



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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

NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

March 23, 2023

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$16,577,579 for the year ended June 30, 2022, a 9.8% increase over the prior year. Expenses for County operations for the year ended June 30, 2022 totaled \$12,658,917 a 35.5% increase over the prior year. These increases are primarily due to an increase of bridge replacement funding from the Iowa Department of Transportation for bridge replacement and American Rescue Plan Act grant funds considered as lost revenue during the pandemic and used for road projects.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 81 of this report. The findings address a lack of segregation of duties and disbursements exceeding budgeted amounts. Sand provided the County with recommendations to address each of these findings.

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

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

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ADAIR COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2022

Adair County



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Rob Sand
Auditor of State

February 1, 2023

Officials of Adair County
Greenfield, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Adair County for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Adair County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

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Adair County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jodie Hoadley	Board of Supervisors	Jan 2023
Steven Shelley	Board of Supervisors	Jan 2023
Jerry Walker	Board of Supervisors	Jan 2025
John Twombly	Board of Supervisors	Jan 2025
Matt Wedemeyer	Board of Supervisors	Jan 2025
Mandy Berg	County Auditor	Jan 2025
Brenda Wallace	County Treasurer	Jan 2023
Janelle Schneider	County Recorder	Jan 2023
Jeff Vandewater	County Sheriff	Jan 2025
Melissa Larson	County Attorney	Jan 2022
Pam Jensen	County Assessor	Jan 2028



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Independent Auditor's Report

To the Officials of Adair County:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Adair County as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Adair County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Adair County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Adair County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Adair County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Adair County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 54 through 63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

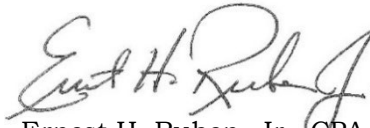
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2021 (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.

Such 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 5 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2023 on our consideration of Adair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adair County's internal control over financial reporting and compliance.



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

February 1, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adair County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2022 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, Leases during fiscal year 2022. The implementation of this standard revised certain asset and liability accounts related to leases, however had no effect on the beginning year net position for governmental activities.
- Revenues of the County's governmental activities increased 9.80%, or approximately \$1,481,000, from fiscal year 2021 to fiscal year 2022. Capital grants, contributions and restricted interest increased approximately \$421,000, charges for service increased approximately \$66,000 and operating grants, contributions and restricted interest decreased approximately \$21,000. In addition, tax incrementing financing increased approximately \$225,000 and unrestricted interest decreased approximately \$19,000.
- Program expenses of the County's governmental activities were 35.5%, or approximately \$3,317,000, more in fiscal year 2022 than in fiscal year 2021. Roads and transportation and nonprogram expenses increased approximately \$4,160,000 and \$23,000, respectively, while mental health, governmental services to residents and public safety and legal services expenses decreased approximately \$86,000, \$61,000 and \$47,000, respectively.
- The County's net position increased 9.08%, or approximately \$3,919,000, over the June 30, 2021 balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Adair County as a whole and present an overall view of the County's finances.

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Adair County's combined net position increased from approximately \$43.1 million to approximately \$47.1 million during the year. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2022	2021
Current and other assets	\$ 27,802	20,896
Capital assets	51,165	50,432
Total assets	78,967	71,328
Deferred outflows of resources	503	620
Long-term liabilities	19,880	19,873
Other liabilities	960	394
Total liabilities	20,840	20,267
Deferred inflows of resources	11,562	8,232
Net position:		
Net investment in capital assets	40,665	39,710
Restricted	8,928	7,392
Unrestricted	(2,524)	(3,953)
Total net position	\$ 47,068	43,149

Net position of Adair County's governmental activities increased 9.1% (approximately \$43.1 million compared to approximately \$47.1 million).

The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 2.4% or approximately \$955,000, over the prior year. The increase was primarily due to the NW Wind Farm and bridge replacement projects.

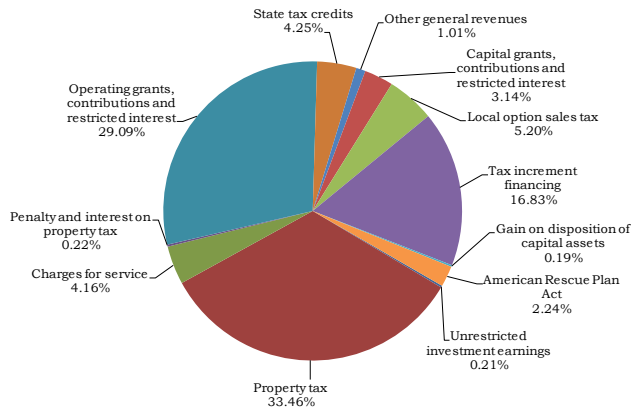
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$1,535,000, or 20.78%, over the prior year. This increase is primarily due to increased amounts available in the Special Revenue, Local Option Sales Tax Fund and the Urban Renewal Fund at year end.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$3,953,000 at June 30, 2021 to a deficit of approximately \$2,524,000 at the end of this year, an increase of 36.1%. The deficit in the unrestricted net position is primarily due to the total OPEB liabilities and non-capitalized assets financed with general obligation debt.

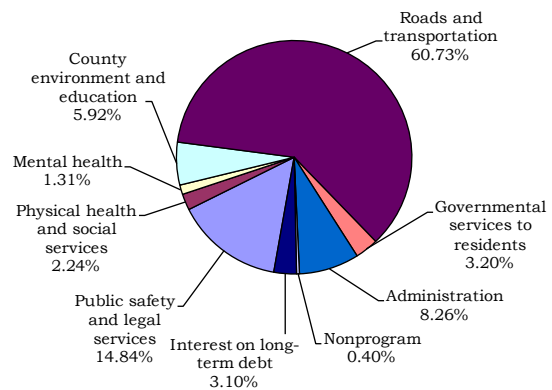
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2022	2021
Revenues:		
Program revenues:		
Charges for service	\$ 689	623
Operating grants, contributions and restricted interest	4,823	4,844
Capital grants, contributions and restricted interest	520	99
General revenues:		
Property tax	5,546	5,455
Tax increment financing	2,790	2,565
Penalty and interest on property tax	37	52
State tax credits	704	533
Local option sales tax	862	797
American Rescue Plan Act	372	-
Unrestricted investment earnings	35	54
Gain on disposition of capital assets	32	36
Other general revenues	167	38
Total revenues	16,577	15,096
Program expenses:		
Public safety and legal services	\$ 1,879	1,926
Physical health and social services	283	296
Mental health	166	252
County environment and education	749	1,348
Roads and transportation	7,687	3,527
Governmental services to residents	405	466
Administration	1,046	1,023
Nonprogram	51	59
Interest on long-term debt	392	444
Total expenses	12,658	9,341
Change in net position	3,919	5,755
Net position beginning of year	43,149	37,394
Net position end of year	\$ 47,068	43,149

Revenues by Source



Expenses by Function



Adair County's governmental activities net position increased approximately \$3,919,000 during the year. Revenues for governmental activities increased approximately \$1,481,000 over the prior year, including tax increment financing which increased approximately \$225,000, state tax credits which increased approximately \$171,000 and property tax revenue which increased \$91,000, while penalty and interest on property tax decreased approximately \$15,000 from the prior year.

The cost of all governmental activities this year was approximately \$12.7 million compared to approximately \$9.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$6,626,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$689,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,344,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2022 from approximately \$5,567,000 to approximately \$6,032,000. Operating grants decreased due to decreases in TIME21 and RUT funding and capital grants increased due to increased funding from the Department of Transportation for a bridge project grant funding recognized in fiscal year 2022. Capital grants, contributions and restricted interest increased primarily due to capital assets contributed by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$16.2 million, an increase of approximately \$4,334,000 over last year's total of approximately \$11.9 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$312,000, or 8.1%, over the prior year. This increase is primarily due to an increase in property tax revenue and a receipt of American rescue and recovery funds. Expenditures increased approximately \$228,000, or 5.8%, over the prior year. The ending fund balance increased approximately \$5,200, or less than 1%, over the prior year to approximately \$1,644,000.
- The Special Revenue, Mental Health Fund balance at year end decreased approximately \$10,200 from the prior year end, primarily due to the elimination of the fund at June 30, 2022. The County was required by Senate File 619 to transfer the remaining fund balance to Southern Hills Mental Health Region prior to June 30, 2022.
- The Special Revenue, Local Option Sales Tax Fund balance increased approximately \$438,000 over the prior year to approximately \$868,000. The increase is due primarily to decreased expenditures in the current year for secondary road projects.
- The Special Revenue, Rural Services Fund balance increased approximately \$55,000 over the prior year to approximately \$365,000. Property tax revenue increased approximately \$57,000 or 3.3% while expenditures increased \$89,000, or 13.9%. The increase in expenditures was primarily due to roadside maintenance and clearing.
- The Special Revenue, Secondary Roads Fund balance decreased approximately \$83,000, or 3.4%, from the prior year. Revenues decreased approximately \$65,000, or 1.3%, from the prior year. Expenditures increased approximately \$341,000, or 6.0%, over the prior year. These increases are primarily due to increased road and bridge replacement projects.
- The Special Revenue, Urban Renewal Fund balance increased from approximately \$3,400,000 at the end of the prior year to approximately \$3,800,000 as increased tax increment financing revenue exceeded debt service payments for the year. The County's policy, consistent with what Chapter 403 of the Code of Iowa allows, is to certify TIF obligations and collect all available TIF revenues from those certifications as they are generated. The TIF revenues are generated faster than they are needed to repay TIF obligations.
- The Debt Service Fund balance decreased approximately \$55,000 from the prior year to approximately \$256,000. This decrease is primarily due to scheduled payments on debt.

- The Capital Projects Fund balance increased approximately \$3,600,000 over the prior year to approximately \$6,900,000. This increase is primarily due to the issuance of \$5,000,000 of general obligation bonds, the proceeds of which were used to continue work on multiple capital projects, including TIF roadway surfacing projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget four times. The first amendment was made in August 2021 and increased budgeted disbursements in the capital project function.

The second amendment was made in January 2022. This amendment increased budgeted receipts due primarily to an increase in the County’s public health grant. The amendment also increased budgeted disbursements primarily for expenses related to public safety, physical health and social services and administration functions.

The third amendment was made in February 2022. This amendment increased budgeted receipts and disbursements primarily due to receipts and expenses related to funding received from the American Rescue Grant (ARPA).

The fourth amendment was made in May 2022. This amendment increased budgeted receipts due primarily to receipt Sheriff, County Juvenile Detention and medical examiner charges for services and recorder receipts. The amendment also increased budgeted disbursements primarily for expenses related to public safety and roads and transportation functions.

Even with the budget amendments, the County’s receipts were \$425,932 more than budgeted, primarily due to an increase in road use tax and tax credit receipts.

Total disbursements were \$7,660,728 less than budgeted. Actual disbursements for the capital projects function were \$7,071,586 less than budgeted primarily due to delays of planned secondary roads and ARPA funded projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, Adair County had approximately \$51.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$733,000, or 1.45%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2022	2021
Land	\$ 1,034	1,034
Intangibles, road network	34	34
Construction in progress	1,340	8,915
Buildings and improvements	3,629	3,746
Improvements other than buildings	1,041	1,083
Equipment and vehicles	3,978	4,165
Right-to-use leased equipment	24	-
Intangibles	266	303
Infrastructure, road network	39,819	31,152
Total	<u>\$ 51,165</u>	<u>50,432</u>

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

The County had depreciation expense of approximately \$2,846,000 in fiscal year 2022 and total accumulated depreciation of approximately \$20,500,000 at June 30, 2022. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2022, Adair County had \$19,560,000 of outstanding general obligation bonds, compared to total outstanding bonds of \$17,610,000 at June 30, 2021.

Debt increased due to issuance of general obligation bonds.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

The local option sales tax has generated funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The County estimates it will receive \$850,000 of local option sales tax in fiscal year 2023.

Amounts available for appropriation in the operating budget are approximately \$27.6 million, an increase of 3.2% over the final fiscal year 2022 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase to approximately \$20,100,000 by the close of fiscal year 2023.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Adair County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Adair County Auditor's Office, 400 Public Square, Suite 5, Greenfield, Iowa 50849.

Basic Financial Statements

Adair County
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 15,946,857
Receivables:	
Property tax:	
Delinquent	17,651
Succeeding year	5,778,000
Succeeding year tax increment financing	3,485,000
Interest and penalty on property tax	44,027
Accounts	30,922
Accrued interest	1,270
Opiod settlement	198,535
Due from other governments	413,154
Inventories	318,254
Prepaid items	707,077
Capital assets not being depreciated	2,408,275
Capital assets, net of accumulated depreciation/amortization	48,757,111
Net pension asset	861,275
	78,967,408
Deferred Outflows of Resources	
Pension related deferred outflows	472,974
OPEB related deferred outflows	29,980
	502,954
Liabilities	
Accounts payable	483,113
Accrued interest payable	26,043
Salaries and benefits payable	110,990
Due to other governments	16,481
Unearned revenue	322,920
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,585,000
Compensated absences	149,519
Lease agreements	8,139
Total OPEB liability	22,584
Portion due or payable after one year:	
General obligation bonds	16,975,000
Compensated absences	53,276
Lease agreements	15,772
Total OPEB liability	71,046
	20,839,883
Deferred Inflows of Resources	
Unavailable property tax revenue	5,778,000
Unavailable tax increment financing revenue	3,485,000
Pension related deferred inflows	2,281,555
OPEB related deferred inflows	18,033
	11,562,588
Net Position	
Net investment in capital assets	40,664,595
Restricted for:	
Supplemental levy purposes	433,483
Rural services purposes	372,033
Secondary roads purposes	2,274,338
Conservation land acquisition purposes	188,282
Bridge maintenance and replacement	868,208
Debt service	3,993,903
Other purposes	797,514
Unrestricted	(2,524,465)
	\$ 47,067,891

See notes to financial statements.

Adair County
 Statement of Activities
 Year ended June 30, 2022

	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	\$ 1,879,188	75,678	29,595	-	(1,773,915)
Physical health and social services	282,957	17,892	262,687	1,015	(1,363)
Mental health	166,004	-	-	-	(166,004)
County environment and education	749,172	55,219	16,543	8,822	(668,588)
Roads and transportation	7,687,938	273,390	4,482,803	497,292	(2,434,453)
Governmental services to residents	405,101	204,571	2,126	13,234	(185,170)
Administration	1,046,111	18,606	10,000	-	(1,017,505)
Nonprogram	50,928	43,540	19,525	-	12,137
Interest on long-term debt	391,518	-	-	-	(391,518)
Total	<u>\$ 12,658,917</u>	<u>688,896</u>	<u>4,823,279</u>	<u>520,363</u>	<u>(6,626,379)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					4,818,939
Debt service					726,486
Tax increment financing					2,789,907
Penalty and interest on property tax					36,930
State tax credits					704,303
Local option sales tax					862,287
American Rescue Plan Act					371,676
Unrestricted investment earnings					35,445
Gain on disposition of capital assets					32,351
Miscellaneous					166,717
Total general revenues					<u>10,545,041</u>
Change in net position					3,918,662
Net position beginning of year					<u>43,149,229</u>
Net position end of year					<u>\$ 47,067,891</u>

See notes to financial statements.

Adair County
Balance Sheet
Governmental Funds

June 30, 2022

	Special		
	General	Local Option Sales Tax	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 1,838,969	875,489	382,389
Receivables:			
Property tax:			
Delinquent	9,067	-	6,820
Succeeding year	3,169,000	-	1,911,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	44,027	-	-
Accounts	27,470	-	-
Accrued interest	1,270	-	-
Opioid settlement	-	-	-
Due from other funds	-	-	-
Due from other governments	18,940	67,273	2,537
Advance to other funds	34,855	-	-
Inventories	-	-	-
Prepaid items	150,247	-	-
Total assets	\$ 5,293,845	942,762	2,302,746
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 56,666	74,554	4,317
Salaries and benefits payable	32,100	-	13,062
Due to other funds	4,149	-	-
Due to other governments	12,371	-	2,334
Unearned revenue	322,920	-	-
Advance from other funds	-	-	-
Total liabilities	<u>428,206</u>	<u>74,554</u>	<u>19,713</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,169,000	-	1,911,000
Succeeding year tax increment financing	-	-	-
Other	53,094	-	6,820
Total deferred inflows of resources	<u>3,222,094</u>	<u>-</u>	<u>1,917,820</u>
Fund balances:			
Nonexpendable:			
Inventories	-	-	-
Prepaid items	150,247	-	-
Advance to other funds	34,855	-	-
Restricted for:			
Supplemental levy purposes	365,449	-	-
Rural services purposes	-	-	365,213
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	188,282	-	-
Debt service	-	-	-
Capital projects	-	-	-
Bridge maintenance and replacement	-	868,208	-
Other purposes	-	-	-
Unassigned	904,712	-	-
Total fund balances	<u>1,643,545</u>	<u>868,208</u>	<u>365,213</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 5,293,845	942,762	2,302,746

See notes to financial statements.

Revenue					
Secondary Roads	Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total
1,878,671	3,796,793	256,494	6,565,811	60,741	15,655,357
-	-	1,764	-	-	17,651
-	-	698,000	-	-	5,778,000
-	3,485,000	-	-	-	3,485,000
-	-	-	-	-	44,027
3,317	-	-	-	135	30,922
-	-	-	-	-	1,270
-	-	-	-	198,535	198,535
4,149	-	-	-	-	4,149
324,404	-	-	-	-	413,154
-	-	-	-	-	34,855
318,254	-	-	-	-	318,254
13,377	-	-	538,103	-	701,727
<u>2,542,172</u>	<u>7,281,793</u>	<u>956,258</u>	<u>7,103,914</u>	<u>259,411</u>	<u>26,682,901</u>
78,173	-	250	231,391	-	445,351
65,828	-	-	-	-	110,990
-	-	-	-	-	4,149
1,776	-	-	-	-	16,481
-	-	-	-	-	322,920
-	34,855	-	-	-	34,855
<u>145,777</u>	<u>34,855</u>	<u>250</u>	<u>231,391</u>	<u>-</u>	<u>934,746</u>
-	-	698,000	-	-	5,778,000
-	3,485,000	-	-	-	3,485,000
-	-	1,764	-	198,535	260,213
-	3,485,000	699,764	-	198,535	9,523,213
318,254	-	-	-	-	318,254
13,377	-	-	538,103	-	701,727
-	-	-	-	-	34,855
-	-	-	-	-	365,449
-	-	-	-	-	365,213
2,064,764	-	-	-	-	2,064,764
-	-	-	-	-	188,282
-	3,761,938	256,244	-	-	4,018,182
-	-	-	6,334,420	-	6,334,420
-	-	-	-	-	868,208
-	-	-	-	60,876	60,876
-	-	-	-	-	904,712
<u>2,396,395</u>	<u>3,761,938</u>	<u>256,244</u>	<u>6,872,523</u>	<u>60,876</u>	<u>16,224,942</u>
<u>2,542,172</u>	<u>7,281,793</u>	<u>956,258</u>	<u>7,103,914</u>	<u>259,411</u>	<u>26,682,901</u>

Adair County

Adair County

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

June 30, 2022

Total governmental fund balances (page 19) \$ 16,224,942

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$71,637,648 and the accumulated depreciation/amortization is \$20,472,262. 51,165,386

Other long-term assets are not available to pay current year expenditures as follows:

Deferred inflows of resources	\$ 260,213	
Net pension asset	<u>861,275</u>	1,121,488

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 259,088

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

Deferred outflows of resources	502,954	
Deferred inflows of resources	<u>(2,299,588)</u>	(1,796,634)

Long-term liabilities, including lease agreements payable, bonds payable, compensated absences payable, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(19,906,379)

Net position of governmental activities (page 16) \$ 47,067,891

See notes to financial statements.

Adair County

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

Year ended June 30, 2022

	Special			
	General	Mental Health	Local Option Sales Tax	Rural Services
Revenues:				
Property and other county tax	\$ 2,907,995	142,854	-	1,768,268
Tax increment financing	-	-	-	-
Local option sales tax	-	-	862,287	-
Interest and penalty on property tax	30,329	-	-	-
Intergovernmental	775,644	12,913	-	137,395
Licenses and permits	6,616	-	-	2,691
Charges for service	311,784	-	-	3,775
Use of money and property	41,764	-	1,030	-
Miscellaneous	82,568	-	-	-
Total revenues	4,156,700	155,767	863,317	1,912,129
Expenditures:				
Operating:				
Public safety and legal services	1,627,871	-	-	271,330
Physical health and social services	279,292	-	-	8,941
Mental health	-	166,004	-	-
County environment and education	423,350	-	-	139,998
Roads and transportation	-	-	163,596	301,623
Governmental services to residents	446,209	-	-	3,840
Administration	1,040,559	-	-	-
Debt service	-	-	-	-
Capital projects	340,755	-	261,524	-
Total expenditures	4,158,036	166,004	425,120	725,732
Excess (deficiency) of revenues over (under) expenditures	(1,336)	(10,237)	438,197	1,186,397
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(1,131,000)
Lease agreements	6,561	-	-	-
General obligation bonds issued	-	-	-	-
Premium on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	6,561	-	-	(1,131,000)
Change in fund balances	5,225	(10,237)	438,197	55,397
Fund balances beginning of year	1,638,320	10,237	430,011	309,816
Fund balances end of year	\$ 1,643,545	-	868,208	365,213

See notes to financial statements.

Revenue					
Secondary Roads	Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total
-	-	726,448	-	-	5,545,565
-	2,789,907	-	-	-	2,789,907
-	-	-	-	-	862,287
-	-	-	-	-	30,329
4,595,154	225,792	65,341	-	8,801	5,821,040
1,250	-	-	-	-	10,557
-	-	-	-	1,985	317,544
-	6,713	840	2,661	88	53,096
165,128	-	-	-	1,500	249,196
4,761,532	3,022,412	792,629	2,661	12,374	15,679,521
-	-	-	-	1,160	1,900,361
-	-	-	-	-	288,233
-	-	-	-	-	166,004
-	34,855	-	-	-	598,203
5,427,532	-	-	-	-	5,892,751
-	-	-	-	3,717	453,766
-	-	-	-	-	1,040,559
-	2,620,310	826,263	-	-	3,446,573
548,311	-	-	1,574,477	-	2,725,067
5,975,843	2,655,165	826,263	1,574,477	4,877	16,511,517
(1,214,311)	367,247	(33,634)	(1,571,816)	7,497	(831,996)
1,131,000	-	-	21,739	-	1,152,739
-	-	(21,739)	-	-	(1,152,739)
-	-	-	-	-	6,561
-	-	-	5,000,000	-	5,000,000
-	-	-	159,343	-	159,343
1,131,000	-	(21,739)	5,181,082	-	5,165,904
(83,311)	367,247	(55,373)	3,609,266	7,497	4,333,908
2,479,706	3,394,691	311,617	3,263,257	53,379	11,891,034
2,396,395	3,761,938	256,244	6,872,523	60,876	16,224,942

Adair County

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

Year ended June 30, 2022

Change in fund balances - Total governmental funds (page 23) \$ 4,333,908

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

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

Expenditures for capital assets	\$ 3,058,589	
Capital assets contributed by the Iowa Department of Transportation	497,292	
Depreciation/amortization expense	<u>(2,846,346)</u>	709,535

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	(140)	
Other	<u>205,136</u>	204,996

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	(5,006,561)	
Repaid	<u>3,056,885</u>	(1,949,676)

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

313,084

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	1,288	
Pension expense	263,643	
OPEB expense	(656)	
Interest on long-term debt	<u>5,055</u>	269,330

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.

37,485

Change in net position of governmental activities (page 17)

\$ 3,918,662

See notes to financial statements.

Adair County
Statement of Net Position
Proprietary Fund

June 30, 2022

	<u>Internal Service - Employee Health Insurance</u>
Assets	
Cash and cash equivalents	\$ 291,500
Prepaid items	<u>5,350</u>
Total current assets	<u>296,850</u>
Liabilities	
Accounts payable	<u>37,762</u>
Net Position	
Restricted for employee health	<u>\$ 259,088</u>

See notes to financial statements.

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

Year ended June 30, 2022

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 170,842
Reimbursements from others		34,835
Total operating revenues		225,202
Operating expenses:		
Medical claims	\$ 165,410	
Insurance premiums	2,784	
Administrative fees	8,492	
Miscellaneous	<u>11,428</u>	<u>188,114</u>
Operating income		37,088
Non-operating revenues:		
Interest income		<u>397</u>
Net income		37,485
Net position beginning of year		<u>221,603</u>
Net position end of year		<u>\$ 259,088</u>

See notes to financial statements.

Adair County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2022

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 170,842
Cash received from others	36,970
Cash paid to suppliers for services	(176,846)
Net cash provided by operating activities	50,491
Cash flows from investing activities:	
Interest on investments	397
Net increase in cash and cash equivalents	50,888
Cash and cash equivalents beginning of year	240,612
Cash and cash equivalents end of year	\$ 291,500
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 37,088
Adjustment to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	2,135
Prepaid items	2,784
Accounts payable	8,484
Net cash provided by operating activities	\$ 50,491

See notes to financial statements.

Adair County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2022

Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 638,776
Other County officials	40,882
Receivables:	
Property tax:	
Delinquent	29,456
Succeeding year	14,219,000
Special assessments	34,972
Due from other governments	132
Prepaid expenses	<u>6,075</u>
Total assets	<u>14,969,293</u>
Liabilities	
Due to other governments	472,626
Salaries payable	1,238
Trusts payable	5,799
Compensated absences	<u>19,122</u>
Total liabilities	<u>498,785</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>14,219,000</u>
Net position	
Restricted for individuals, organizations and other governments	<u>\$ 251,508</u>

See notes to financial statements.

Adair County
 Statement of Changes in Fiduciary Net Position
 Custodial Funds

Year ended June 30, 2022

Additions:	
Property and other county tax	\$ 13,297,956
State tax credits	1,312,274
Office fees and collections	392,077
Auto licenses, use tax and postage	3,860,515
Trusts	210,617
Miscellaneous	<u>182</u>
Total additions	<u>19,073,621</u>
Deductions:	
Agency remittances:	
To other funds	322,281
To other governments	18,702,781
Trusts paid out	<u>50,815</u>
Total deductions	<u>19,075,877</u>
Change in net position	(2,256)
Net position beginning of year	<u>253,764</u>
Net position end of year	<u>\$ 251,508</u>

See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, Three Mile Reservoir Agency, Adair County Sanitary Landfill and Recycling Center and South Central Iowa Regional 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2021.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2022, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Special Assessments Receivable – Special assessments receivable represent amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Intangibles	65,000
Land, buildings and improvements	5,000
Right to use leased assets	5,000
Equipment and vehicles	5,000

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

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

Leases – County as Lessee: Adair County is the lessee for a noncancellable lease of equipment. The County has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Adair County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Adair County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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

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

Unearned Revenue – 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. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue consists of unspent American Rescue Plan Act proceeds.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2022. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability (asset), 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 (asset) attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2022, disbursements exceeded the amount budgeted in the debt service function and disbursements in two departments exceeded the amount appropriated prior to amendment and one department exceeded the amount appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,730,858 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

(3) Interfund Assets/Liabilities

The detail of amounts due from and due to other funds at June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	<u>\$ 4,149</u>

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

The detail of advances to/from other funds at June 30, 2022 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Urban Renewal	<u>\$ 34,855</u>

The General Fund advanced \$34,855 to the Special Revenue, Urban Renewal Fund to pay for bridge repair projects in the urban renewal area. The amounts will be repaid with tax increment financing receipts as they are collected.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,131,000
Capital Projects	Debt Service	<u>21,739</u>
Total		<u>\$ 1,152,739</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

	Restated, Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 1,034,153	-	-	1,034,153
Intangibles, road network	34,220	-	-	34,220
Construction in progress	8,914,540	3,052,856	10,627,494	1,339,902
Total capital assets not being depreciated/amortized	9,982,913	3,052,856	10,627,494	2,408,275
Capital assets being depreciated/amortized:				
Buildings	5,006,428	-	-	5,006,428
Improvements other than buildings	1,333,196	-	-	1,333,196
Equipment and vehicles	9,273,368	541,113	121,324	9,693,157
Right to use leased equipment	24,235	6,561	-	30,796
Intangibles	499,888	-	-	499,888
Infrastructure, road network	42,038,414	10,627,494	-	52,665,908
Total capital assets being depreciated/amortized	58,175,529	11,175,168	121,324	69,229,373
Less accumulated depreciation/amortization for:				
Buildings	1,260,858	116,789	-	1,377,647
Improvements other than buildings	250,166	41,577	-	291,743
Equipment and vehicles	5,108,189	683,784	76,675	5,715,298
Right to use leased equipment	-	7,034	-	7,034
Intangibles	196,901	36,684	-	233,585
Infrastructure, road network	10,886,477	1,960,478	-	12,846,955
Total accumulated depreciation/amortization	17,702,591	2,846,346	76,675	20,472,262
Total capital assets being depreciated/amortized, net	40,472,938	8,328,822	44,649	48,757,111
Governmental activities capital assets, net	\$ 50,455,851	11,381,678	10,672,143	51,165,386

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 229,148
County environment and education	51,517
Roads and transportation	2,474,681
Administration	91,000
Total depreciation/amortization expense - governmental activities	<u>\$ 2,846,346</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2022 is as follows:

Fund	Description	Amount
General	Services	\$ 12,371
Special Revenue:		
Rural Services		2,334
Secondary Roads	Services	1,776
Total for governmental funds		<u>\$ 16,481</u>
Custodial:		
County Offices		\$ 35,083
Agricultural Extension		814
County Assessor		6,229
Schools		54,463
Community Colleges		3,751
Corporations		15,686
Townships		3,193
County Hospital		13,507
Auto License and Use Tax		303,361
All other		<u>36,539</u>
Total for custodial funds		<u>\$ 472,626</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Lease Agreements	General Obligation Bonds	Compensated Absences	Net Pension Liability (asset)	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 24,235	17,610,000	204,083	1,995,921	63,029	19,897,268
Increases	6,561	5,000,000	59,724	-	41,165	5,107,450
Decreases	6,885	3,050,000	61,012	2,857,196	10,564	5,985,657
Balance end of year	<u>\$ 23,911</u>	<u>19,560,000</u>	<u>202,795</u>	<u>(861,275)</u>	<u>93,630</u>	<u>19,019,061</u>
Due within one year	<u>\$ 8,139</u>	<u>2,585,000</u>	<u>149,519</u>	<u>-</u>	<u>22,584</u>	<u>2,765,242</u>

Lease Agreements

On July 1, 2021, the County entered into a noncancelable lease agreement for a courthouse copier. An initial lease liability was recorded in the amount of \$8,453. The agreement requires 42 monthly payments of \$208, with an implicit interest rate of 2.0% and a final payment on January 8, 2024.

On July 1, 2021, the County entered into a noncancelable lease agreement for courthouse computers. An initial lease liability was recorded in the amount of \$15,782. The agreement requires 42 monthly payments of \$389, with an implicit interest rate of 2.0% and a final payment on January 15, 2024.

On June 1, 2022, the County entered into a noncancelable lease agreement for a copier in the recorder's office. An initial lease liability was recorded in the amount of \$6,561. The agreement requires 59 monthly payments of \$115, with an implicit interest rate of 2.0% and a final payment on May 30, 2027.

Future principal and interest lease payments as of June 30, 2022, are as follows:

Year Ending June 30,	Courthouse Copier			Courthouse Computers		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 2,399	100	2,499	\$ 4,478	186	4,664
2024	2,447	51	2,498	4,569	96	4,665
2025	1,242	7	1,249	2,319	14	2,333
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
Totals	\$ 6,088	158	6,246	\$ 11,366	296	11,662

Year Ending June 30,	Recorder Copier			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 1,262	118	1,380	\$ 8,139	404	8,543
2024	1,288	92	1,380	8,304	239	8,543
2025	1,314	66	1,380	4,875	87	4,962
2026	1,340	40	1,380	1,340	40	1,380
2027	1,253	13	1,266	1,253	13	1,266
Totals	\$ 6,457	329	6,786	\$ 23,911	783	24,694

Bonds

A summary of the County's June 30, 2022 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Public Safety Building Issued Sep 1, 2010			General Obligation, Series 2014 Secondary Roads and GIS portion Issued Apr 2, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2023	3.00%	\$ 165,000	6,900	2.10%	\$ 65,000
2024	3.00	65,000	1,950	2.10	65,000	1,365
2025		-	-		-	-
2026		-	-		-	-
2027		-	-		-	-
2028-2032		-	-		-	-
2033		-	-		-	-
Total		\$ 230,000	8,850		\$ 130,000	4,095

Year Ending June 30,	Bridge, Road and Culvert Issued Sep 1, 2015			General Obligation, Series 2017 Secondary Roads and Elevator Issued Jul 12, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2023	2.75%	\$ 655,000	97,862	2.00%	\$ 470,000
2024	2.75	820,000	79,850	2.00	485,000	54,387
2025	3.00	940,000	57,300	2.00	500,000	45,688
2026	3.00	970,000	29,100	2.25	505,000	34,688
2027		-	-	2.25	520,000	23,325
2028-2032		-	-	2.25-2.50	465,000	11,624
2033		-	-		-	-
Total		\$ 3,385,000	264,112		\$ 2,945,000	233,500

Year Ending June 30,	General Obligation, Series 2019 Secondary Roads and Sheriff Equipment Issued Aug 14, 2019			General Obligation, Series 2020 Road and Bridge Infrastructure Issued Jun 17, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2023	2.00%	\$ 730,000	71,500	2.00%	\$ 500,000
2024	2.00	755,000	56,900	2.00	400,000	75,900
2025	2.00	320,000	41,800	2.00	400,000	67,900
2026	2.00	330,000	35,400	2.00	400,000	59,900
2027	2.00	340,000	28,800	2.00	650,000	51,900
2028-2032	2.00	1,100,000	44,500	2.00	1,945,000	77,700
2033		-	-		-	-
Total		<u>\$ 3,575,000</u>	<u>278,900</u>		<u>\$ 4,295,000</u>	<u>419,200</u>

Year Ending June 30,	General Obligation, Series 2022 Road and Bridge Infrastructure Issued May 12, 2022			Totals		
	Interest Rates	Principal	Interest	Principal	Interest	Total
	2023	2.00%	\$ -	157,917	\$ 2,585,000	486,597
2024	2.00	450,000	150,000	3,040,000	420,352	3,460,352
2025	2.00	460,000	136,500	2,620,000	349,188	2,969,188
2026	2.00	470,000	122,700	2,675,000	281,788	2,956,788
2027	2.00	480,000	108,600	1,990,000	212,625	2,202,625
2028-2032	2.00	2,580,000	319,950	6,090,000	453,774	6,543,774
2033	2.00	560,000	16,800	560,000	16,800	576,800
Total		<u>\$ 5,000,000</u>	<u>1,012,467</u>	<u>\$ 19,560,000</u>	<u>2,221,124</u>	<u>21,781,124</u>

On September 1, 2010, the County issued \$3,000,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for a public safety building. During the year ended June 30, 2022, the County paid principal of \$155,000 and interest of \$11,550 on the bonds.

On April 2, 2014, the County issued \$5,830,000 of general obligation bonds with interest rates ranging from 1.50% to 2.10% per annum. The bonds were issued for bridge, road and culvert repair, secondary road building, and GIS system. During the year ended June 30, 2022, the County paid principal of \$955,000 and interest of \$20,397 on the bonds.

On September 1, 2015, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 1.50% to 3.00% per annum. The bonds were issued for bridge, road and culvert repairs. During the year ended June 30, 2022, the County paid principal of \$490,000 and interest of \$110,113 on the bonds.

On July 12, 2017, the County issued \$5,000,000 of general obligation bonds with interest rates ranging from 2.00% to 2.50% per annum. The bonds were issued for courthouse elevator project, roads, bridges and culverts. During the year ended June 30, 2022, the County paid principal of \$465,000 and interest of \$73,087 on the bonds.

On July 25, 2018, the County issued \$300,000 of general obligation bonds with an interest rate of 2.30% per annum. The bonds were issued for an elevator project and software. During the year ended June 30, 2022, the County made the final payment of principal of \$75,000 and interest of \$1,725 on the bonds.

On August 14, 2019, the County issued \$5,000,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for digitization of County Recorder records, County Sheriff radio equipment and bridge, culvert and road repair. During the year ended June 30, 2022, the County paid principal of \$710,000 and interest of \$85,700 on the bonds.

On June 17, 2020, the County issued \$9,495,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued to aid in planning, undertaking and carrying out of urban renewal projects and bridge, culvert and road repair. During the year ended June 30, 2022, the County paid principal of \$200,000 and interest of \$89,900 on the bonds.

On May 12, 2022, the County issued \$5,000,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued to aid in planning, undertaking and carrying out of urban renewal projects and bridge, culvert and road repair. During the year ended June 30, 2022, the County was not required to make a principal or interest payment on the bonds.

(8) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2022, 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 9.01% of covered payroll, for a total rate of 18.02%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2022 totaled \$313,084.

Net Pension Liability (Asset), Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the County reported an asset of \$861,275 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the overall plan net pension asset was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the County's proportion of the overall plan net pension asset was 0.249481%, which was an increase of 0.221068% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the County recognized pension expense (reduction) of \$(263,643). At June 30, 2022, 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	\$ 94,147	33,345
Changes of assumptions	34,722	23,049
Net difference between projected and actual earnings on IPERS' investments	-	2,183,808
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	31,021	41,353
County contributions subsequent to the measurement date	313,084	-
Total	<u>\$ 472,974</u>	<u>2,281,555</u>

\$313,084 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 (asset) in the year ending June 30, 2023. 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
2023	\$ (541,454)
2024	(528,537)
2025	(483,936)
2026	(577,894)
2027	10,156
Total	<u>\$ (2,121,665)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability asset in the June 30, 2021 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, 2021 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 2021 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability asset 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 (asset).

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's proportionate share of the net pension liability	\$ 1,129,887	(861,275)	(2,529,166)

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, 2022.

(9) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>68</u>
Total	<u><u>70</u></u>

Total OPEB Liability – The County’s total OPEB liability of \$93,630 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2021)	3.00% per annum.
Rates of salary increase (effective June 30, 2021)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2021)	2.14% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2021)	5.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.14% 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	\$ 63,029
Changes for the year:	
Service cost	8,492
Interest	2,072
Differences between expected and actual experiences	26,684
Changes in assumptions	3,917
Benefit payments	<u>(10,564)</u>
Net changes	<u>30,601</u>
Total OPEB liability end of year	<u>\$ 93,630</u>

Changes of assumptions reflect a change in the discount rate from 2.66% in fiscal year 2021 to 2.14% in fiscal year 2022.

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 (1.14%) or 1% higher (3.14%) than the current discount rate.

	1% Decrease (1.14%)	Discount Rate (2.14%)	1% Increase (3.14%)
Total OPEB liability	\$ 98,480	93,630	89,056

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 86,457	93,630	102,055

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the County recognized OPEB expense of \$656. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,460	18,033
Changes in assumptions	5,520	-
Total	<u>\$ 29,980</u>	<u>18,033</u>

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

Year ending June 30,	Amount
2023	\$ 656
2024	656
2025	656
2026	656
2027	656
Thereafter	<u>8,667</u>
	<u>\$ 11,947</u>

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 794 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, employment practices liability, public officials liability and police professional liability. There have been no reductions in insurance coverage from prior years.

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

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

The County’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County’s contributions to the Pool for the year ended June 30, 2022 were \$180,302.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2022, no liability has been recorded in the County's financial statements. As of June 30, 2022, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(11) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Health Insurance Fund are recorded as expenditures from operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Health Insurance Fund. The County's contribution for the year ended June 30, 2022 was \$170,842.

Amounts payable from the Employee Group Health Fund at June 30, 2022 total \$37,762, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$296,850 at June 30, 2022 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 29,278
Incurred claims (including claims incurred but not reported at June 30, 2022)	165,410
Payments on claims during the year	<u>(156,926)</u>
Unpaid claims end of year	<u>\$ 37,762</u>

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

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa includes the following member counties: Adams County, Union County, Taylor County, and Adair County. The financial activity of Adair County's Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2022, as follows:

Revenues:	
Property and other county tax	\$ 142,854
Intergovernmental revenues:	
State tax credits	<u>12,913</u>
Total revenues	<u>155,767</u>
Expenditures:	
General administration:	
Distribution to regional fiscal agent	<u>166,004</u>
Excess of expenditures over revenues	(10,237)
Fund balance beginning of the year	<u>10,237</u>
Fund balance end of the year	<u>\$ -</u>

(13) Tax Abatements

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

Tax Abatements of Other Entities

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

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2022 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Stuart	Urban renewal and economic development projects	\$ 34,060
City of Greenfield	Urban renewal and economic development projects	6,805
City of Fontanelle	Urban renewal and economic development projects	959

(14) Opioid Litigation Settlement

The State of Iowa along with other states settled claims that certain prescriptions drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failed to monitor for, detect and prevent diversion of the drugs. The County also settled the same claims and related claims. Due to its settlement of these claims, the County will receive payments from the Defendant companies over the next seventeen years. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction, treatment, and recovery services.

(15) Accounting Change

Governmental Accounting Standards Board Statement No. 87, Leases was implemented during fiscal year 2022. The new requirements require the reporting of certain lease assets and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

	<u>Capital Assets</u>	<u>Long-term Liabilities Lease Agreements</u>
Balances June 30, 2021, as previously reported	\$ 50,431,616	-
Change to implement GASBS No. 87	24,235	24,235
Balances July 1, 2021, as restated	<u>\$ 50,455,851</u>	<u>24,235</u>

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription- Based Information Technology Arrangements. This statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

Required Supplementary Information

Adair County

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

Required Supplementary Information

Year ended June 30, 2022

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 9,192,121	9,619,499	9,513,692	(321,571)
Interest and penalty on property tax	30,320	31,000	31,000	(680)
Intergovernmental	6,265,205	4,974,876	5,688,368	576,837
Licenses and permits	12,558	12,400	12,400	158
Charges for service	320,290	241,695	304,247	16,043
Use of money and property	56,889	58,455	62,014	(5,125)
Miscellaneous	245,518	29,000	85,248	160,270
Total receipts	16,122,901	14,966,925	15,696,969	425,932
Disbursements:				
Public safety and legal services	1,893,873	1,888,446	2,081,818	187,945
Physical health and social services	295,159	321,563	361,563	66,404
Mental health	166,004	257,000	257,000	90,996
County environment and education	581,204	588,351	693,207	112,003
Roads and transportation	5,749,414	5,480,020	5,790,856	41,442
Governmental services to residents	452,520	505,152	505,152	52,632
Administration	1,026,606	1,053,376	1,065,376	38,770
Debt service	3,446,323	3,445,273	3,445,273	(1,050)
Capital projects	3,091,794	8,967,000	10,163,380	7,071,586
Total disbursements	16,702,897	22,506,181	24,363,625	7,660,728
Excess (deficiency) of receipts over (under) disbursements	(579,996)	(7,539,256)	(8,666,656)	8,086,660
Other financing sources, net	5,134,343	5,000,000	5,000,000	134,343
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	4,554,347	(2,539,256)	(3,666,656)	8,221,003
Balance beginning of year	11,101,010	9,541,191	9,541,191	1,559,819
Balance end of year	\$ 15,655,357	7,001,935	5,874,535	9,780,822

See accompanying independent auditor's report.

Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2022

	<u>Governmental Funds</u>		
	Cash	Accrual	Modified
	Basis	Adjustments	Accrual
			Basis
Revenues	\$ 16,122,901	(443,380)	15,679,521
Expenditures	16,702,897	(191,380)	16,511,517
Net	(579,996)	(252,000)	(831,996)
Other financing sources	5,134,343	31,561	5,165,904
Beginning fund balances	11,101,010	790,024	11,891,034
Ending fund balances	<u>\$ 15,655,357</u>	<u>569,585</u>	<u>16,224,942</u>

See accompanying independent auditor's report.

Adair County

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2022

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$1,857,444. 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, 2022, disbursements exceeded the amount budgeted in the debt service function and disbursements in two departments exceeded the amount appropriated prior to amendment and in one department exceeded the amount appropriated.

Adair County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

	2022	2021	2020	2019
County's proportion of the net pension liability/asset	0.249481% **	0.028413%	0.027073%	0.028620%
County's proportionate share of the net pension liability (asset)	\$ (861)	1,996	1,568	1,811
County's covered payroll	\$ 3,137	2,991	2,960	2,924
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-27.45%	66.73%	52.97%	61.94%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%	85.45%	83.62%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.030499%	0.030568%	0.027811%	0.026506%
2,032	1,924	1,374	1,051
2,868	2,629	2,596	2,620
70.85%	73.18%	52.93%	40.11%
82.21%	81.82%	85.19%	87.61%

Adair County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 313	299	285	285
Contributions in relation to the statutorily required contribution	<u>(313)</u>	<u>(299)</u>	<u>(285)</u>	<u>(285)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 3,339	3,137	2,991	2,960
Contributions as a percentage of covered payroll	9.37%	9.53%	9.53%	9.63%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
267	262	254	245	241	221
(267)	(262)	(254)	(245)	(241)	(221)
-	-	-	-	-	-
2,924	2,868	2,629	2,596	2,620	2,502
9.13%	9.14%	9.66%	9.44%	9.20%	8.83%

Adair County

Notes to Required Supplementary Information – Pension Liability (Asset)

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Adair County

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

For the Last Five Years
Required Supplementary Information

	2022	2021	2020	2019	2018
Service cost	\$ 8,492	7,209	6,999	6,441	6,253
Interest cost	2,072	2,177	1,928	2,349	2,100
Difference between expected and actual experiences	26,684	-	(18,327)	-	(7,395)
Changes in assumptions	3,917	-	197	-	3,023
Benefit payments	(10,564)	(2,720)	(1,307)	(2,183)	(8,182)
Net change in total OPEB liability	30,601	6,666	(10,510)	6,607	(4,201)
Total OPEB liability beginning of year	63,029	56,363	66,873	60,266	64,467
Total OPEB liability end of year	<u>\$ 93,630</u>	<u>63,029</u>	<u>56,363</u>	<u>66,873</u>	<u>60,266</u>
Covered-employee payroll	\$ 3,324,235	3,320,480	3,223,767	2,797,925	2,716,432
Total OPEB liability as a percentage of covered-employee payroll	2.82%	1.90%	1.75%	2.39%	2.22%

See accompanying independent auditor's report.

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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, 2022	2.14%
Year ended June 30, 2021	2.66%
Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

Adair County

Supplementary Information

Adair County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

			Special
	Resource Enhancement and Protection	County Recorder's Records Management	Local Government Opioid Abatement
Assets			
Cash, cash equivalents and pooled investments	\$ 19,203	16,109	-
Receivables:			
Accounts	-	132	-
Opioid settlement	-	-	198,535
Total assets	\$ 19,203	16,241	198,535
Liabilities and Fund Balances			
Liabilities:			
None	\$ -	-	-
Deferred Inflows of Resources:			
Unavailable Revenues:			
Other	-	-	198,535
Fund balances:			
Restricted for other purposes	19,203	16,241	-
Total liabilities and fund balances	\$ 19,203	16,241	198,535

See accompanying independent auditor's report.

Revenue

Sheriff's Reserve	Special Law Enforcement	Total
12,253	13,176	60,741
3	-	135
-	-	198,535
<u>12,256</u>	<u>13,176</u>	<u>259,411</u>

- - -

- - 198,535

<u>12,256</u>	<u>13,176</u>	<u>60,876</u>
<u>12,256</u>	<u>13,176</u>	<u>259,411</u>

Adair County

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

Year ended June 30, 2022

	Resource Enhancement and Protection	County Recorder's Records Management	Special Sheriff's Reserve
Revenues:			
Intergovernmental	\$ 8,798	-	3
Charges for services	-	1,985	-
Use of money and property	24	26	17
Miscellaneous	-	-	1,500
Total revenues	<u>8,822</u>	<u>2,011</u>	<u>1,520</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	-	3,717	-
Total expenditures	<u>-</u>	<u>3,717</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	8,822	(1,706)	1,520
Fund balances beginning of year	<u>10,381</u>	<u>17,947</u>	<u>10,736</u>
Fund balances end of year	<u>\$ 19,203</u>	<u>16,241</u>	<u>12,256</u>

See accompanying independent auditor's report.

Revenue

Special Law Enforcement	Total
-	8,801
-	1,985
21	88
-	1,500
<u>21</u>	<u>12,374</u>
1,160	1,160
-	3,717
<u>1,160</u>	<u>4,877</u>
(1,139)	7,497
<u>14,315</u>	<u>53,379</u>
<u>13,176</u>	<u>60,876</u>

Adair County

Combining Schedule of Fiduciary Net Position –
Custodial Funds

June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,344	206,932	54,463
Other County officials	40,882	-	-	-
Receivables:				
Property tax:				
Delinquent	-	541	851	19,771
Succeeding year	-	189,000	278,000	7,428,000
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	6,075	-
Total assets	40,882	190,885	491,858	7,502,234
Liabilities				
Due to other governments	35,083	814	6,229	54,463
Salaries Payable	-	-	1,238	-
Trusts payable	5,799	-	-	-
Compensated absences	-	-	19,122	-
Total liabilities	40,882	814	26,589	54,463
Deferred Inflows of Resources				
Unavailable revenues	-	189,000	278,000	7,428,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	1,071	187,269	19,771

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
3,751	15,686	3,193	13,507	303,361	36,539	638,776
-	-	-	-	-	-	40,882
1,729	434	691	5,434	-	5	29,456
534,000	3,477,000	445,000	1,867,000	-	1,000	14,219,000
-	-	-	-	-	34,972	34,972
-	-	-	-	-	132	132
-	-	-	-	-	-	6,075
539,480	3,493,120	448,884	1,885,941	303,361	72,648	14,969,293
3,751	15,686	3,193	13,507	303,361	36,539	472,626
-	-	-	-	-	-	1,238
-	-	-	-	-	-	5,799
-	-	-	-	-	-	19,122
3,751	15,686	3,193	13,507	303,361	36,539	498,785
534,000	3,477,000	445,000	1,867,000	-	1,000	14,219,000
1,729	434	691	5,434	-	35,109	251,508

Adair County

Combining Schedule of Changes in Fiduciary Net Position –
Custodial Funds

Year ended June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	173,517	273,079	7,284,281
State tax credits	-	15,684	24,683	653,061
Office fees and collections	389,892	-	200	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	50,815	-	-	-
Miscellaneous	-	-	-	-
Total additions	440,707	189,201	297,962	7,937,342
Deductions:				
Agency remittances:				
To other funds	199,195	-	-	-
To other governments	190,697	188,660	281,036	7,937,413
Trusts paid out	50,815	-	-	-
Total deductions	440,707	188,660	281,036	7,937,413
Changes in net position	-	541	16,926	(71)
Net position beginning of year	-	530	170,343	19,842
Net position end of year	\$ -	1,071	187,269	19,771

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
480,845	2,931,918	409,859	1,742,986	-	1,471	13,297,956
42,626	383,943	34,602	157,542	-	133	1,312,274
-	-	-	-	-	1,985	392,077
-	-	-	-	3,860,515	-	3,860,515
-	-	-	-	-	159,802	210,617
-	-	-	-	-	182	182
523,471	3,315,861	444,461	1,900,528	3,860,515	163,573	19,073,621
-	-	-	-	123,086	-	322,281
523,288	3,316,550	444,486	1,900,410	3,751,384	168,857	18,702,781
-	-	-	-	-	-	50,815
523,288	3,316,550	444,486	1,900,410	3,874,470	168,857	19,075,877
183	(689)	(25)	118	(13,955)	(5,284)	(2,256)
1,546	1,123	716	5,316	13,955	40,393	253,764
1,729	434	691	5,434	-	35,109	251,508

Adair County

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

For the Last Ten Years

	2022	2021	2020	2019
Revenues:				
Property and other county tax	\$ 5,545,565	5,476,038	5,387,528	5,476,038
Tax increment financing	2,789,907	2,565,436	2,411,037	2,565,436
Local option sales tax	862,287	797,380	797,464	797,380
Interest and penalty on property tax	30,329	47,531	18,860	47,531
Intergovernmental	5,821,040	5,638,344	5,819,052	5,638,344
Licenses and permits	10,557	10,836	20,447	10,836
Charges for service	317,544	311,069	240,803	311,069
Use of money and property	53,096	68,843	127,100	68,843
Miscellaneous	249,196	93,133	407,903	93,133
Total	\$ 15,679,521	15,008,610	15,230,194	15,008,610
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,900,361	1,724,172	1,782,427	1,724,172
Physical health and social services	288,233	295,318	265,740	295,318
Mental health	166,004	252,000	258,796	252,000
County environment and education	598,203	818,485	515,989	818,485
Roads and transportation	5,892,751	5,907,485	6,218,017	5,907,485
Governmental services to residents	453,766	459,831	451,205	459,831
Administration	1,040,559	933,483	1,000,195	933,483
Debt service	3,446,573	3,162,437	2,291,666	3,162,437
Capital projects	2,725,067	4,233,556	7,568,189	4,233,556
Total	\$ 16,511,517	17,786,767	20,352,224	17,786,767

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
4,965,147	4,858,085	4,876,507	4,684,579	4,423,885	4,251,744
2,092,451	1,938,657	1,488,399	1,096,189	832,544	644,439
440,621	471,324	455,910	457,492	435,869	503,817
36,251	36,412	34,859	34,530	31,576	34,847
4,814,467	4,368,385	4,708,473	3,909,137	3,344,693	3,512,965
8,562	12,484	15,633	14,742	13,628	13,234
271,367	246,238	214,329	215,489	212,097	208,137
78,643	51,584	299,038	45,327	47,802	68,027
32,131	57,693	203,452	182,542	285,658	133,964
12,739,640	12,040,862	12,296,600	10,640,027	9,627,752	9,371,174
1,539,025	1,355,584	1,351,740	1,321,975	1,338,217	1,166,708
251,344	255,760	289,723	370,989	312,561	285,058
251,932	262,448	318,903	377,669	269,793	313,493
507,451	527,711	514,430	520,418	455,202	458,616
5,115,660	4,507,749	4,422,962	4,320,420	4,356,764	5,146,178
453,921	404,593	416,683	330,420	326,728	306,720
864,545	794,843	772,103	684,815	785,889	744,504
1,641,011	1,461,195	1,368,848	1,298,897	1,053,050	765,449
4,596,477	2,543,937	4,600,763	2,355,581	5,140,604	1,281,359
15,221,366	12,113,820	14,056,155	11,581,184	14,038,808	10,468,085



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

Rob Sand
Auditor of State

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

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

To the Officials of Adair County:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adair County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adair County's internal control. Accordingly, we do not express an opinion on the effectiveness of Adair County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Adair County's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

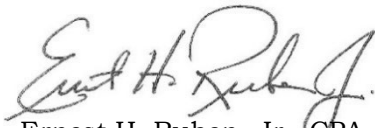
Adair County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Adair County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Adair County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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



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

February 1, 2023

Adair County

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

2022-001 Segregation of Duties

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

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

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

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

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

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

Responses and Corrective Action Planned –

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

Adair County

Schedule of Findings

Year ended June 30, 2022

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

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

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

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

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

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

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

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Adair County

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amount budgeted in the debt service function at year end. In addition, disbursements in two departments exceeded the amount appropriated prior to the budget amendment and one department exceeded the amount appropriated at year end.

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

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

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

Conclusion – Response accepted.

2022-B 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.

2022-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

2022-D 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.

2022-E Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	\$ 2,387

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

2022-F Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Adair County

Schedule of Findings

Year ended June 30, 2022

- 2022-G Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2022-H 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.
- 2022-I 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).
- 2022-J Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- 2022-K Tax Increment Financing – Payments from the Special Revenue, Tax Increment Financing (TIF) Fund properly included only payments for TIF loans and rebates. Also, Adair 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.

Adair County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Deborah M. Moser, CPA, Manager
Nichole D. Tucker, Senior Auditor II
Laurel P. Hoogensen, Staff Auditor
Mackenzie L. Johnson, Staff Auditor
Kim M. Behrens, Assistant Auditor
Nahom E. Hirigo, Auditor Intern