	1,048,453
575,084	585,452	557,236	514,634	488,418	560,091
190,073	121,160	123,209	67,910	155,940	1,039,242
564,937	803,029	418,009	456,250	451,977	451,191
5,302,504	4,859,086	3,695,082	3,352,445	3,550,745	3,341,539
337,918	314,193	282,009	271,696	314,132	318,730
758,697	669,661	649,867	623,242	650,937	696,884
220,295	58,714	66,203	108,757	151,401	129,573
965,179	2,268,816	410,345	26,701	399,279	333,161
<u>10,126,236</u>	<u>10,904,396</u>	<u>7,449,334</u>	<u>6,540,588</u>	<u>7,218,760</u>	<u>7,918,864</u>



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

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

To the Officials of Audubon 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 Audubon 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 September 15, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Audubon 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 Audubon County's internal control. Accordingly, we do not express an opinion on the effectiveness of Audubon 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 which 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 deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Audubon 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.

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.


Audubon County's Responses to the Findings

Audubon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Audubon 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 Audubon 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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

September 15, 2022

Audubon County

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	County Recorder, County Engineer and County Treasurer
(2) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash.	County Recorder, County Engineer and County Treasurer
(3) The person who signs checks is not independent of the person preparing the checks, approving disbursements, recording cash disbursements and handling cash.	County Recorder
(4) Responsibility for the change fund is not assigned to only one person.	County Recorder
(5) Investments – investing, custody and accounting.	County Treasurer

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

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

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

Audubon County

Schedule of Findings

Year ended June 30, 2021

Responses –

County Treasurer – We have three employees in our office and segregation of duties is hard. The County Treasurer opens the mail and the other two record the transactions. The County Treasurer balances at the end of the day and someone else balances the motor vehicle or driver's license and the County Treasurer enters those receipts in the system to balance for the day. The County Treasurer handles the bank reconciliations, and the County Recorder also reconciles. We balance each day to all the transactions being performed in the office.

County Engineer – We have limited staff. The small quantities don't warrant hiring an additional employee, but we are working on including additional staff members in the process.

County Recorder – With two employees in the office, including the Recorder, it remains unfeasible to maintain total segregation of duties. Staff not only from other County offices, but also from other outside entities, are utilized during daily and monthly financial tasks. Technology was upgraded in 2018 which allows for better security and tracking of transactions and further provides a means for establishing a digital trail for auditing purposes.

Conclusions – Responses acknowledged. Each official should continue to review the control activities of their office to obtain the maximum internal control possible under the circumstances.

(B) Financial Reporting

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

Condition – Material amounts of capital asset additions were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include and classify these amounts in the financial statements.

Cause – County policies do not require, and procedures have not been established to require independent review of capital asset transactions to ensure the County's financial statements are accurate and reliable.

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

Recommendation – The County should establish procedures to ensure all capital asset additions are identified and properly reported in the County's financial statements.

Audubon County
Schedule of Findings
Year ended June 30, 2021

Response – These fees will be corrected on the fiscal year 2022 GASB 34 report.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Audubon County
 Schedule of Findings
 Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Todd Nelsen, Supervisor, brother owns City Service & Parts	Parts, tools and supplies	\$ 2,023
Chris Hemmingsen, Secondary Road Office Manager, brother owns Ace Hardware	Parts and supplies	10,357
Larry Sorenson, Roadside Secondary Roads foreman, sister-in-law owns Options Ink	Sign decals	224

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with City Service and Parts and Options Ink do not appear to represent conflicts of interest since the total transactions with each individual were less than \$6,000 during the fiscal year.

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transactions with Ace Hardware for the Secondary Roads department and other County departments do not appear to represent a conflict of interest since the Secondary Roads Office Manager’s remuneration of employment is not directly affected as a result of the transactions and her duties do not directly involve procurement of the parts and supplies.

- (5) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Audubon County

Schedule of Findings

Year ended June 30, 2021

- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
- (11) Tax Increment Financing – Payments from the Special Revenue, Tax Increment Financing (TIF) Fund properly included only payments for TIF loans and rebates. Also, the County properly completed the Tax Increment Debt Forms 1, 2 or 3, as appropriate, to certify TIF obligations (debt), to decertify TIF debt or to request a reduced distribution of TIF.

Audubon County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Jennifer L. Wall, CPA, Manager
Ronica H. Drury, Staff Auditor
Craig S. Miller, Staff Auditor
Preston D. McVey, Assistant Auditor