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| **SAMPLE COUNTY  INDEPENDENT AUDITOR’S REPORTS**  **BASIC FINANCIAL StatemenTS AND SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS AND QUESTIONED COSTS  JUNE 30, 2017** |

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|  | ====== Office of ======  **AUDITOR OF STATE**  **State Capitol Building • Des Moines, Iowa**  ======================= |
|  |  |
|  | **Mary Mosiman, CPA** **Auditor of State** |
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Sample County

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of governmental subdivisions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format shows the basic financial statements, required and supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this Office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the local government feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor’s professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Counties with $750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning single audit requirements should be directed to the County’s cognizant or oversight agency.

In accordance the with Uniform Guidance, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse’s Internet Data Entry System at [https://harvester.census.gov/facweb/](http://harvester.census.gov/facweb/). The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated e-mails from the Federal Audit Clearinghouse as verification of the submission.

Under Rule 15c 2-12 of the Securities and Exchange Commission governing ongoing disclosure by municipalities to the bond markets, virtually any municipality which issues more than $1 million of securities per issue is subject to an ongoing filing responsibility. All continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (PDF) and must be in a word-searchable PDF (not scanned) format.

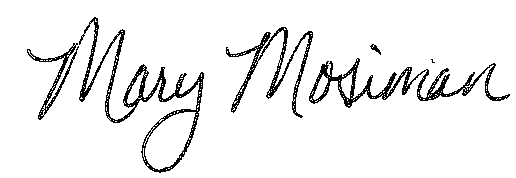
The findings on compliance, items IV-A-17 through IV-H-17, IV-L-17, IV-M-17 and IV-N-17 (if applicable), detail those items which are to be included regardless of whether there are any instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the County for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the County and a copy should be sent to this Office with one copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this Office.

In accordance with Chapter 11 of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments. Together, we are able to provide a significant benefit to all taxpayers in the state.



MARY MOSIMAN, CPA

Auditor of State

**Paper Copy Submission**

One paper copy of the audit report, including the management letter(s) if issued separately, is required to be filed with this Office upon release to the County within nine months following the end of the fiscal year subject to audit. In addition to the copy of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, Iowa 50319-0001

**Electronic Submission**

The County or CPA firm must also e-mail a word-searchable PDF copy of the audit report to the Auditor of State's Office at:

[SubmitReports@auditor.state.ia.us](mailto:SubmitReports@auditor.state.ia.us)

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this Office. You may direct any questions about submitting the electronic copy of the audit report to the above e-mail address.

For Counties which act as a fiscal agent for an Early Childhood Iowa Area Board and had additional audit procedures performed for the Area Board as a part of the County’s audit, an electronic (PDF format) copy of the audit report, including the management letter(s) if issued separately, should be submitted to the Iowa Department of Management by e-mail attachment to [Shanell.Wagler@iowa.gov](mailto:Shanell.Wagler@iowa.gov).

**Filing Fee Submission**

The filing fee should be mailed separately to:

Office of Auditor of State  
State Capitol Building  
Room 111  
1007 East Grand Avenue  
Des Moines, Iowa 50319-0001

The designated budget strata and applicable filing fees are as follows:

|  |  |
| --- | --- |
| Budgeted Expenditures in | Filing |
| Millions of Dollars | Fee Amount |
| Under 1 | $100.00 |
| At least 1 but less than 3 | $175.00 |
| At least 3 but less than 5 | $250.00 |
| At least 5 but less than 10 | $425.00 |
| At least 10 but less than 25 | $625.00 |
| 25 and over | $850.00 |

1. Implemented GASB Statement No. 77, Tax Abatement Disclosures. The following changes have been made to the sample report.

* Included a note disclosure regarding the County’s tax abatements and tax abatements of other entities in the Notes to Financial Statements. (Note 13)
* Added a New Accounting Pronouncement footnote in the Notes to Financial Statements. (Note 18)

1. Included a note disclosure in the Notes to Financial Statements regarding a prospective accounting change for GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. (Note 19)
2. Audit findings included in Part II and Part III of the Schedule of Findings and Questioned Costs were reviewed to more clearly identify the elements of a finding as required by Government Auditing Standards, Chapter 4.10-.14 and Title 2, U.S. Code of Federal Regulations, Part 200.516, Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards (Uniform Guidance).

**Additional Notes**

1. Also attached are a sample Corrective Action Plan for Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not intended to match the findings shown in the sample entity nor are they required to be filed with this Office.
2. If the County has deposits in credit unions at June 30, 2017, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the County or the County’s agent in the County’s name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
3. If the County operates a sanitary landfill, disclosure of the closure and postclosure care costs should be included in the Notes to Financial Statements. In addition, findings pertaining to compliance with solid waste fees used or retained and financial assurance should be included in Part IV of the Schedule of Findings and Questioned Costs. See Sample Accrual County Landfill Association or Sample Cash Landfill Commission for examples of the required disclosures and findings.

Following is an example footnote for an early retirement or other benefit plan or policy which meets the definition of a “termination benefit” as defined by GASB Statement No. 47.

**Sample Note – Termination Benefits**

In September 2016, the County approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the County and must have reached the age of fifty-five on or before June 30, 2017. The application for early retirement was subject to approval by the Board of Supervisors.

Early retirement benefits equal 60% of the employee’s salary in effect during the employee’s last year of employment, with a maximum retirement benefit of $30,000.

The policy requires early retirement benefits be paid in three equal installments beginning January 1, 2017. The second and third payments will be paid July 1, 2017 and July 1, 2018, respectively.

At June 30, 2017, the County has obligations to eleven participants with a total liability of $171,285. Actual early retirement expenditures for the year ended June 30, 2017 totaled $85,642.

1. The Early Childhood Iowa Initiative is established by Chapter 256I of the Code of Iowa. Chapter 256I.5 requires the Department of Management and the Early Childhood Iowa State Board to establish reporting and other requirements to address the financial activities of Area Boards and audit requirements of fiscal agents for Area Boards (also known as Empowerment Boards).

If a County and Area Board chooses to have procedures performed as part of its fiscal agent’s audit, the procedures to be performed are included in a separate section of the Sample County audit program titled “Early Childhood Iowa Area Board”.

The Sample County report illustrates an example of the reporting requirements if the County acts as the fiscal agent for an Area Board and the audit procedures are performed as part of the County’s audit. The required disclosure of the financial data of the Area Board is included in Note 16 to the financial statements.

The auditor is also required to include a statutory comment on the Early Childhood Iowa Area Board, regardless of whether there are any instances of non-compliance or not. This statutory comment is included as item IV-M-17 in the Schedule of Findings and Questioned Costs of the Sample County report. The following is an example statutory comment if no instances of non-compliance are noted:

**Early Childhood Iowa Area Board** – Sample County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

The Sample County report also includes an internal control deficiency for the Early Childhood Iowa Area Board, which is reported as item II-E-17 in the Schedule of Findings and Questioned Costs.

1. Section 403.23 of the Code of Iowa requires counties with urban renewal areas to approve and file an Annual Urban Renewal Report on or before December 1.

It also requires an audit of counties to include an examination of the County’s compliance with the annual urban renewal reporting requirements. As such, the auditor is required to include a statutory comment on the Annual Urban Renewal Report, regardless of whether there are any instances of non-compliance or not. Since the Sample County report does not include a Special Revenue, Tax Increment Financing Fund, the required statutory comment pertaining to the Annual Urban Renewal Report is not presented in the Sample County report. Counties with urban renewal areas should include the required statutory comment. Examples to report non-compliance are included as items IV-N-17 and IV-I-17 in the Schedule of Findings and Questioned Costs of the Sample Cash City and Sample GAAP City reports, respectively. The following is an example statutory comment if no instances of non-compliance are noted:

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.

Sample Entity  
Corrective Action Plan  
Year ended June 30, 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Comment Number | Comment Title | Corrective Action Plan | Contact Person,  Title,  Phone Number | Anticipated  Date of  Completion |
| II-A-17 | Segregation of Duties | We have reviewed procedures and plan to make the necessary changes to improve internal control. | Tom Claim,  Administrator,  (515) YYY-XXXX | November 2, 2017 |
| II-B-17 | Financial Reporting | We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future. | Joe Smith,  Program Director,  (515) YYY-XXXX | November 2, 2017 |
| 2017-001 | Unsupported Expenditures | We will revise our procedures so documentation (e.g. invoices and time cards) is maintained to support federal expenditures. We returned the $25,589 of questioned costs to the Iowa Economic Development Authority on October 3, 2017. | Tom Claim,  Administrator,  (515) YYY-XXXX | Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Economic Development Authority on October 3, 2017. |
| 2017-002 | Segregation of Duties over Federal Revenues | We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the Treasurer, Deputy Treasurer and Clerk. | Julie Ledger,  Treasurer,  (515) YYY-XXXX | November 2, 2017 |
| 2017-003 | Financial Reporting | We have implemented an independent review process which requires review by the Program Director, effective immediately. In addition, beginning with the December 2017 quarterly report, we will submit federal financial reports within the required time frame. | Joe Smith,  Program Director,  (515) YYY-XXXX | Review procedures have been implemented. Timely report filing will begin with the quarter ending December 2017. |

**In accordance with Uniform Guidance Section 200.511(a), the Corrective Action Plan must include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.**

Sample County  
Summary Schedule of Prior Audit Findings  
Year ended June 30, 2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Comment Reference | Comment Title | Status | If not corrected, provide reason for finding’s recurrence and planned corrective action or other explanation | |
| II-B-14 2015-001 2016-001 | Minority Business Enterprise/ Women Business Enterprise (MBE/WBE) | No longer valid; does not warrant further action. | Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on its part. |
| III-A-15 2015-002 II-A-16 2016-002 | Segregation of Duties over Federal Revenues | Not corrected. | Limited staff resulting from staff turnover. Plan to segregate duties for custody, recordkeeping and reconciling among staff when positions are filled. |
| II-B-15 II-B-16 | Capital Assets | Corrective action taken. |  |
| 2016-003 | Financial Reporting | Partially corrected. | Time was necessary to develop and implement review procedures.  Timely report filing will begin with the quarter ending December 2017. |

**In accordance with Uniform Guidance Section 200.511(a), the Summary Schedule of Prior Audit Findings must also include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.**

Sample CountySample CountySAMPLE COUNTYSAMPLE COUNTYSeptember 20, 2004

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|  | NEWS RELEASE |  |
|  |  | Contact: |
| FOR RELEASE |  |  |

Auditor of State Mary Mosiman today released an audit report on Sample County, Iowa.

The County had local tax revenue of $\_\_\_\_\_\_\_\_\_\_ for the year ended June 30, 2017, which included $\_\_\_\_\_\_\_\_\_\_ in tax credits from the state. The County forwarded $\_\_\_\_\_\_\_\_\_\_ of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $\_\_\_\_\_\_\_\_\_\_ of the local tax revenue to finance County operations, a(n) \_\_% increase (decrease) from the prior year. Other revenues included charges for service of $\_\_\_\_\_\_\_\_\_\_, operating grants, contributions and restricted interest of $\_\_\_\_\_\_\_\_\_\_, capital grants, contributions and restricted interest of $\_\_\_\_\_\_\_\_\_\_, local option sales tax of $\_\_\_\_\_\_\_\_\_, unrestricted investment earnings of $\_\_\_\_\_\_\_\_\_\_ and other general revenues of $\_\_\_\_\_\_\_\_\_\_.

Expenses for County operations for the year ended June 30, 2017 totaled $\_\_\_\_\_\_\_\_\_\_, a(n) \_\_% increase (decrease) from the prior year. Expenses included $\_\_\_\_\_\_\_\_\_\_ for a , $\_\_\_\_\_\_\_\_\_\_ for b and $\_\_\_\_\_\_\_\_\_\_ for c . (a, b, c - functions with three highest expense totals)

The significant increase (decrease) in revenues and expenses is due primarily to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

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

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SAMPLE COUNTY  
  
INDEPENDENT AUDITOR’S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
  
JUNE 30, 2017

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**Sample County**

**Sample County  
Officials**

**(Before January 2017)**

Term  
Name Title Expires

Jill Bailey Board of Supervisors Jan 2017

David Cassidy Board of Supervisors Jan 2017

Bill Hillary Board of Supervisors Jan 2019

Tom Claim County Auditor Jan 2017

Julie Ledger County Treasurer Jan 2019

Susan Stamp County Recorder Jan 2019

Kevin Lawman County Sheriff Jan 2017

Dennis Lawyer County Attorney Jan 2019

Mark Valuer County Assessor Jan 2022

**(After January 2017)**

Term  
Name Title Expires

Bill Hillary Board of Supervisors Jan 2019

Jill Bailey Board of Supervisors Jan 2021

David Cassidy Board of Supervisors Jan 2021

Tom Claim County Auditor Jan 2021

Julie Ledger County Treasurer Jan 2019

Susan Stamp County Recorder Jan 2019

Kevin Lawman County Sheriff Jan 2021

Dennis Lawyer County Attorney Jan 2019

Mark Valuer County Assessor Jan 2022

Sample County

Independent Auditor’s Report

To the Officials of Sample County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sample County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County’s basic financial statements listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sample County as of June 30, 2017 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

*Required Supplementary Information*

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County’s Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 11 through 18 and 62 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample 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, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2017 on our consideration of Sample 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 Sample County’s internal control over financial reporting and compliance.

MARY MOSIMAN, CPA

Auditor of State

September 20, 2017

**Sample County**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Sample 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, 2017. We encourage readers to consider this information in conjunction with the County’s financial statements, which follow.

**2017 FINANCIAL HIGHLIGHTS**

* Revenues of the County’s governmental activities increased 24.7%, or approximately $1,174,000, from fiscal year 2016 to fiscal year 2017. Property tax increased approximately $51,000, operating grants, contributions and restricted interest increased approximately $124,000 and capital grants, contributions and restricted interest increased approximately $915,000.
* Program expenses of the County’s governmental activities were 6.7%, or approximately $317,000, more in fiscal year 2017 than in fiscal year 2016. Roads and transportation expenses increased approximately $501,000.
* The County’s net position increased 2.8%, or approximately $891,000, from June 30, 2016 to June 30, 2017.

**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 Sample 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 Sample 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 Sample County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County’s budget for the year, the County’s proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

**Reporting the County’s financial activities**

*Government-wide Financial Statements*

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

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

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

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

*Fund Financial Statements*

The County has three kinds of funds:

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

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

1. A proprietary fund accounts for the County’s Internal Service, Employee Group 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.

1. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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. Sample County’s combined net position increased from approximately $31.5 million to approximately $32.4million. The analysis that follows focuses on the changes in the net position of governmental activities.



Net position of Sample County’s governmental activities increased 3.0% (approximately $32.4 million compared to approximately $31.5 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. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. 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 $1,020,000 at June 30, 2016 to a deficit of approximately $158,000 at the end of this year, an increase of 84.5%.



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Sample County’s governmental activities net position increased approximately $891,000 during the year. Revenues for governmental activities increased approximately $1,174,000 over the prior year, with property tax revenue up from the prior year approximately $51,000, or 3.9%.

The County increased property tax rates for fiscal year 2017 an average of 5%. This increase, the first in three years, raised the County’s property tax revenue approximately $51,000 in fiscal year 2017. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase an additional $75,000 next year.

The cost of all governmental activities this year was approximately $5 million compared to approximately $4.7 million last year. However, as shown in the Statement of Activities on page 23, the amount taxpayers ultimately financed for these activities was approximately $2.1 million because some of the cost was paid by those directly benefited from the programs (approximately $438,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $2,518,000). Overall, the County’s governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2017 from approximately $1,886,000 to approximately $2,956,000, principally due to receiving grant proceeds for the completion of the Courthouse renovation project.

**INDIVIDUAL MAJOR FUND analysis**

As Sample County completed the year, its governmental funds reported a combined fund balance of approximately $3.7 million, an increase of more than $678,000 above last year’s total of approximately $3.0 million. The increase in fund balance is primarily attributable to a $1,000,000 general obligation bond issue during the year. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

* General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a modest decline of approximately $145,000 from the prior year to approximately $1,228,000.
* The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately $418,000, a decrease of 1% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately $209,000 over the prior year end.
* There were no significant changes in revenues, expenditures and fund balance of the Special Revenue, Rural Services Fund.
* Special Revenue, Secondary Roads Fund expenditures increased approximately $258,000 over the prior year, due principally to an increase in roadway maintenance as the County continues to aggressively upgrade the condition of the County roadway system. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately $157,000, or 11.6%.
* There were no significant changes in revenues, expenditures and fund balance of the Debt Service Fund.
* During the year ended June 30, 2017, the County issued $1 million of general obligation bonds to help finance renovation of the County courthouse. The proceeds from the bond issue were placed in the Capital Projects Fund to account for this major project. Approximately $696,000 of bond proceeds remained in the Capital Projects Fund at the end of the year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Sample County amended its budget two times. The first amendment was made in March 2017 and resulted in an increase in budgeted disbursements related to a Community Development Block grant received from the State of Iowa. The grant, for the renovation of the courtroom and the Clerk’s office, required a 25% County match. However, this did not result in an increase in property and other county tax as the County received more intergovernmental receipts than originally budgeted and earned more interest on investments than originally projected. The second amendment was made on June 30, 2017. This amendment was made to provide for additional disbursements in certain County departments.

The County’s receipts were $178,489 more than budgeted, a variance of 4%. The most significant variance resulted from the County receiving more miscellaneous receipts than anticipated.

Total disbursements were $150,200 less than the amended budget. Actual disbursements for the physical health and social services, mental health and roads and transportation functions were $121,195, $80,984 and $80,916, respectively, less than budgeted. This was primarily due to decreases in public health department disbursements related to staff turnover, a reduction in the number of mental health clients and a delay in purchasing a road grader.

Even with the budget amendments, the County exceeded the budgeted amounts in the non-program and capital projects functions for the year ended June 30, 2017. The County forwarded certain grant proceeds to the City of Anywhere without budgeting for this activity.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

# **Capital Assets**

At June 30, 2017, Sample County had approximately $31.8 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 $1,491,000, or 4.9%, over last year.



The County had depreciation/amortization expense of $996,618 in fiscal year 2017 and total accumulated depreciation/amortization of $4,266,926 at June 30, 2017.

The County’s fiscal year 2017 capital budget included $1,500,000 for capital projects, principally for renovation of the County courthouse and for continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use bond proceeds from this year and resources on hand in the County’s fund balance. More detailed information about the County’s capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

At June 30, 2017, Sample County had approximately $1,576,000 of general obligation bonds and other debt outstanding, compared to approximately $222,000 at June 30, 2016, as shown below:



Debt increased as a result of issuing general obligation bonds for the courthouse renovation. In addition, the County entered into a capital lease purchase agreement to acquire two motor graders.

The County continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the County’s debt since 1998. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County’s corporate limits. Sample County’s outstanding general obligation debt is significantly below its constitutional debt limit of approximately $26 million. Additional information about the County’s long-term debt is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES**

Sample County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.6% versus 6% a year ago. This compares with the State’s unemployment rate of 5.5% and the national rate of 8.0%.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately $4.7 million, an increase of 6% over the final fiscal year 2017 budget. Property tax (benefiting from the fiscal year 2017 rate increase and increases in assessed valuations) and grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this increase. Sample County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise approximately $125,000. Increased health care costs 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 2018 budget.

If these estimates are realized, the County’s budgetary operating balance is expected to modestly increase by the close of fiscal year 2018.

**CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Sample 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 Sample County Auditor’s Office, 101 Main Street, City of Anywhere, Iowa 50XXX-XXXX.

Basic Financial Statements

Sample County

Sample County  
  
Statement of Net Position  
  
June 30, 2017



Sample County

Sample County  
Statement of Activities  
Year ended June 30, 2017



Sample County  
  
Balance Sheet   
Governmental Funds  
  
June 30, 2017



Sample County

Sample County  
  
Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Position  
  
June 30, 2017



Sample County  
  
Statement of Revenues, Expenditures   
and Changes in Fund Balances  
Governmental Funds  
  
Year ended June 30, 2017



Sample County  
  
Reconciliation of the Statement of Revenues, Expenditures   
and Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities  
  
Year ended June 30, 2017



Sample County  
  
Statement of Net Position  
Proprietary Fund   
  
June 30, 2017



Sample County  
  
Statement of Revenues, Expenses   
and Changes in Fund Net Position  
Proprietary Fund  
  
Year ended June 30, 2017



Sample County  
  
Statement of Cash Flows  
Proprietary Fund  
  
Year ended June 30, 2017



Sample County  
  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
  
June 30, 2017



(1) Summary of Significant Accounting Policies

Sample 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, Sample 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.

These financial statements present Sample County (the primary government) and its component units. The component units discussed below are included in the County’s reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Twenty-three drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Sample County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Sample County Auditor’s Office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor’s Conference Board, County Emergency Management Commission, County Public Safety Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. 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. Enabling legislation did not result in any restricted net position.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

Proprietary 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 - Agency 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 capital leases are reported as other financing sources.

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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 receivable represents 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 receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 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. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. 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. Capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.



Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:



Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense 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.

Advances from Grantors – Advances from grantors represents grant proceeds which have been received by the County but will be spent in succeeding fiscal years.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in 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, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, 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 consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS’ investments.

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

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the non-program and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County’s deposits in banks at June 30, 2017 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.

At June 30, 2017, the County had the following investments:



The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the FNMA securities of $203,987 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $505,000 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.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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

Credit risk - The County’s FNMA investment at June 30, 2017 is rated Aaa by Moody’s Investors Service. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk - The County places no limit on the amount which may be invested in any one issuer. More than 5% of the County’s investments are in the Federal National Mortgage Association. The County’s investment in the Federal National Mortgage Association is 28.77% of the County’s total investments.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2017 is as follows:



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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:



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, 2017 was as follows:



Depreciation/amortization expense was charged to the following functions:



Equipment costing $631,000 was purchased under capital lease purchase agreements. Accumulated depreciation on these assets totaled $68,700 at June 30, 2017.

(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, 2017 is as follows:



(7) **Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:



Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a telephone system and two motor graders with historical costs of $56,000 and $575,000, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.09% to 5.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2017:



Payments under the capital lease purchase agreements totaled $115,405 for the year ended June 30, 2017.

Bonds Payable

A summary of the County’s June 30, 2017 general obligation bonded indebtedness is as follows:



During the year ended June 30, 2017, the County issued $1,000,000 of general obligation bonds and retired $155,000 of bonds.

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

(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 7401 Register Drive, 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 age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

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

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

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

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll, for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County’s contributions to IPERS for the year ended June 30, 2017 totaled $288,150.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the County reported a liability of $1,664,211 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the County’s proportion was 0.033685%, which was an increase of 0.001998% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $130,677. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



$288,150 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



There were no non-employer contributing entities to IPERS.

ActuarialAssumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:



The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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 arithmetic real rates of return for each major asset class are summarized in the following table:



Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.



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](http://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, 2017.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 127 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:



For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed $26,600 to the medical plan. Plan members eligible for benefits contributed $24,900, or 48% of the premium costs.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:



Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was $780,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $780,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,985,000 and the ratio of the UAAL to covered payroll was 26.1%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the County’s funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary’s Pension Handbook and applying the termination factors using the scale T-9 tables.

Projected claim costs of the medical plan are $823 per month for retirees less than age 65 and $283 per month for retirees who have attained age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(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 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County’s contributions to the Pool for the year ended June 30, 2017 were $55,989.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the County’s financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool’s inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County’s health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of $20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County’s contribution for the year ended June 30, 2017 was $184,313.

Amounts payable from the Employee Group Health Fund at June 30, 2017 total $52,700, 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 $51,112 at June 30, 2017 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:



(12) Development **Agreement**

The County agreed to rebate 100% of the incremental property tax paid by Sample County Rural Cooperative Inc., up to a maximum of $60,000 per year, in exchange for the costs of certain improvements. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated to Sample County Rural Cooperative, Inc. for a period not to exceed 10 years or in a cumulative amount not to exceed a total of $500,000. The payments will be made on December 1 and June 1 of each fiscal year, beginning on December 1, 2015.

The total rebated during the year ended June 30, 2017 was $49,000 and the cumulative rebated amount is $49,000.

**(13) Tax Abatements**

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

**County Tax Abatements**

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

For the year ended June 30, 2017, the County abated $18,000 of property tax under the urban renewal and economic development projects.

**Tax Abatements of Other Entities**

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:



(14) Construction Commitment

The County has entered into a contract totaling $1,058,042 for bridge construction and roadway paving. As of June 30, 2017, costs of $350,420 on the project have been incurred. The $707,622 balance remaining on the contract at June 30, 2017 will be paid as work on the project progresses.

The County has also entered into contracts totaling $972,600 for Courthouse renovation. As of June 30, 2017, costs of $362,750 on the project have been incurred. The $609,850 balance remaining on the project at June 30, 2017 will be paid as work on the project progresses.

(15) Jointly Governed Organization

The County participates in the Sample County Public Safety Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2017:



(16) Early Childhood Iowa Area Board

The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization. The Area Board’s financial data for the year ended June 30, 2017 is as follows:



Findings related to the operations of the Early Childhood Iowa Area Board are included as items II-E-17 and IV-M-17 in the Schedule of Findings and Questioned Costs.

**(17) County Financial Information Included in the Sample Mental Health Region**

Sample Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Member County A, Member County B, Member County C, Member County D, Member County E and Sample County. The financial activity of the County’s Special Revenue, Mental Health Fund is included in the Sample Mental Health Region for the year ended June 30, 2017, as follows:



*Note: The displayed captions identify the total range of information which could be reported. As usual, items without dollar values should be deleted. In addition, if the Mental Health Fund is not reported as a major fund on Exhibit C, the footnote disclosure should include the balance sheet for the Mental Health Fund.*

**(18) New Accounting Pronouncement**

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the County’s tax abatements and tax abatements of other entities which impact the County.

(19) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government’s other postemployment benefits.

Required Supplementary Information

Sample 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, 2017



Sample County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017



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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Agency 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 $102,479. 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 Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the non-program and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

**Sample County**

Sample County

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

Iowa Public Employees’ Retirement System  
For the Last Three Years\*  
(In Thousands)

Required Supplementary Information



Sample County

Schedule of County Contributions

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

Required Supplementary Information



*Changes of benefit terms*:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member’s first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

*Changes of assumptions*:

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.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

* Adjusted retiree mortality assumptions.
* Modified retirement rates to reflect fewer retirements.
* Lowered disability rates at most ages.
* Lowered employment termination rates.
* Generally increased the probability of terminating members receiving a deferred retirement benefit.
* Modified salary increase assumptions based on various service duration.

Sample County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information



See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor’s report.

Sample County

Supplementary Information

Sample County  
  
Combining Balance Sheet  
Nonmajor Governmental Funds  
  
June 30, 2017



Sample County  
  
Combining Schedule of Revenues, Expenditures   
and Changes in Fund Balances  
Nonmajor Governmental Funds  
  
Year ended June 30, 2017



Sample County  
  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
  
June 30, 2017



Sample County  
  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds   
  
Year ended June 30, 2017



Sample County  
  
Schedule of Revenues By Source and Expenditures By Function ‑   
All Governmental Funds

For the Last Ten Years



Sample County  
  
Schedule of Expenditures of Federal Awards  
  
Year ended June 30, 2017



Sample County  
  
Schedule of Expenditures of Federal Awards  
  
Year ended June 30, 2017



**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Sample County under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sample County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Sample County.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

See accompanying independent auditor’s report.

Sample County

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 Sample County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sample County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated September 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample County’s internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sample County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Sample County’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County’s financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-17 and II-B-17 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-17 through II-E-17 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County’s operations for the year ended June 30, 2017 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.

Sample County’s Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample 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.

MARY MOSIMAN, CPA

Auditor of State

September 20, 2017

**Independent Auditor’s Report on Compliance**

**for Each Major Federal Program and on Internal Control over Compliance**

**Required by the Uniform Guidance**

Sample County

Independent Auditor’s Report on Compliance

for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Officials of Sample County:

Report on Compliance for Each Major Federal Program

We have audited Sample County, Iowa’s compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. Sample County’s major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Sample County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance which is required to be reported in accordance with the Uniform Guidance and is described as item III-A-17 in the accompanying Schedule of Findings and Questioned Costs. Our opinion on the major federal program is not modified with respect to this matter.

Sample County’s response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sample County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-17 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-17 to be a significant deficiency.

Sample County’s responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sample County’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

MARY MOSIMAN, CPA

Auditor of State

September 20, 2017

**Part I: Summary of the Independent Auditor’s Results:**

(a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.

(b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) A significant deficiency and a material weakness in internal control over the major program were disclosed by the audit of the financial statements.

(e) An unmodified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.

(g) The major program was CFDA Number 14.228 – Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii.

(h) The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

(i) Sample County did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-17 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 – One individual in the County Treasurer’s office has custody of receipts and performs all record-keeping and reconciling functions for the office, including those related to all federal programs.

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

Effect – Inadequate segregation of duties could adversely affect the County’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 Treasurer should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the County Treasurer, Deputy Treasurer and Clerk. We plan to implement these changes by November 2, 2017.

Conclusion – Response accepted.

II-B-17Financial Reporting

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

Condition – Material amounts of receivables, payables and capital asset/infrastructure additions were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County’s financial statements are accurate and reliable.

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

Recommendation – The County should establish procedures to ensure all receivables, payables and capital asset/infrastructure additions are identified and properly reported in the County’s financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

II-C-17 Federal Financial Reporting

Criteria – A deficiency in internal controls over federal financial reporting exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s federal financial reports. In addition, the grant agreement for the Community Development Block Grant program requires the County to submit quarterly reports showing all federal activity within one month of the end of the quarter.

Condition – Financial reports were prepared by the Deputy County Auditor, but there was no independent verification or reconciliation of the information presented to the County’s records. In addition, none of the four quarterly reports were submitted timely and numerous errors resulting in variances between reported and actual activity of up to $15,000. The County subsequently submitted corrected reports for all quarters.

Cause – County policies do not require and procedures have not been established to require an independent review to ensure the accuracy and reliability of the Federal quarterly reports.

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

Recommendation – The County should implement procedures to provide for an independent review of financial reports for accuracy and completeness. In addition, the County should establish procedures to ensure timely submission of federal financial reports in accordance with grant requirements.

Response – We agree with the auditor’s recommendation and will comply. Beginning November 2, 2017, the County Auditor will review financial reports for accuracy, completeness and timely remittance.

Conclusion – Response accepted.

II-D-17 Computer Systems

Criteria - Properly designed policies and procedures pertaining to control activities over the County’s computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have written policies for:

* password privacy and confidentiality.
* requiring password changes because software does not require the user to change log-ins/passwords periodically.
* ensuring only software licensed to the County is installed on computers.
* usage of the internet.
* requiring the use of an anti-virus program on computers.
* requiring user profiles to help limit access to programs to those who have a legitimate need.
* personal use of computer equipment and software.

Also, the County does not have a written disaster recovery plan and does not require back-up tapes be stored off site daily in a fire proof vault or safe.

Cause – Management has not required written policies for the above computer based controls or off site storage for back-up tapes.

Effect – Lack of written policies for computer based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption. Storing back-up tapes off-site helps ensure financial and other information is readily available in the case of a disaster or emergency.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. A written disaster recovery plan should also be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response – The County will comply in the future with these recommendations. County officials have discussed and agree these policies are needed.

Conclusion – Response accepted.

II-E-17 Early Childhood IowaArea Board – Supporting Documentation and Approval

Criteria – An effective internal control system provides for internal controls related to ensuring disbursements are properly and adequately supported and reviewed. The Area Board contracted with 7 providers. The provider contracts require detailed monthly invoices be submitted prior to payment to support the services rendered. The invoices are to be submitted to the Coordinator, who is to verify the accuracy and adequacy of the documentation and approve the disbursement.

Condition – For 5 of 10 provider claims tested, adequate supporting documentation was not available or did not agree with the amount paid. For 2 of 10 provider claims tested, the claims did not include evidence of approval by the Coordinator. In addition, provider claims were not made available to the Area Board for timely review.

Cause – County policies do not require and procedures have not been established to require independent review of invoices submitted to the Coordinator to ensure they are adequate and properly supported.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – All contract payments should be supported by detailed invoices or other supporting documentation as required by the provider contracts. The invoices and supporting documentation should be reviewed and approved by the Coordinator and be made available to the Area Board for timely review.

Response – We will obtain the documentation required by the provider contracts and the documentation will be reviewed and approved by the Coordinator and the Area Board. We will comply with these recommendations for all future contract payments.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

**CFDA Number 14.228: Community Development Block Grants/State’s Program   
 and Non-Entitlement Grants in Hawaii  
Pass-through Entity Identifying Number: 17-ED-199  
Federal Award Year: 2017  
Prior Year Finding Number: NA  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Economic Development Authority**

III-A-17 Unsupported Expenditures

(2017-001)

Criteria – Title 2, U.S. Code of Federal Regulations, Part 200.400, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) requires all federal costs be properly documented and supported.

Condition – Of $232,000 of federal expenditures tested, $25,589 of expenditures claimed were not properly supported.

Cause – Procedures have not been designed and implemented to ensure federal expenditures are properly supported.

Effect – The County is not in compliance with Federal regulations pertaining to proper documentation and support of federal costs. Unsupported costs cannot be paid with federal funds. Federal reimbursements of unsupported costs must be returned to the grantee, making these a local expense.

Recommendation – The County should implement procedures to ensure expenditures are properly supported. In addition, the County should contact the Iowa Economic Development Authority to determine the appropriate resolution of the questioned costs.

Response and Corrective Action Planned – We will revise our procedures so documentation (e.g. invoices and time cards) is maintained to support federal expenditures. We returned the $25,589 of questioned costs to the Iowa Economic Development Authority on October 3, 2017.

Conclusion – Response accepted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 14.228: Community Development Block Grants/State’s Program**

**and Non-Entitlement Grants in Hawaii  
Pass-through Entity Identifying Number: 17-ED-199  
Federal Award Year: 2017  
Prior Year Finding Number: III-B-16, III-C-16  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Economic Development Authority**

|  |  |
| --- | --- |
| III-B-17  (2017-002) | Segregation of Duties over Federal Revenues – The County Treasurer did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item II-A-17. |
| III-C-17  (2017-003) | Federal Financial Reporting – Procedures were not in place to verify the accuracy of financial reports and to ensure timely submission, including the federal financial status reports for the Community Development Block Grant program. See item II-C-17. |

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-17 Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the non-program and capital projects functions. Disbursements in certain departments exceeded the amounts appropriated.

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

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

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-B-17 Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:



According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

IV-C-17 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-17 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-17 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions, except the County Treasurer was only bonded for $25,000.

Recommendation – The Treasurer’s bond should be increased to $50,000 as required by Chapter 64.10 of the Code of Iowa. Also, the amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.

Response – We will comply.

Conclusion – Response accepted.

IV-F-17 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on May 3, 2017 to discuss matters relating to the County. The minutes record does not document the vote of each member on the question of holding the closed session as required by Chapter 21.5(2) of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – This was an oversight. We usually record the vote as required and will do so in the future.

Conclusion – Response accepted.

IV-G-17 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-17 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-17 Capital Lease Purchase Agreement – During the year ended June 30, 2017, the County entered into a capital lease purchase agreement for the purchase of two motor graders for the Secondary Roads Department. However, a public hearing was not held prior to the authorization of this lease purchase agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of a lease purchase agreement in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Response – We will consult legal counsel and this will be complied with in the future.

Conclusion – Response accepted.

IV-J-17 County Assessor – Questionable Expenditure – An expenditure we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. The expenditure for the County Assessor’s Office is detailed as follows:



According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The County Assessor’s Conference Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the County Assessor’s Conference Board should establish written policies and procedures, including requirements for proper documentation.

Response – We will include documentation and establish policies to address these expenditures if this practice is continued.

Conclusion – Response accepted.

IV-K-17 Economic Development – During the year ended June 30, 2017, the County contributed $10,000 to the Sample County Development Corporation. The economic development agreement did not include a provision requiring the Development Corporation to provide the County with documentation of how the funds were used.

Recommendation – The Board should require documentation of how the funds were used to accomplish economic development activities.

Response – We will revise the agreement to require documentation be provided to the County.

Conclusion – Response accepted.

IV-L-17 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

The County Extension Office received 4-H donations. These receipts were not reflected in the Extension Council’s accounting system and have not been included in the annual budget or monthly financial reports. Disbursements from these proceeds were not approved by the Extension Council prior to payment.

Recommendation – The 4-H donations should be included in the Extension Council’s annual budget and financial statements. All disbursements should be approved by the Extension Council prior to payment.

Response – We will include this activity in our financial reports and annual budget starting next fiscal year.

Conclusion – Response accepted.

IV-M-17 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

Certain expenditures totaling $536 for food and refreshments for meetings were noted which may not meet the purpose for which the grants were provided.

Recommendation – The Area Board should determine and document how these expenditures meet the intended purpose of the grants before authorizing any further payments.

Response – We will discontinue the practice of providing meals for the monthly Board meetings.

Conclusion – Response accepted.

IV-N-17 Tax Increment Financing (TIF) – For the year ended June 30, 2017, the County Auditor did not prepare a reconciliation for each City reconciling TIF receipts with total outstanding TIF debt.

Recommendation – In accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, the County Auditor is “to provide for the division of taxes in each subsequent year without further certification… until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund”. To assist in meeting this requirement, the County Auditor should prepare a reconciliation of each City’s TIF receipts and TIF debt certified.

Response – We will begin reconciling the TIF receipts to the amount of TIF debt certified for all cities within the County.

Conclusion – Response accepted.

This audit was performed by:

John Q. Review, CPA, Manager  
Terry Tickmark, CPA, Senior Auditor  
Margo Setter, CPA, Senior Auditor  
Jerome Warning, CPA, Assistant Auditor

Andrew E. Nielsen, CPA  
 Deputy Auditor of State