



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

Contact: Brian Brustkern
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FOR RELEASE

March 4, 2024

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$18,467,815 for the year ended June 30, 2023, an 11.4% increase. Expenses for County operations for the year ended June 30, 2023 totaled \$13,856,164, a 9.46% increase. 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 86 through 89 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 website 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, 2023

Adair County



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Rob Sand
Auditor of State

February 2, 2024

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, 2023. 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

(Before January 2023)

<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 2023
Pam Jensen	County Assessor	Jan 2028

(After January 2023)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Walker	Board of Supervisors	Jan 2025
John Twombly	Board of Supervisors	Jan 2025
Matt Wedemeyer	Board of Supervisors	Jan 2025
Jodie Hoadley	Board of Supervisors	Jan 2027
Steven Shelley	Board of Supervisors	Jan 2027
Mandy Berg	County Auditor	Jan 2025
Brenda Wallace	County Treasurer	Jan 2027
Janelle Schneider	County Recorder	Jan 2027
Jeff Vandewater	County Sheriff	Jan 2025
Melissa Larson	County Attorney	Jan 2027
Pam Jensen	County Assessor	(Retired Apr 2023)
Tiffany Warrior (Appointed Apr 2023)	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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 14 to the financial statements, Adair County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. 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 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 GAAS 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 GAAS 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 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 15 and 60 through 72 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 GAAS, 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, 2022 (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 GAAS. 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 2, 2024 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

February 2, 2024

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, 2023. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 96, Subscription-Based Information Technology Arrangements (SBITAs), during fiscal year 2023. The implementation for this standard revised certain asset and liability accounts related to SBITAs, however had no effect on the beginning net position for governmental activities.
- The Governor signed Senate File 619 on June 16, 2021 which significantly changed mental health funding. The County was required to transfer the remaining fund balance of the Special Revenue, Mental Health Fund to the Sample Mental Health Region prior to June 30, 2022.
- Revenues of the County's governmental activities increased 11.4%, or approximately \$1,890,000, from fiscal year 2022 to fiscal year 2023. Capital grants, contributions and restricted interest increased approximately \$456,000, charges for service increased approximately \$108,000 and operating grants, contributions and restricted interest increased approximately \$373,000. In addition, tax incrementing financing increased approximately \$560,000 and unrestricted interest increased approximately \$141,000.
- Program expenses of the County's governmental activities were 9.5%, or approximately \$1,198,000, more in fiscal year 2023 than in fiscal year 2022. Public safety, county environment and roads and transportation expenses increased approximately \$346,000, \$131,000 and \$604,000, respectively, while mental health and nonprogram expenses decreased approximately \$166,000 and \$6,000, respectively.
- The County's net position increased 9.80%, or approximately \$4,612,000, over the June 30, 2022 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, 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 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 includes 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 \$47.1 million to approximately \$51.7 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,	
	2023	2022
	(Not Restated)	
Current and other assets	\$ 25,990	27,802
Capital assets	54,457	51,165
Total assets	80,447	78,967
Deferred outflows of resources	554	503
Long-term liabilities	18,169	19,880
Other liabilities	653	960
Total liabilities	18,822	20,840
Deferred inflows of resources	10,499	11,562
Net position:		
Net investment in capital assets	42,790	40,664
Restricted	10,364	8,928
Unrestricted	(1,474)	(2,524)
Total net position	\$ 51,680	47,068

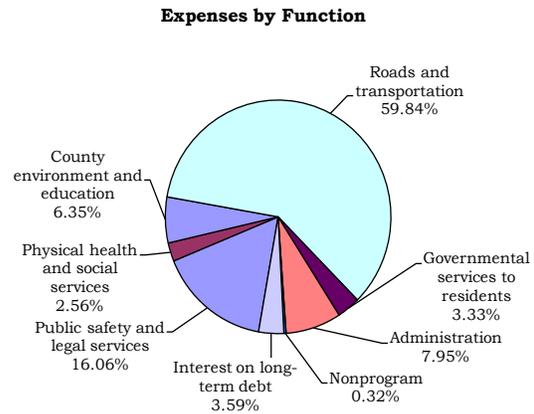
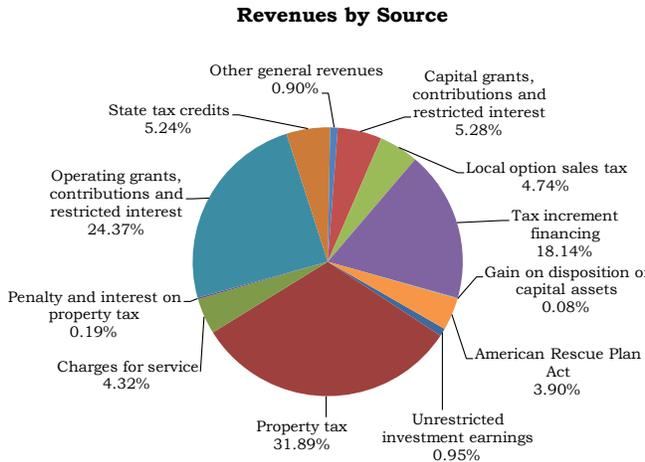
Net position of Adair County’s governmental activities increased 9.8% (approximately \$47.1 million compared to approximately \$51.7 million).

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 5.2% or approximately \$2,126,000, 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 \$1,436,000, or 16.08%, over the prior year. This increase is primarily due to increased amounts available in 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 \$2,524,000 at June 30, 2022 to a deficit of approximately \$1,474,000 at the end of this year, an increase of 41.6%. The deficit in the unrestricted net position is primarily due to the total OPEB and pension 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	2023 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 797	689
Operating grants, contributions and restricted interest	4,501	4,823
Capital grants, contributions and restricted interest	976	520
General revenues:		
Property tax	5,888	5,546
Tax increment financing	3,350	2,790
Penalty and interest on property tax	36	37
State tax credits	968	704
Local option sales tax	875	862
American Rescue Plan Act	720	372
Unrestricted investment earnings	176	35
Gain on disposition of capital assets	15	32
Other general revenues	166	167
Total revenues	<u>18,468</u>	<u>16,577</u>
Program expenses:		
Public safety and legal services	\$ 2,225	1,879
Physical health and social services	355	283
Mental health	-	166
County environment and education	880	749
Roads and transportation	8,291	7,687
Governmental services to residents	461	405
Administration	1,101	1,046
Nonprogram	45	51
Interest on long-term debt	498	392
Total expenses	<u>13,856</u>	<u>12,658</u>
Change in net position	4,612	3,919
Net position beginning of year	<u>47,068</u>	<u>43,149</u>
Net position end of year	<u>\$ 51,680</u>	<u>47,068</u>



Adair County’s governmental activities net position increased approximately \$4,612,000 during the year. Revenues for governmental activities increased approximately \$1,891,000 over the prior year, including tax increment financing which increased approximately \$560,000, state tax credits which increased approximately \$264,000 and property tax revenue which increased \$342,000, while penalty and interest on property tax decreased approximately \$1,000 from the prior year.

The cost of all governmental activities this year was approximately \$13.9 million compared to approximately \$12.7 million last year. However, as shown in the Statement of Activities on page 21, the amount taxpayers ultimately financed for these activities was approximately \$6,888,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$797,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$6,172,000). Overall, the County’s governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2023 from approximately \$6,032,000 to approximately \$6,969,000. Operating grants increased due to increases 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 2023. 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 \$14.6 million, a decrease of approximately \$1,639,000 from last year’s total of approximately \$16.2 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$743,000, or 17.9%, over the prior year. This increase is primarily due to an increase in property tax revenue and interest earned on investments. Expenditures increased approximately 631,000, or 15.2%, over the prior year primarily due to salaries increases county wide and equipment purchases for the Sheriff and Conservation Departments. The ending fund balance increased approximately \$110,400, or 6.7%, over the prior year to approximately \$1,754,000.
- The Special Revenue, Local Option Sales Tax Fund balance decreased approximately \$161,000 from the prior year to approximately \$707,000. The decrease is due primarily to increased expenditures in the current year for secondary road projects.

- The Special Revenue, Rural Services Fund balance increased approximately \$272,000 over the prior year to approximately \$637,000. Property tax revenue increased approximately \$195,000, or 11% while expenditures decreased \$3,000, or 0.4%.
- The Special Revenue, Secondary Roads Fund balance decreased approximately \$237,000, or 9.9%, from the prior year. Revenues increased approximately \$109,000, or 2.3%, over the prior year. Expenditures increased approximately \$262,000, or 4.4%, 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 \$3,800,000 at the end of the prior year to approximately \$5,200,000 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 \$18,100 from the prior year to approximately \$274,000. This decrease is primarily due to scheduled payments on debt.
- The Capital Projects Fund balance decreased approximately \$3,100,000 from the prior year to approximately \$3,700,000. This decrease is primarily due to the completion of multiple capital projects, including TIF roadway surfacing projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget two times. The first amendment was made in January 2023 and increased budgeted receipts for miscellaneous income and disbursements primarily in the roads and transportation function.

The second amendment was made in May 2023. 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.

Even with the budget amendments, the County's receipts were \$5,027,195 less than budgeted, primarily due to an increase in road use tax and tax credit receipts offset by an anticipated bond issuance incorrectly included in use of money and property.

Total disbursements were \$3,602,076 less than budgeted. Actual disbursements for the capital projects function were \$3,223,711 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, 2023, Adair County had approximately \$54.5 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 \$3,291,000, or 6.43%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2023 (As Restated) *	2022
Land	\$ 1,034	1,034
Intangibles, road network	34	34
Construction in progress	1,480	1,340
Buildings and improvements	3,681	3,629
Improvements other than buildings	1,000	1,041
Equipment and vehicles	4,076	3,978
Right-to-use leased equipment	16	24
Right-to-use subscription asset	53	124
Intangibles	230	266
Infrastructure, road network	42,853	39,819
Total	<u>\$ 54,457</u>	<u>51,289</u>

* Beginning capital assets were restated to implement GASB Statement No 96, Subscription-Based Information Technology Arrangements.

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 \$3,024,000 in fiscal year 2023 and total accumulated depreciation of approximately \$23,300,000 at June 30, 2023. More detailed information about the County’s capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2023, Adair County had \$16,975,000 of outstanding general obligation bonds, compared to total outstanding bonds of \$19,560,000 at June 30, 2022.

Debt decreased due to payment reductions 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 \$65.6 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 2024 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment is the County now stands at 1.9% versus 1.8% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 3.6%.

These indicators were taken into account when adopting the budget for fiscal year 2024. Amounts available for appropriation (i.e., actual beginning balance plus next year budgeted revenues) in the operating budget are approximately \$16.9 million, a decrease of 25.3% from the final fiscal year 2023 budget. Decreased intergovernmental and use of money and property revenues are expected to lead this decrease. Adair has finished various American Rescue and Recovery grant funded projects in fiscal year 2023 leading to the reduction in budgeted revenues. Budgeted disbursements are expected to rise approximately \$2,139,000 as work continues on various urban renewal and roadway projects. Increased capital project and increases in roadway construction and maintenance represent the largest increases. The County has added no major new programs or initiatives to the fiscal year 2024 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$11,300,000 by the close of fiscal year 2024.

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 2024.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Adair County

Basic Financial Statements

Exhibit A

Adair County
Statement of Net Position
June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 13,984,848
Receivables:	
Property tax:	
Delinquent	19,578
Succeeding year	6,052,000
Succeeding year tax increment financing	4,156,000
Interest and penalty on property tax	52,651
Accounts	142,092
Accrued interest	7,406
Opioid settlement	155,553
Due from other governments	446,018
Inventories	295,290
Prepaid items	678,164
Capital assets not being depreciated	2,548,730
Capital assets, net of accumulated depreciation/amortization	<u>51,908,223</u>
Total assets	<u>80,446,553</u>
Deferred Outflows of Resources	
Pension related deferred outflows	527,083
OPEB related deferred outflows	<u>27,165</u>
Total deferred outflows of resources	<u>554,248</u>

Adair County
Statement of Net Position
June 30, 2023

	Governmental Activities
Liabilities	
Accounts payable	207,658
Accrued interest payable	33,307
Salaries and benefits payable	101,627
Due to other governments	12,980
Unearned revenue	297,713
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	3,040,000
Compensated absences	185,634
Lease agreements	8,304
IT subscription liability	56,870
Total OPEB liability	7,379
Portion due or payable after one year:	
General obligation bonds	13,935,000
Compensated absences	59,857
Net pension liability	778,978
Lease agreements	7,468
Total OPEB liability	89,731
Total liabilities	18,822,506
Deferred Inflows of Resources	
Unavailable property tax revenue	6,052,000
Unavailable tax increment financing revenue	4,156,000
Pension related deferred inflows	274,879
OPEB related deferred inflows	15,874
Total deferred inflows of resources	10,498,753
Net Position	
Net investment in capital assets	42,789,731
Restricted for:	
Supplemental levy purposes	595,534
Rural services purposes	644,923
Secondary roads purposes	2,007,073
Conservation land acquisition purposes	192,479
Bridge maintenance and replacement	706,790
Debt service	5,448,580
Opioid abatement	50,226
Other purposes	718,165
Unrestricted	(1,473,959)
Total net position	\$ 51,679,542

See notes to financial statements.

Adair County

Adair County

Statement of Activities

Year ended June 30, 2023

	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	\$ 2,225,400	62,062	36,834	-	(2,126,504)
Physical health and social services	354,577	15,041	91,979	-	(247,557)
County environment and education	879,666	90,112	-	17,249	(772,305)
Roads and transportation	8,290,832	355,966	4,365,524	958,768	(2,610,574)
Governmental services to residents	460,903	184,535	56	-	(276,312)
Administration	1,101,095	21,550	-	-	(1,079,545)
Nonprogram	45,431	67,406	6,569	-	28,544
Interest on long-term debt	498,260	-	-	-	(498,260)
Total	\$ 13,856,164	796,672	4,500,962	976,017	(7,582,513)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,187,199
Debt service					700,686
Tax increment financing					3,350,465
Penalty and interest on property tax					35,930
State tax credits and replacements					967,973
Local option sales tax					874,636
American Rescue Plan Act					719,803
Unrestricted investment earnings					176,451
Gain on disposition of capital assets					15,275
Miscellaneous					165,746
Total general revenues					12,194,164
Change in net position					4,611,651
Net position beginning of year					47,067,891
Net position end of year					\$ 51,679,542

See notes to financial statements.

Adair County
Balance Sheet
Governmental Funds
June 30, 2023

	Special		
	General	Local Option Sales Tax	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 1,756,923	665,025	648,556
Receivables:			
Property tax:			
Delinquent	10,204	-	7,681
Succeeding year	3,343,000	-	2,073,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	52,651	-	-
Accounts	81,658	-	-
Accrued interest	7,406	-	-
Opioid settlement	-	-	-
Due from other funds	-	-	-
Due from other governments	26,882	47,639	-
Advance to other funds	88,279	-	-
Inventories	-	-	-
Prepaid items	183,333	-	-
Total assets	\$ 5,550,336	712,664	2,729,237
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 51,868	5,874	2,611
Salaries and benefits payable	31,534	-	4,603
Due to other funds	983	-	2,350
Due to other governments	8,435	-	1,750
Unearned revenue	297,713	-	-
Advance from other funds	-	-	-
Total liabilities	390,533	5,874	11,314
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,343,000	-	2,073,000
Succeeding year tax increment financing	-	-	-
Other	62,855	-	7,681
Total deferred inflows of resources	3,405,855	-	2,080,681
Fund balances:			
Nonexpendable:			
Inventories	-	-	-
Prepaid items	183,333	-	-
Advance to other funds	88,279	-	-
Restricted for:			
Supplemental levy purposes	408,945	-	-
Rural services purposes	-	-	637,242
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	192,479	-	-
Debt service	-	-	-
Capital projects	-	-	-
Bridge maintenance and replacement	-	706,790	-
Opioid abatement	-	-	-
Other purposes	-	-	-
Unassigned	880,912	-	-
Total fund balances	1,753,948	706,790	637,242
Total liabilities, deferred inflows of resources and fund balances	\$ 5,550,336	712,664	2,729,237

See notes to financial statements.

Revenue					
Secondary Roads	Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total
1,634,942	5,295,353	274,320	3,255,801	114,279	13,645,199
-	-	1,693	-	-	19,578
-	-	636,000	-	-	6,052,000
-	4,156,000	-	-	-	4,156,000
-	-	-	-	-	52,651
23,533	-	-	-	751	105,942
-	-	-	-	-	7,406
-	-	-	-	155,553	155,553
3,333	-	-	-	-	3,333
364,798	-	-	-	-	439,319
-	-	-	-	-	88,279
295,290	-	-	-	-	295,290
7,975	-	-	484,001	-	675,309
<u>2,329,871</u>	<u>9,451,353</u>	<u>912,013</u>	<u>3,739,802</u>	<u>270,583</u>	<u>25,695,859</u>
102,753	1,200	-	12,704	370	177,380
65,490	-	-	-	-	101,627
-	-	-	-	-	3,333
2,585	-	-	-	-	12,770
-	-	-	-	-	297,713
-	88,279	-	-	-	88,279
<u>170,828</u>	<u>89,479</u>	<u>-</u>	<u>12,704</u>	<u>370</u>	<u>681,102</u>
-	-	636,000	-	-	6,052,000
-	4,156,000	-	-	-	4,156,000
-	-	1,693	-	148,364	220,593
-	4,156,000	637,693	-	148,364	10,428,593
295,290	-	-	-	-	295,290
7,975	-	-	484,001	-	675,309
-	-	-	-	-	88,279
-	-	-	-	-	408,945
-	-	-	-	-	637,242
1,855,778	-	-	-	-	1,855,778
-	-	-	-	-	192,479
-	5,205,874	274,320	-	-	5,480,194
-	-	-	3,243,097	-	3,243,097
-	-	-	-	-	706,790
-	-	-	-	50,226	50,226
-	-	-	-	71,623	71,623
-	-	-	-	-	880,912
<u>2,159,043</u>	<u>5,205,874</u>	<u>274,320</u>	<u>3,727,098</u>	<u>121,849</u>	<u>14,586,164</u>
<u>2,329,871</u>	<u>9,451,353</u>	<u>912,013</u>	<u>3,739,802</u>	<u>270,583</u>	<u>25,695,859</u>

Adair County

Adair County

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

June 30, 2023

Total governmental fund balances (page 23) \$ 14,586,164

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 \$77,784,734 and the accumulated depreciation/amortization is \$23,327,781. 54,456,953

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 220,593

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. 354,865

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	\$ 554,248	
Deferred inflows of resources	<u>(290,753)</u>	263,495

Long-term liabilities, including lease agreements payable, bonds payable, compensated absences payable, total OPEB liability, IT subscription and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (18,202,528)

Net position of governmental activities (page 19) \$ 51,679,542

See notes to financial statements.

Adair County

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

Year ended June 30, 2023

	Special		
	General	Local Option Sales Tax	Rural Services
Revenues:			
Property and other county tax	\$ 3,222,271	-	1,962,930
Tax increment financing	-	-	-
Local option sales tax	-	874,636	-
Interest and penalty on property tax	27,306	-	-
Intergovernmental	1,151,466	-	153,112
Licenses and permits	2,962	-	7,863
Charges for service	302,389	-	2,076
Use of money and property	165,069	3,337	-
Miscellaneous	28,031	-	-
Total revenues	4,899,494	877,973	2,125,981
Expenditures:			
Operating:			
Public safety and legal services	1,893,291	-	276,575
Physical health and social services	345,301	-	12,427
County environment and education	533,968	-	136,937
Roads and transportation	180,000	-	293,538
Governmental services to residents	497,814	-	3,475
Administration	1,069,732	-	-
Debt service	-	-	-
Capital projects	268,985	1,039,391	-
Total expenditures	4,789,091	1,039,391	722,952
Excess (deficiency) of revenues over (under) expenditures	110,403	(161,418)	1,403,029
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(1,131,000)
Total other financing sources (uses)	-	-	(1,131,000)
Change in fund balances	110,403	(161,418)	272,029
Fund balances beginning of year	1,643,545	868,208	365,213
Fund balances end of year	\$ 1,753,948	706,790	637,242

See notes to financial statements.

Revenue						
Secondary Roads	Urban Renewal	Debt Service	Capital Projects	Nonmajor	Total	
-	-	700,757	-	-	5,885,958	
-	3,350,465	-	-	-	3,350,465	
-	-	-	-	-	874,636	
-	-	-	-	-	27,306	
4,572,362	485,050	69,996	-	8,836	6,440,822	
7,091	-	-	-	-	17,916	
-	-	-	-	1,729	306,194	
-	18,191	1,828	19,335	232	207,992	
290,682	-	-	337,955	51,676	708,344	
4,870,135	3,853,706	772,581	357,290	62,473	17,819,633	
-	-	-	-	672	2,170,538	
-	-	-	-	-	357,728	
-	88,279	-	-	-	759,184	
5,840,720	-	-	-	-	6,314,258	
-	-	-	-	828	502,117	
-	-	-	-	-	1,069,732	
-	2,321,491	754,505	-	-	3,075,996	
397,767	-	-	3,502,715	-	5,208,858	
6,238,487	2,409,770	754,505	3,502,715	1,500	19,458,411	
(1,368,352)	1,443,936	18,076	(3,145,425)	60,973	(1,638,778)	
1,131,000	-	-	-	-	1,131,000	
-	-	-	-	-	(1,131,000)	
1,131,000	-	-	-	-	-	
(237,352)	1,443,936	18,076	(3,145,425)	60,973	(1,638,778)	
2,396,395	3,761,938	256,244	6,872,523	60,876	16,224,942	
2,159,043	5,205,874	274,320	3,727,098	121,849	14,586,164	

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, 2023

Change in fund balances - Total governmental funds (page 27) \$ (1,638,778)

**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	\$ 5,571,038	
Capital assets contributed by the Iowa Department of Transportation	620,813	
Depreciation/amortization expense	(3,024,366)	3,167,485

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	1,927	
Other	(41,547)	(39,620)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,660,351

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. 349,172

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	(42,696)	
Pension expense	71,360	
OPEB expense	(4,136)	
Interest on long-term debt	(7,264)	17,264

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.

95,777

Change in net position of governmental activities (page 21) \$ 4,611,651

See notes to financial statements.

Adair County
Statement of Net Position
Proprietary Fund

June 30, 2023

	Internal Service - Employee Health Insurance
Assets	
Cash and cash equivalents	\$ 339,649
Accounts receivable	36,150
Due from other governments	6,699
Prepaid items	2,855
Total current assets	385,353
Liabilities	
Accounts payable	30,278
Due to other governments	210
Total current liabilities	30,488
Net Position	
Restricted for employee health	\$ 354,865

See notes to financial statements.

Adair County

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

Year ended June 30, 2023

		<u>Internal Service - Employee Health Insurance</u>
Operating revenues:		
Reimbursements from operating funds		\$ 152,290
Reimbursements from others		82,958
Insurance reimbursements		<u>6,569</u>
Total operating revenues		241,817
Operating expenses:		
Medical claims	\$ 75,345	
Insurance premiums	54,329	
Administrative fees	9,305	
Miscellaneous	<u>8,100</u>	<u>147,079</u>
Operating income		94,738
Non-operating revenues:		
Interest income		<u>1,039</u>
Net income		95,777
Net position beginning of year		<u>259,088</u>
Net position end of year		<u>\$ 354,865</u>

See notes to financial statements.

Adair County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2023

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 152,290
Cash received from others	40,109
Cash received from insurance reimbursements	6,569
Cash paid to suppliers for services	(151,858)
Net cash provided by operating activities	47,110
Cash flows from investing activities:	
Interest on investments	1,039
Net increase in cash and cash equivalents	48,149
Cash and cash equivalents beginning of year	291,500
Cash and cash equivalents end of year	\$ 339,649
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 94,738
Adjustment to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Receivables	(42,849)
Prepaid items	2,495
Accounts payable	(7,484)
Due to other government	210
Net cash provided by operating activities	\$ 47,110

See notes to financial statements.

Adair County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2023

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 633,569
Other County officials	28,598
Receivables:	
Property tax:	
Delinquent	30,110
Succeeding year	15,880,000
Special assessments	28,763
Prepaid expenses	<u>6,680</u>
Total assets	<u>16,607,720</u>

Liabilities

Salaries and benefits payable	295
Due to other governments	459,365
Trusts payable	3,640
Compensated absences	<u>10,413</u>
Total liabilities	<u>473,713</u>

Deferred Inflows of Resources

Unavailable property tax revenue	<u>15,880,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 254,007</u>
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See notes to financial statements.

Adair County

Statement of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2023

Additions:	
Property and other county tax	\$ 14,241,992
State tax credits	1,094,616
Office fees and collections	243,615
Auto licenses, use tax and postage	3,831,150
Assessments	3,145
Trusts	102,532
Miscellaneous	233
Total additions	<u>19,517,283</u>
Deductions:	
Agency remittances:	
To other funds	229,687
To other governments	19,245,954
Trusts paid out	39,143
Total deductions	<u>19,514,784</u>
Change in net position	2,499
Net position beginning of year	<u>251,508</u>
Net position end of year	<u>\$ 254,007</u>

See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2023

(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 Custodial Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of 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 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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2022.

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.

Opioid Settlement Receivable – The County will receive payments from certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failure to monitor for, detect and prevent diversion of the drugs. 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 and recovery services.

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, 2023, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

Asset Class	Amount
Infrastructure	\$ 65,000
Intangibles	65,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000
Right-to-use leased assets	5,000
Right-to-use subscription assets	65,000

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
Right-to-use subscription assets	5 - 25
Equipment	3 - 20
Vehicles	3 - 15

Leases – County as Lessee – Adair County is the lessee for a noncancellable leases 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.

Subscription-Based Information Technology Arrangements (SBITA) – Adair County has entered into a contract that conveys control of the right to use information technology software. The County has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements. The County recognized IT subscription liabilities with an initial, individual value of \$65,000, or more.

At the commencement of the IT subscription term, the County initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as the sum of the initial IT subscription liability, adjusted for payments made at or before the commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

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

Adair County uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate.

The IT subscription term includes the noncancellable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

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

Right-to-use IT subscription assets are reported with other capital assets and IT subscription 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, 2023. 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 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. Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amounts appropriated prior to amendment and disbursements in one department exceeded the amount appropriated at year end.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2023 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 \$1,821,524 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, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 983
	Special Revenue:	
	Rural Services	<u>2,350</u>
		<u>\$ 3,333</u>

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

The detail of advances to/from other funds at June 30, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Urban Renewal	<u>\$ 88,279</u>

The General Fund advanced \$88,279 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, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	Special Revenue:	
	Rural Services	<u>\$ 1,131,000</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2023 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	1,339,902	5,207,827	5,067,372	1,480,357
Total capital assets not being depreciated/amortized	2,408,275	5,207,827	5,067,372	2,548,730
Capital assets being depreciated/amortized:				
Buildings	5,006,428	174,250	-	5,180,678
Improvements other than buildings	1,333,196	-	-	1,333,196
Equipment and vehicles	9,693,157	833,099	192,172	10,334,084
Right to use leased equipment	30,796	-	-	30,796
Right-to-use subscription asset	124,082	-	-	124,082
Intangibles	499,888	-	-	499,888
Infrastructure, road network	52,665,908	5,067,372	-	57,733,280
Total capital assets being depreciated/amortized	69,353,455	6,074,721	192,172	75,236,004
Less accumulated depreciation/amortization for:				
Buildings	1,377,647	122,597	-	1,500,244
Improvements other than buildings	291,743	41,577	-	333,320
Equipment and vehicles	5,715,298	711,308	168,847	6,257,759
Right to use leased equipment	7,034	8,236	-	15,270
Right-to-use subscription asset	-	70,904	-	70,904
Intangibles	233,585	36,684	-	270,269
Infrastructure, road network	12,846,955	2,033,060	-	14,880,015
Total accumulated depreciation/amortization	20,472,262	3,024,366	168,847	23,327,781
Total capital assets being depreciated/amortized, net	48,881,193	3,050,355	23,325	51,908,223
Governmental activities capital assets, net	\$ 51,289,468	8,258,182	5,090,697	54,456,953

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 224,461
County environment and education	67,188
Roads and transportation	2,569,611
Administration	163,106
Total depreciation/amortization expense - governmental activities	<u>\$ 3,024,366</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, 2023 is as follows:

Fund	Description	Amount
General	Services	\$ 8,435
Special Revenue:		
Rural Services		1,750
Secondary Roads	Services	2,585
Total for governmental funds		<u>\$ 12,770</u>
Custodial:		
County Offices		\$ 24,958
Agricultural Extension		1,695
County Assessor		6,838
Schools		64,175
Community Colleges		4,737
Corporations		29,049
Townships		3,615
County Hospital		16,782
Auto License and Use Tax		280,167
All other		27,349
Total for custodial funds		<u>\$ 459,365</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Lease Agreements	Subscription Liability	General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 23,911	124,082	19,560,000	202,795	(861,275)	93,630	19,143,143
Increases	-	-	-	80,625	1,640,253	10,859	1,731,737
Decreases	8,139	67,212	2,585,000	37,929	-	7,379	2,705,659
Balance end of year	<u>\$ 15,772</u>	<u>56,870</u>	<u>16,975,000</u>	<u>245,491</u>	<u>778,978</u>	<u>97,110</u>	<u>18,169,221</u>
Due within one year	<u>\$ 8,304</u>	<u>56,870</u>	<u>3,040,000</u>	<u>185,634</u>	<u>-</u>	<u>7,379</u>	<u>3,298,187</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. During the year ended June 30, 2023, principal and interest paid were \$2,399 and \$100, respectively.

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. During the year ended June 30, 2023, principal and interest paid were \$4,478 and \$186, respectively.

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. During the year ended June 30, 2023, principal and interest paid were \$1,262 and \$118, respectively.

Future principal and interest lease payments as of June 30, 2023, are as follows:

Year Ending June 30,	Courthouse Copier			Courthouse Computers		
	Principal	Interest	Total	Principal	Interest	Total
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	\$ 3,689	58	3,747	\$ 6,888	110	6,998

Year Ending June 30,	Recorder Copier			Totals		
	Principal	Interest	Total	Principal	Interest	Total
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	\$ 5,195	211	5,406	\$ 15,772	379	16,151

IT Subscription Liability

On April 1, 2017, the County entered into an IT subscription license and services information technology agreement with Tyler Technologies Company for financial and tax software. An initial IT subscription liability was recorded in the amount of \$482,097. The agreement requires annual payments of \$68,871 over 7 years with an initial payment made April 1, 2017 for 68,871, with an interest rate of 2.0% and final payment due April 1, 2024. During the year ended June 30, 2023, principal and interest paid were \$67,212 and \$1,659, respectively.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	IT Subscription Liability		
	Principal	Interest	Total
2024	\$ 56,870	523	57,393

Bonds

A summary of the County's June 30, 2023 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Public Safety Building			General Obligation, Series 2014 Secondary Roads and GIS portion		
	Issued Sep 1, 2010			Issued Apr 2, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.00%	\$ 65,000	1,950	2.10%	\$ 65,000	1,365
2025		-	-		-	-
2026		-	-		-	-
2027		-	-		-	-
2028		-	-		-	-
2029-2033		-	-		-	-
Total		<u>\$ 65,000</u>	<u>1,950</u>		<u>\$ 65,000</u>	<u>1,365</u>

Year Ending June 30,	Bridge, Road and Culvert			General Obligation, Series 2017 Secondary Roads and Elevator		
	Issued Sep 1, 2015			Issued Jul 12, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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		-	-	2.25-2.50	465,000	11,624
2029-2033		-	-		-	-
Total		<u>\$ 2,730,000</u>	<u>166,250</u>		<u>\$ 2,475,000</u>	<u>169,712</u>

Year Ending June 30,	General Obligation, Series 2019 Secondary Roads and Sheriff Equipment			General Obligation, Series 2020 Road and Bridge Infrastructure		
	Issued Aug 14, 2019			Issued Jun 17, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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	2.00	1,100,000	44,500	2.00	1,945,000	77,700
2029-2033		-	-		-	-
Total		<u>\$ 2,845,000</u>	<u>207,400</u>		<u>\$ 3,795,000</u>	<u>333,300</u>

Year Ending June 30,	General Obligation, Series 2022 Road and Bridge Infrastructure			Totals		
	Issued May 12, 2022					
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	2.00	490,000	94,200	4,000,000	228,024	4,228,024
2029-2033	2.00	2,650,000	242,550	2,650,000	242,550	2,892,550
Total		<u>\$ 5,000,000</u>	<u>854,550</u>	<u>\$16,975,000</u>	<u>1,734,527</u>	<u>18,709,527</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, 2023, the County paid principal of \$165,000 and interest of \$6,900 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, 2023, the County paid principal of \$65,000 and interest of \$2,730 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, 2023, the County paid principal of \$655,000 and interest of \$97,862 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, 2023, the County paid principal of \$470,000 and interest of \$63,788 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, 2023, the County paid principal of \$730,000 and interest of \$71,500 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, 2023, the County paid principal of \$500,000 and interest of \$85,900 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, 2023, the County was not required to make a principal payment although interest of \$157,917 was paid 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 2023, 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 8.76% of covered payroll, for a total rate of 17.52%. 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, 2023 totaled \$349,172.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the County reported an liability of \$778,978 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the County's collective proportion was 0.020618%, which was a decrease of 0.228863% over its collective proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$71,360. At June 30, 2023, 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	\$ 132,322	16,297
Changes of assumptions	953	64,301
Net difference between projected and actual earnings on IPERS' investments	-	167,293
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	44,636	26,988
County contributions subsequent to the measurement date	349,172	-
Total	<u>\$ 527,083</u>	<u>274,879</u>

\$349,172 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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
2024	\$ (159,159)
2025	(114,325)
2026	(208,931)
2027	383,345
2028	2,102
Total	<u>\$ (96,968)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability asset in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
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.

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.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 2,207,165	778,978	(477,241)

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, 2023.

(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, 2023, 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 \$97,110 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2023 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, 2022)	3.00% per annum.
Rates of salary increase (effective June 30, 2022)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2022)	2.14% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2022)	5.00% per annum.

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	\$ 93,630
Changes for the year:	
Service cost	8,747
Interest	2,112
Benefit payments	<u>(7,379)</u>
Net changes	<u>3,480</u>
Total OPEB liability end of year	<u>\$ 97,110</u>

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.14%) or 1% higher (3.14%) than the current discount rate.

	<u>1% Decrease (1.14%)</u>	<u>Discount Rate (2.14%)</u>	<u>1% Increase (3.14%)</u>
Total OPEB liability	\$ 102,140	97,110	92,366

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	\$ 89,670	97,110	105,848

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2023, the County recognized OPEB expense of \$4,136. At June 30, 2023, 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	\$ 22,236	15,874
Changes in assumptions	4,929	-
Total	\$ 27,165	15,874

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
2024	\$ 656
2025	656
2026	656
2027	656
2028	656
Thereafter	8,011
	\$ 11,291

(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 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability and law enforcement 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, 2023 were \$202,933.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, 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, 2023, no liability has been recorded in the County's financial statements. As of June 30, 2023, 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, 2023 was \$152,290.

Amounts payable from the Employee Group Health Fund at June 30, 2023 total \$30,278, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$354,865 at June 30, 2023 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	\$	37,762
Incurred claims (including claims incurred but not reported at June 30, 2023)		75,345
Payments on claims during the year		<u>(82,829)</u>
Unpaid claims end of year	\$	<u>30,278</u>

(12) Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 for employees. The 457 Plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust of the exclusive benefit of plan participants and beneficiaries. These funds are invested and held by an outside investment company and do not constitute a liability of the County.

(13) Tax Abatements

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

Tax Abatements of Other Entities

Other entities within the County provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Stuart 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, 2023 under agreements entered into by the following entity:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Stuart	Urban renewal and economic development projects	\$ 23,986

(14) Accounting Change

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), was implemented during fiscal year 2023. The new requirements require the reporting of certain right-to-use subscription-based IT arrangements 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 IT Subscription Liability</u>
Balances June 30, 2022, as previously reported	\$ 51,165,386	-
Change to implement GASBS No. 96	124,082	124,082
Balances July 1, 2022, as restated	<u>\$ 51,289,468</u>	<u>124,082</u>

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, 2023

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 10,130,693	10,708,936	10,708,936	(578,243)
Interest and penalty on property tax	27,306	31,000	31,000	(3,694)
Intergovernmental	6,364,679	6,550,961	6,588,189	(223,510)
Licenses and permits	20,966	11,350	11,350	9,616
Charges for service	281,806	241,075	260,401	21,405
Use of money and property	182,391	5,048,923	5,054,428	(4,872,037)
Miscellaneous	672,891	47,300	53,623	619,268
Total receipts	17,680,732	22,639,545	22,707,927	(5,027,195)
Disbursements:				
Public safety and legal services	2,192,070	2,201,562	2,387,731	195,661
Physical health and social services	360,623	372,285	407,285	46,662
County environment and education	771,001	780,425	779,072	8,071
Roads and transportation	6,263,820	5,922,908	6,265,317	1,497
Governmental services to residents	506,969	577,985	577,985	71,016
Administration	1,079,238	1,124,848	1,134,345	55,107
Debt service	3,075,046	2,916,880	3,075,397	351
Capital projects	5,442,123	8,955,768	8,665,834	3,223,711
Total disbursements	19,690,890	22,852,661	23,292,966	3,602,076
Deficiency of receipts under disbursements	(2,010,158)	(213,116)	(585,039)	(1,425,119)
Other financing sources, net	-	5,000,000	5,000,000	(5,000,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,010,158)	4,786,884	4,414,961	(6,425,119)
Balance beginning of year	15,655,357	15,361,474	15,361,474	293,883
Balance end of year	\$ 13,645,199	20,148,358	19,776,435	(6,131,236)

See accompanying independent auditor's report.

Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2023

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 17,680,732	138,901	17,819,633
Expenditures	19,690,890	(232,479)	19,458,411
Net	(2,010,158)	371,380	(1,638,778)
Beginning fund balances	15,655,357	569,585	16,224,942
Ending fund balances	<u>\$ 13,645,199</u>	<u>940,965</u>	<u>14,586,164</u>

See accompanying independent auditor's report.

Adair County

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2023

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, two budget amendments increased budgeted disbursements by \$440,305. 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.

Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted. However, disbursements in one department exceeded the amounts appropriated prior to amendment and disbursements in one department exceeded the amount appropriated at year end.

Adair County

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

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

Required Supplementary Information

	2023	2022	2021	2020
County's proportion of the net pension liability (asset)	0.020618%	0.249481%	0.028413%	0.027073%
County's proportionate share of the net pension liability (asset)	\$ 779	(861)	1,996	1,568
County's covered payroll	\$ 3,339	3,137	2,991	2,960
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	23.33%	-27.45%	66.73%	52.97%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

* 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.

2019	2018	2017	2016	2015
0.028620%	0.030499%	0.030568%	0.027811%	0.026506%
1,811	2,032	1,924	1,374	1,051
2,924	2,868	2,629	2,596	2,620
61.94%	70.85%	73.18%	52.93%	40.11%
83.62%	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

	2023	2022	2021	2020
Statutorily required contribution	\$ 349	313	299	285
Contributions in relation to the statutorily required contribution	<u>(349)</u>	<u>(313)</u>	<u>(299)</u>	<u>(285)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 3,779	3,339	3,137	2,991
Contributions as a percentage of covered payroll	9.24%	9.37%	9.53%	9.53%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
285	267	262	254	245	241
(285)	(267)	(262)	(254)	(245)	(241)
-	-	-	-	-	-
2,960	2,924	2,868	2,629	2,596	2,620
9.63%	9.13%	9.14%	9.66%	9.44%	9.20%

Adair County

Adair County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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 and Related Ratios

For the Last Six Years
Required Supplementary Information

	2023	2022	2021	2020
Service cost	\$ 8,747	8,492	7,209	6,999
Interest cost	2,112	2,072	2,177	1,928
Difference between expected and actual experiences	-	26,684	-	(18,327)
Changes in assumptions	-	3,917	-	197
Benefit payments	(7,379)	(10,564)	(2,720)	(1,307)
Net change in total OPEB liability	3,480	30,601	6,666	(10,510)
Total OPEB liability beginning of year	93,630	63,029	56,363	66,873
Total OPEB liability end of year	\$ 97,110	93,630	63,029	56,363
Covered-employee payroll	\$ 3,423,962	3,324,235	3,320,480	3,223,767
Total OPEB liability as a percentage of covered-employee payroll	2.84%	2.82%	1.90%	1.75%

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>
6,441	6,253
2,349	2,100
-	(7,395)
-	3,023
<u>(2,183)</u>	<u>(8,182)</u>
6,607	(4,201)
<u>60,266</u>	<u>64,467</u>
<u>66,873</u>	<u>60,266</u>
2,797,925	2,716,432
2.39%	2.22%

Adair County

Notes to Required Supplementary Information – OPEB Liability

Year ended June 30, 2023

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2023 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2023:

- Changed mortality assumptions to the SOA Public Plan 2010 tables.

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, 2023	2.14%
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%

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

Supplementary Information

Adair County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

				Special
	Resource Enhancement and Protection	County Recorder's Records Management	Local Government Opioid Abatement	
Assets				
Cash, cash equivalents and pooled investments	\$ 28,127	16,747	43,037	
Receivables:				
Accounts	-	451	-	
Opioid settlement	-	-	155,553	
	Total assets	17,198	198,590	
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts	\$ -	-	-	
Deferred Inflows of Resources:				
Unavailable Revenues:				
Other	-	-	148,364	
Fund balances:				
Restricted for:				
Opioid abatement	-	-	50,226	
Other purposes	28,127	17,198	-	
	Total liabilities, deferred inflows of resources and fund balances	17,198	198,590	
	\$ 28,127	17,198	198,590	

See accompanying independent auditor's report.

Revenue

Sheriff's Reserve	Special Law Enforcement	Total
13,148	13,220	114,279
300	-	751
-	-	155,553
<u>13,448</u>	<u>13,220</u>	<u>270,583</u>
-	370	370
-	-	148,364
-	-	50,226
<u>13,448</u>	<u>12,850</u>	<u>71,623</u>
<u>13,448</u>	<u>13,220</u>	<u>270,583</u>

Adair County

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

Year ended June 30, 2023

	Resource Enhancement and Protection	County Recorder's Records Management	Special Local Government Opioid Abatement
Revenues:			
Intergovernmental	\$ 8,836	-	-
Charges for services	-	1,729	-
Use of money and property	88	56	-
Miscellaneous	-	-	50,226
Total revenues	8,924	1,785	50,226
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	-	828	-
Total expenditures	-	828	-
Excess (deficiency) of revenues over (under) expenditures	8,924	957	50,226
Fund balances beginning of year	19,203	16,241	-
Fund balances end of year	\$ 28,127	17,198	50,226

See accompanying independent auditor's report.

Revenue		
Sheriff's Reserve	Special Law Enforcement	Total
-	-	8,836
-	-	1,729
44	44	232
1,450	-	51,676
1,494	44	62,473
302	370	672
-	-	828
302	370	1,500
1,192	(326)	60,973
12,256	13,176	60,876
13,448	12,850	121,849

Adair County

Combining Schedule of Fiduciary Net Position –
Custodial Funds

June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,695	206,000	64,175
Other County officials	28,598	-	-	-
Receivables:				
Property tax:				
Delinquent	-	608	896	19,462
Succeeding year	-	195,000	296,000	8,085,000
Special assessments	-	-	-	-
Prepaid items	-	-	6,680	-
Total assets	28,598	197,303	509,576	8,168,637
Liabilities				
Salaries and benefits payable	-	-	295	-
Due to other governments	24,958	1,695	6,838	64,175
Trusts payable	3,640	-	-	-
Compensated absences	-	-	10,413	-
Total liabilities	28,598	1,695	17,546	64,175
Deferred Inflows of Resources				
Unavailable revenues	-	195,000	296,000	8,085,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	608	196,030	19,462

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
4,737	29,049	3,615	16,782	280,167	27,349	633,569
-	-	-	-	-	-	28,598
1,894	444	788	6,013	-	5	30,110
598,000	4,082,000	528,000	2,095,000	-	1,000	15,880,000
-	-	-	-	-	28,763	28,763
-	-	-	-	-	-	6,680
604,631	4,111,493	532,403	2,117,795	280,167	57,117	16,607,720
-	-	-	-	-	-	295
4,737	29,049	3,615	16,782	280,167	27,349	459,365
-	-	-	-	-	-	3,640
-	-	-	-	-	-	10,413
4,737	29,049	3,615	16,782	280,167	27,349	473,713
598,000	4,082,000	528,000	2,095,000	-	1,000	15,880,000
1,894	444	788	6,013	-	28,768	254,007

Adair County

Combining Schedule of Changes in Fiduciary Net Position –
Custodial Funds

Year ended June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	191,911	282,915	7,499,624
State tax credits	-	16,373	24,617	469,559
Office fees and collections	241,536	-	800	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	39,143	-	-	-
Miscellaneous	-	-	-	-
Total additions	280,679	208,284	308,332	7,969,183
Deductions:				
Agency remittances:				
To other funds	107,022	-	-	-
To other governments	134,514	208,747	299,571	7,969,492
Trusts paid out	39,143	-	-	-
Total deductions	280,679	208,747	299,571	7,969,492
Changes in net position	-	(463)	8,761	(309)
Net position beginning of year	-	1,071	187,269	19,771
Net position end of year	\$ -	608	196,030	19,462

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	Other	Total
540,012	3,379,773	446,646	1,899,606	-	1,505	14,241,992
32,266	352,378	36,518	162,774	-	131	1,094,616
-	-	-	-	-	1,279	243,615
-	-	-	-	3,831,150	-	3,831,150
-	-	-	-	-	3,145	3,145
-	-	-	-	-	63,389	102,532
-	-	-	-	-	233	233
572,278	3,732,151	483,164	2,062,380	3,831,150	69,682	19,517,283
-	-	-	-	122,665	-	229,687
572,113	3,732,141	483,067	2,061,801	3,708,485	76,023	19,245,954
-	-	-	-	-	-	39,143
572,113	3,732,141	483,067	2,061,801	3,831,150	76,023	19,514,784
165	10	97	579	-	(6,341)	2,499
1,729	434	691	5,434	-	35,109	251,508
1,894	444	788	6,013	-	28,768	254,007

Adair County

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

For the Last Ten Years

	2023	2022	2021	2020
Revenues:				
Property and other county tax	\$ 5,885,958	5,545,565	5,476,038	5,387,528
Tax increment financing	3,350,465	2,789,907	2,565,436	2,411,037
Local option sales tax	874,636	862,287	797,380	797,464
Interest and penalty on property tax	27,306	30,329	47,531	18,860
Intergovernmental	6,440,822	5,821,040	5,638,344	5,819,052
Licenses and permits	17,916	10,557	10,836	20,447
Charges for service	306,194	317,544	311,069	240,803
Use of money and property	207,992	53,096	68,843	127,100
Miscellaneous	708,344	249,196	93,133	407,903
Total	<u>\$ 17,819,633</u>	<u>15,679,521</u>	<u>15,008,610</u>	<u>15,230,194</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,170,538	1,900,361	1,724,172	1,782,427
Physical health and social services	357,728	288,233	295,318	265,740
Mental health	-	166,004	252,000	258,796
County environment and education	759,184	598,203	818,485	515,989
Roads and transportation	6,314,258	5,892,751	5,907,485	6,218,017
Governmental services to residents	502,117	453,766	459,831	451,205
Administration	1,069,732	1,040,559	933,483	1,000,195
Debt service	3,075,996	3,446,573	3,162,437	2,291,666
Capital projects	5,208,858	2,725,067	4,233,556	7,568,189
Total	<u>\$ 19,458,411</u>	<u>16,511,517</u>	<u>17,786,767</u>	<u>20,352,224</u>

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
5,476,038	4,965,147	4,858,085	4,876,507	4,684,579	4,423,885
2,565,436	2,092,451	1,938,657	1,488,399	1,096,189	832,544
797,380	440,621	471,324	455,910	457,492	435,869
47,531	36,251	36,412	34,859	34,530	31,576
5,638,344	4,814,467	4,368,385	4,708,473	3,909,137	3,344,693
10,836	8,562	12,484	15,633	14,742	13,628
311,069	271,367	246,238	214,329	215,489	212,097
68,843	78,643	51,584	299,038	45,327	47,802
93,133	32,131	57,693	203,452	182,542	285,658
15,008,610	12,739,640	12,040,862	12,296,600	10,640,027	9,627,752
1,724,172	1,539,025	1,355,584	1,351,740	1,321,975	1,338,217
295,318	251,344	255,760	289,723	370,989	312,561
252,000	251,932	262,448	318,903	377,669	269,793
818,485	507,451	527,711	514,430	520,418	455,202
5,907,485	5,115,660	4,507,749	4,422,962	4,320,420	4,356,764
459,831	453,921	404,593	416,683	330,420	326,728
933,483	864,545	794,843	772,103	684,815	785,889
3,162,437	1,641,011	1,461,195	1,368,848	1,298,897	1,053,050
4,233,556	4,596,477	2,543,937	4,600,763	2,355,581	5,140,604
17,786,767	15,221,366	12,113,820	14,056,155	11,581,184	14,038,808



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

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

To the Officials of 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, 2023, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 2, 2024.

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 2023-001 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 County's operations for the year ended June 30, 2023 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 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

February 2, 2024

Adair County

Schedule of Findings

Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

2023-001 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, 2023

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, 2023

Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amount budgeted. However, disbursements in one department exceeded the amount appropriated prior to the budget amendment and one department exceeded the amount appropriated at year end.

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

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

Conclusion – Response accepted.

2023-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.

2023-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

2023-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.

2023-E Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	\$ 1,983

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.

2023-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, 2023

- 2023-G Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2023-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.
- 2023-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).
- 2023-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.
- 2023-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:

Brian R. Brustkern, CPA, Deputy
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