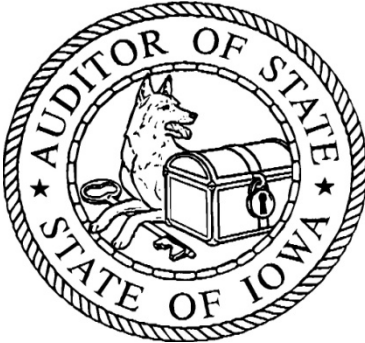


**SAMPLE COUNTY**

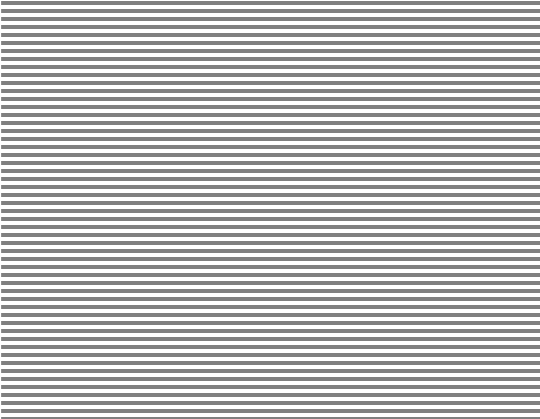
**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2020**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**Rob Sand**  
**Auditor of State**







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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Practitioners:

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 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/>. 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 (text-searchable PDF), i.e. not scanned.

The findings on compliance, items IV-A-20 through IV-I-20 and IV-L-20 through IV-N-20 (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 performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11.14 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 (paper copy or electronic format) should be completed by the CPA firm or the County and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the audit report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) 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.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large, looped "R" and a long, sweeping "S".

Rob Sand  
Auditor of State

**Office of Auditor of State**

**Report Filing Requirements**

**Report** – The County or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the County within nine months following the end of the fiscal year subject to audit. Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e. consistent with Federal requirements).
- Text-searchable files provide transparency to the public.

**Per Diem Audit Billing and News Release** – 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 also be submitted. These items can be submitted as either paper copies or electronic copies.

**Filing Fee** – The filing fee should be submitted based on the following designated budget strata:

Budgeted Expenditures in Millions of Dollars	Filing Fee Amount
Under 1	\$100
At least 1 but less than 3	175
At least 3 but less than 5	250
At least 5 but less than 10	425
At least 10 but less than 25	625
25 and over	850

**Submission** – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to [SubmitReports@AOS.iowa.gov](mailto:SubmitReports@AOS.iowa.gov).

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

Paper copies (if not submitted electronically) of the per diem audit billing and news release, as well as the filing fee, should be sent to the following address:

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

**Early Childhood Iowa Area Board** – For Counties which act as a fiscal agent for an Early Childhood Iowa Area Board and have additional audit procedures performed for the Area Board as a part of the County’s audit, an electronic, text-searchable, PDF 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).

---

## Sample County

### Outline of Major Changes

- A. Implemented GASB (GASBS) No. 84, Fiduciary Activities. The following changes have been made to the Sample Report:
- Revised the Independent Auditor's Report to include an emphasis of a matter paragraph to address adoption of new accounting guidance related to GASBS No. 84.
  - Amended Exhibit J – changed the title to Statement of Fiduciary Net Position – Custodial Funds and changed the format to conform to GASBS No. 84.
  - Added Exhibit K – Statement of Changes in Fiduciary Net Position – Custodial Funds to conform to GASBS No. 84 reporting requirements.
  - Revised Schedule 3 – changed the title to Combining Schedule of Fiduciary Net Position – Custodial Funds and changed the format to conform to GASBS No. 84.
  - Revised Schedule 4 – changed the title to Combining Schedule of Changes in Fiduciary Net Position – Custodial Funds and changed the format to conform to GASBS No. 84 reporting requirements
  - Added a note disclosure (Note 18) for the restatement of the beginning Fiduciary Net Position.
- B. Revised the news release included in this Sample County report to include information on the prior year findings repeated in the current audit.
- C. Added a required compliance finding (IV-E-20) pertaining to Chapter 68B of the Code of Iowa, the Iowa Gift Law.
- D. Added a note disclosure regarding a prospective accounting change for GASB Statement No. 87, Leases. (Note 19) (NOTE: Include this prospective change note only if the County intends to implement GASB Statement No. 87 in FY2021.)
- E. Added language to the Tax Abatement (Note 13) to describe a city urban revitalization tax abatement programs allowed by Chapter 404 of the Code of Iowa.
- F. Included example of alternative reporting of the pass-through amounts to subrecipients - added a separate column on the Schedule of Expenditures of Federal Assistance.
- G. Removed reference to the County Agricultural Extension Council budget in the budget RSI.
- H. Removed the statutory finding pertaining to County Extension Office.

### 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, 2020, 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.
-

## Sample County

### Outline of Major Changes

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.
4. 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 2019 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, 2020. 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 annual installments beginning July 1, 2020.

At June 30, 2020, the County has obligations to eleven participants with a total liability of \$171,285. Actual early retirement expenditures for the year ended June 30, 2020 totaled \$85,642.

5. 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.
-

## **Additional Notes (continued)**

If a County and Area Board choose 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 guide 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-L-20 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 Custodial 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-20 in the Schedule of Findings and Questioned Costs.

6. 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.

This section 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. An example to report non-compliance is included as item IV-N-20 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:

**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.

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**Additional Notes (Continued)**

**Sample A**

Sample County

Corrective Action Plan

Year ended June 30, 2020

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
II-A-20	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, 2020
II-B-20	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, 2020
2020-001	Unsupported Expenditures	We will revise our procedures so documentation (e.g. invoices and timecards) is maintained to support federal expenditures. We returned the \$25,589 of questioned costs to the Iowa Economic Development Authority on November 3, 2020.	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 November 3, 2020.
2020-002	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, 2020
2020-003	Financial Reporting	We have implemented an independent review process which requires review by the Program Director, effective immediately. In addition, beginning with the December 2020 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 2020.

**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.**

**Additional Notes (Continued)****Sample B**

Sample County

## Summary Schedule of Prior Audit Findings

Year ended June 30, 2020

Comment Reference	Comment Title	Status	If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation
2017-001 2018-001 2019-001	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.
II-A-18 2018-002 II-A-19 2019-002	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-18 II-B-19	Capital Assets	Corrective action taken.	
2019-003	Financial Reporting	Partially corrected.	Time was necessary to develop and implement review procedures. Timely report filing will begin with the quarter ending December 2020.

**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.**



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

Contact:

FOR RELEASE \_\_\_\_\_

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

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$\_\_\_\_\_ for the year ended June 30, 2020, a(n) \_\_\_% increase (decrease) over (from) the prior year. Expenses for County operations for the year ended June 30, 2020 totaled \$\_\_\_\_\_, a(n) \_\_\_% increase (decrease) over (from) the prior year. The significant increase (decrease) in the revenues and expenses is due primarily to \_\_\_\_\_.

**AUDIT FINDINGS:**

Sand reported fourteen findings related to the receipt and expenditure of taxpayer funds and two findings related to the Early Childhood Iowa Area Board (Early Childhood Board) for which the County acts as fiscal agent. They are found on pages 91 through 101 of this report. The findings address issues such as lack of segregation of duties, material amounts of accounts receivable, accounts payable and capital asset additions not properly recorded in the County's financial statements, lack of independent verification or reconciliation of information provided in federal financial reports prepared by the County, unsupported federal expenditures, disbursements exceeding budgeted amounts, expenditures which may not meet the public purpose criteria since the public benefit was not clearly documented and noncompliance with the restricted donor provisions of Chapter 68B of the Code of Iowa. Sand provided the County and the Early Childhood Board with recommendations to address each of these findings.

Ten of the findings discussed above which relate to the County and one finding related to the Early Childhood Board are repeated from the prior year. The County Board of Supervisors and management of the Early Childhood Board have a fiduciary responsibility to provide oversight of the County's and the Early Childhood Board's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

**(NOTE to CPAs: Include significant findings, including material weaknesses, significant non-compliance and all Federal findings. Auditor judgement should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)**

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

###



**SAMPLE COUNTY**

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

**JUNE 30, 2020**

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**Sample County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jill Bailey	Board of Supervisors	Jan 2021
David Cassidy	Board of Supervisors	Jan 2021
Bill Hillary	Board of Supervisors	Jan 2023
Tom Claim	County Auditor	Jan 2021
Julie Ledger	County Treasurer	Jan 2023
Susan Stamp	County Recorder	Jan 2023
Kevin Lawman	County Sheriff	Jan 2021
Dennis Lawyer	County Attorney	Jan 2023
Mark Valuer	County Assessor	Jan 2022



**Sample County**



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

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, 2020, 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, 2020 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As discussed in Note 18 to the financial statements, Sample County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 16 and 61 through 72 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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, 2019 (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 October 21, 2020 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.

Marlys K. Gaston, CPA  
Deputy Auditor of State

October 21, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2020 FINANCIAL HIGHLIGHTS**

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities, during fiscal year 2020. The beginning net position for fiduciary (custodial) funds was restated by \$525,655 to retroactively report fiduciary funds in accordance with the GASBS.
- Revenues of the County's governmental activities increased 18.4%, or approximately \$874,000, from fiscal year 2019 to fiscal year 2020. Property tax revenues increased approximately \$57,000, 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 1.2%, or approximately \$62,000, more in fiscal year 2020 than in fiscal year 2019. Roads and transportation expenses increased approximately \$209,000 while public safety and non-program expenses decreased approximately \$74,000 and \$99,000, respectively.
- The County's net position increased 1.7%, or approximately \$530,000, over the June 30, 2019 balance.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

- 2) 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.

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2020	2019
Current and other assets	\$ 5,806	5,718
Capital assets	31,818	30,327
Total assets	37,624	36,045
Deferred outflows of resources	469	359
Long-term liabilities	3,912	1,591
Other liabilities	889	1,081
Total liabilities	4,801	2,672
Deferred inflows of resources	1,563	2,217
Net position:		
Net investment in capital assets	31,023	30,242
Restricted	1,090	1,232
Unrestricted	(384)	(275)
Total net position	\$ 31,729	31,199

Net position of Sample County’s governmental activities increased 1.7% (approximately \$31.7 million compared to approximately \$31.2 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.

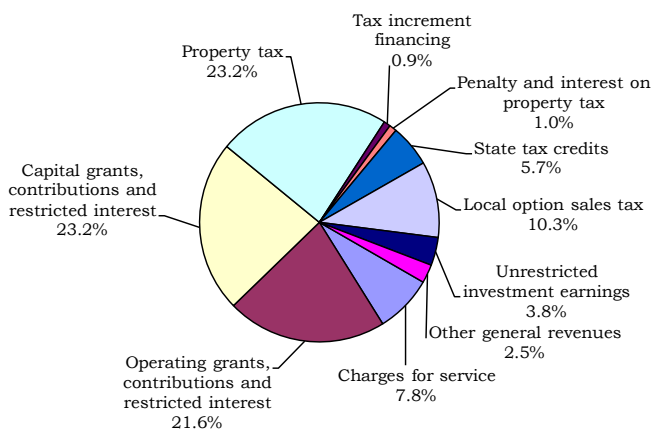
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

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 — decreased from a deficit of approximately \$275,000 at June 30, 2019 to a deficit of approximately \$384,000 at the end of this year, a decrease of 39.6%. This decrease is due to an increase in the net pension and total OPEB liabilities.

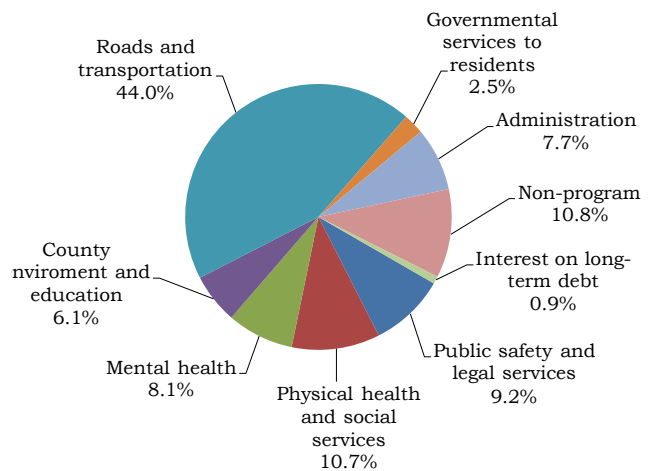
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2020	2019
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 438	407
Operating grants, contributions and restricted interest	1,213	1,089
Capital grants, contributions and restricted interest	1,305	390
<b>General revenues:</b>		
Property tax	1,313	1,256
Tax increment financing	49	55
Penalty and interest on property tax	54	49
State tax credits	320	330
Local option sales tax	579	579
Unrestricted investment earnings	211	251
Other general revenues	138	340
<b>Total revenues</b>	<b>5,620</b>	<b>4,746</b>
<b>Program expenses:</b>		
Public safety and legal services	468	542
Physical health and social services	544	557
Mental health	413	425
County environment and education	310	251
Roads and transportation	2,243	2,034
Governmental services to residents	128	133
Administration	392	426
Non-program	548	647
Interest on long-term debt	44	13
<b>Total expenses</b>	<b>5,090</b>	<b>5,028</b>
<b>Change in net position</b>	<b>530</b>	<b>(282)</b>
<b>Net position beginning of year</b>	<b>31,199</b>	<b>31,481</b>
<b>Net position end of year</b>	<b>\$ 31,729</b>	<b>31,199</b>

**Revenues by Source**



**Expenses by Program**





Sample County's governmental activities net position increased approximately \$530,000 during the year. Revenues for governmental activities increased approximately \$874,000 over the prior year, including property tax revenue which increased over the prior year approximately \$57,000, or 4.5%.

The County increased property tax rates for fiscal year 2020 an average of 5%. This increase, the first in three years, raised the County's property tax revenue approximately \$57,000 in fiscal year 2020. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase an additional \$75,000 next year.

The County's capital grants, contributions and restricted interest increased 234.6% over the fiscal year 2019 due to an increase of \$1,000,000 in infrastructure assets contributed by the Iowa Department of Transportation. Also, other general revenues decreased approximately \$200,000, or 59.4%, from the fiscal year 2019 amount due to the completion of the repayment from the City of Anywhere for an economic development project.

The cost of all governmental activities this year was approximately \$5.1 million compared to approximately \$5.0 million last year. However, as shown in the Statement of Activities on page 20, the amount taxpayers ultimately financed for these activities was approximately \$2.1 million because some of the cost was paid by those who 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 2020 from approximately \$1,886,000 to approximately \$2,956,000. As discussed above, the County received contributions of roads and bridges paid for by the Iowa Department of Transportation.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Sample County completed the year, its governmental funds reported a combined fund balance of approximately \$3.4 million, an increase of more than \$329,000 above last year's total of approximately \$3.0 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance declined approximately \$145,000, or 10.6%, 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, an increase of 24.7% over the prior year primarily due to an increase in the amount distributed to the region fiscal agent during the year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$91,000 from 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, 2020, 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 project. Approximately \$641,000 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 2020 and resulted in an increase in budgeted disbursements related to a Community Development Block Grant received from the State of Iowa. The second amendment was made on June 30, 2020. This amendment was made to provide for additional disbursements in certain County departments.

The County's receipts were \$170,511 less than budgeted, a variance of 3.8%. The most significant variance resulted from the County receiving less grant funds for the courthouse renovation 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, 2020. 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, 2020, 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.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2020	2019
Land	\$ 611	600
Construction in progress	379	-
Buildings and improvements	566	563
Equipment and vehicles	1,311	939
Intangibles	23	25
Infrastructure	28,928	28,200
Total	\$ 31,818	30,327
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$ 1,000	
County road reconstruction project		379
Replacement of two motor graders and other Secondary		
Roads equipment		522
Courthouse renovations		359
County Sheriff's and Conservation vehicles		147
Total	\$ 2,407	

The County had depreciation/amortization expense of \$996,618 in fiscal year 2020 and total accumulated depreciation/amortization of \$4,266,926 at June 30, 2020.

The County's fiscal year 2020 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, 2020, Sample County had approximately \$1,576,000 of general obligation bonds and other debt outstanding, compared to approximately \$222,000 at June 30, 2019, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2020	2019
General obligation bonds	\$ 1,000	155
Capital lease purchase agreements	436	67
Drainage warrants and improvement certificates	140	-
Total	\$ 1,576	222

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 and tax increment financing obligations are 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 2021 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 \_\_\_% versus \_\_\_% a year ago. This compares with the State's unemployment rate of \_\_\_% and the national rate of \_\_\_%.

These indicators were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation (i.e., beginning balance plus revenues) in the operating budget are approximately \$7.8 million, an increase of 6.8% over the final fiscal year 2020 budget. Property tax (benefiting from a 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 \$325,000 as work continues on the courthouse renovations and roadway construction projects. 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 2021 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal year 2021.

## **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.

**Sample County**

## **Basic Financial Statements**

Sample County  
Statement of Net Position  
June 30, 2020

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 3,900,860
Receivables:	
Property tax:	
Delinquent	116,176
Succeeding year	1,192,000
Succeeding year tax increment financing	60,000
Interest and penalty on property tax	3,765
Accounts	53,371
Accrued interest	18,107
Drainage assessments	126,369
Due from other governments	196,179
Inventories	35,800
Prepaid insurance	103,011
Capital assets, net of accumulated depreciation/amortization	31,817,920
<b>Total assets</b>	<b>37,623,558</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	372,773
OPEB related deferred outflows	96,583
<b>Total deferred outflows of resources</b>	<b>469,356</b>
<b>Liabilities</b>	
Accounts payable	752,595
Accrued interest payable	5,397
Salaries and benefits payable	61,896
Advances from grantors	24,380
Due to other governments	44,262
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	107,629
General obligation bonds	130,000
Compensated absences	40,772
Portion due or payable after one year:	
Capital lease purchase agreements	327,948
General obligation bonds	870,000
Drainage warrants/drainage improvement certificates	140,213
Net pension liability	1,664,211
Total OPEB liability	631,600
<b>Total liabilities</b>	<b>4,800,903</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	1,192,000
Unavailable tax increment financing revenue	60,000
Pension related deferred inflows	311,268
<b>Total deferred inflows of resources</b>	<b>1,563,268</b>
<b>Net Position</b>	
Net investment in capital assets	31,023,237
Restricted for:	
Supplement levy purposes	146,607
Mental health purposes	18,760
Rural services purposes	61,100
Secondary roads purposes	668,673
Debt service	108,003
Other purposes	86,841
Unrestricted	(384,478)
<b>Total net position</b>	<b>\$ 31,728,743</b>

See notes to financial statements.

Sample County

Statement of Activities

Year ended June 30, 2020

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 468,308	42,392	-	100,000	(325,916)
Physical health and social services	544,030	113,350	104,306	-	(326,374)
Mental health	412,915	-	12,490	-	(400,425)
County environment and education	309,791	13,077	542	205,000	(91,172)
Roads and transportation	2,242,942	88,283	1,090,228	1,000,000	(64,431)
Governmental services to residents	127,593	60,073	-	-	(67,520)
Administration	391,712	7,363	5,314	-	(379,035)
Non-program	548,293	113,148	-	-	(435,145)
Interest on long-term debt	44,487	-	-	-	(44,487)
Total	\$ 5,090,071	437,686	1,212,880	1,305,000	(2,134,505)
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					1,158,085
Debt service					154,358
Tax increment financing					49,000
Penalty and interest on property tax					54,337
State tax credits and replacements					320,244
Local option sales tax					579,180
Unrestricted investment earnings					211,173
Miscellaneous					138,040
Total general revenues					2,664,417
Change in net position					529,912
Net position beginning of year					31,198,831
Net position end of year					\$ 31,728,743

See notes to financial statements.



Sample County  
Balance Sheet  
Governmental Funds

June 30, 2020

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 1,207,184	21,960	49,955	1,345,226
Receivables:				
Property tax:				
Delinquent	48,973	20,238	42,915	-
Succeeding year	645,000	251,000	168,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	3,765	-	-	-
Accounts	3,018	-	-	12,981
Accrued interest	18,107	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	6,922	-	-	29,261
Due from other governments	31,909	63,357	16,501	84,412
Inventories	-	-	-	35,800
Prepaid insurance	81,011	-	-	22,000
<b>Total assets</b>	<b>\$ 2,045,889</b>	<b>356,555</b>	<b>277,371</b>	<b>1,529,680</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 21,627	15,779	76	282,412
Salaries and benefits payable	38,251	-	348	23,297
Advances from grantors	-	-	-	24,380
Due to other funds	29,411	-	6,922	-
Due to other governments	20,592	23,432	-	238
Total liabilities	109,881	39,211	7,346	330,327
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	645,000	251,000	168,000	-
Succeeding year tax increment financing	-	-	-	-
Other	62,856	18,791	39,089	-
Total deferred inflows of resources	707,856	269,791	207,089	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	35,800
Prepaid insurance	81,011	-	-	22,000
Restricted for:				
Supplemental levy purposes	111,627	-	32,980	-
Mental health purposes	-	47,553	-	-
Rural services purposes	-	-	29,956	-
Secondary roads purposes	-	-	-	1,141,553
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition	3,430	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	7,158	-	-	-
Committed for capital projects	-	-	-	-
Assigned for Sheriff's vehicles	50,000	-	-	-
Unassigned	974,926	-	-	-
Total fund balances	1,228,152	47,553	62,936	1,199,353
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,045,889</b>	<b>356,555</b>	<b>277,371</b>	<b>1,529,680</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
109,350	1,050,750	26,885	3,811,310
4,050	-	-	116,176
128,000	-	-	1,192,000
-	-	60,000	60,000
-	-	-	3,765
-	23,110	-	39,109
-	-	-	18,107
-	-	126,369	126,369
-	-	150	36,333
-	-	-	196,179
-	-	-	35,800
-	-	-	103,011
<b>241,400</b>	<b>1,073,860</b>	<b>213,404</b>	<b>5,738,159</b>
-	377,966	2,035	699,895
-	-	-	61,896
-	-	-	24,380
-	-	-	36,333
-	-	-	44,262
-	<b>377,966</b>	<b>2,035</b>	<b>866,766</b>
128,000	-	-	1,192,000
-	-	60,000	60,000
<b>3,645</b>	-	<b>119,528</b>	<b>243,909</b>
<b>131,645</b>	-	<b>179,528</b>	<b>1,495,909</b>
-	-	-	35,800
-	-	-	103,011
-	-	-	144,607
-	-	-	47,553
-	-	-	29,956
-	-	-	1,141,553
-	-	20,685	20,685
-	-	-	3,430
109,755	-	-	109,755
-	640,894	-	640,894
-	-	11,156	18,314
-	55,000	-	55,000
-	-	-	50,000
-	-	-	974,926
<b>109,755</b>	<b>695,894</b>	<b>31,841</b>	<b>3,375,484</b>
<b>241,400</b>	<b>1,073,860</b>	<b>213,404</b>	<b>5,738,159</b>

**Sample County**

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

June 30, 2020

**Total governmental fund balances (page 22)** \$ 3,375,484

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$36,084,846 and the accumulated depreciation/amortization is \$4,266,926. 31,817,920

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 243,909

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 51,112

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

Deferred outflows of resources	\$ 469,356	
Deferred inflows of resources	<u>(311,268)</u>	158,088

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, drainage warrants/drainage improvement certificates payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,917,770)

**Net position of governmental activities (page 19)** \$ 31,728,743

See notes to financial statements.

Sample County

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

Year ended June 30, 2020

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 590,203	285,468	278,681	-
Tax increment financing	-	-	-	-
Local option sales tax	289,590	-	289,590	-
Interest and penalty on property tax	54,093	-	-	-
Intergovernmental	764,204	41,883	107,338	1,090,228
Licenses and permits	4,280	-	-	700
Charges for service	113,692	-	-	32,160
Use of money and property	182,499	-	-	2,550
Fines, forfeitures and defaults	9,878	-	-	-
Miscellaneous	86,591	-	-	10,849
<b>Total revenues</b>	<b>2,095,030</b>	<b>327,351</b>	<b>675,609</b>	<b>1,136,487</b>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	525,514	-	-	-
Physical health and social services	547,808	-	-	-
Mental health	-	418,265	-	-
County environment and education	170,769	-	85,747	-
Roads and transportation	-	-	-	1,819,597
Governmental services to residents	115,656	-	-	-
Administration	423,047	-	-	-
Non-program	386,410	-	-	-
Debt service	-	-	-	105,800
Capital projects	22,535	-	-	469,566
<b>Total expenditures</b>	<b>2,191,739</b>	<b>418,265</b>	<b>85,747</b>	<b>2,394,963</b>
Excess (deficiency) of revenues over (under) expenditures	(96,709)	(90,914)	589,862	(1,258,476)
<b>Other financing sources (uses):</b>				
Sale of capital assets	1,630	-	-	-
Transfers in	-	-	-	636,299
Transfers out	(50,139)	-	(586,160)	-
Capital lease purchase agreements	-	-	-	465,515
General obligation bonds issued	-	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(48,509)</b>	<b>-</b>	<b>(586,160)</b>	<b>1,101,814</b>
Change in fund balances	(145,218)	(90,914)	3,702	(156,662)
Fund balances beginning of year	1,373,370	138,467	59,234	1,356,015
Fund balances end of year	\$ 1,228,152	47,553	62,936	1,199,353

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
154,311	-	-	1,308,663
-	-	49,000	49,000
-	-	-	579,180
-	-	-	54,093
17,689	-	-	2,021,342
-	-	-	4,980
-	-	13,500	159,352
5,458	19,417	91	210,015
-	-	-	9,878
-	55,943	83,508	236,891
177,458	75,360	146,099	4,633,394
-	-	-	525,514
-	-	-	547,808
-	-	-	418,265
-	-	49,000	305,516
-	-	-	1,819,597
-	-	11,050	126,706
-	-	-	423,047
-	-	210,883	597,293
170,043	-	-	275,843
-	379,466	-	871,567
170,043	379,466	270,933	5,911,156
7,415	(304,106)	(124,834)	(1,277,762)
-	-	-	1,630
-	-	-	636,299
-	-	-	(636,299)
-	-	-	465,515
-	1,000,000	-	1,000,000
-	-	140,213	140,213
-	1,000,000	140,213	1,607,358
7,415	695,894	15,379	329,596
102,340	-	16,462	3,045,888
109,755	695,894	31,841	3,375,484

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, 2020

**Change in fund balances - Total governmental funds (page 26)** \$ 329,596

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

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

Expenditures for capital assets	\$ 1,489,521	
Capital assets contributed by the Iowa Department of Transportation	1,000,000	
Depreciation/amortization expense	<u>(996,618)</u>	1,492,903

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (1,630)

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

Property tax	3,780	
Other	<u>21,436</u>	25,216

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

Issued	(1,605,728)	
Repaid	<u>251,690</u>	(1,354,038)

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 288,150

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

Compensated absences	(10,312)	
Pension expense	(130,677)	
OPEB expense	(136,917)	
Interest on long-term debt	<u>(4,143)</u>	(282,049)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 31,764

**Change in net position of governmental activities (page 20)** \$ 529,912

See notes to financial statements.

Sample County  
 Statement of Net Position  
 Proprietary Fund  
 June 30, 2020

	Internal Service-Employee Group Health
<b>Assets</b>	
Cash and cash equivalents	\$ 89,550
Accounts receivable	14,262
<b>Total assets</b>	103,812
<b>Liabilities</b>	
Accounts payable	52,700
<b>Net Position</b>	
Restricted for employee health	\$ 51,112

See notes to financial statements.



## Sample County

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

Year ended June 30, 2020

		<u>Internal Service-Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds	\$	184,313
Reimbursements from employees and others		71,715
Insurance reimbursements		<u>14,262</u>
Total operating revenues		270,290
Operating expenses:		
Medical claims	\$ 189,500	
Insurance premiums	42,152	
Administrative fees	5,700	
Miscellaneous	<u>2,332</u>	<u>239,684</u>
Operating income		30,606
Non-operating revenues:		
Interest income		<u>1,158</u>
Net income		31,764
Net position beginning of year		<u>19,348</u>
Net position end of year	\$	<u><u>51,112</u></u>

See notes to financial statements.

Sample County

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2020

		Internal Service-Employee Group Health
Cash flows from operating activities:		
Cash received from operating fund reimbursements	\$	184,313
Cash received from employees and others		71,715
Cash paid to suppliers for services		(230,284)
Net cash provided by operating activities		25,744
Cash flows from investing activities:		
Interest on investments		1,158
Net increase in cash and cash equivalents		26,902
Cash and cash equivalents beginning of year		62,648
Cash and cash equivalents end of year	\$	89,550
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$	30,606
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Accounts receivable		(14,262)
Accounts payable		9,400
Net cash provided by operating activities	\$	25,744

See notes to financial statements.

Sample County  
Statement of Fiduciary Net Position  
Custodial Funds

June 30, 2020

**Assets**

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 274,468
Other County officials	6,503
Property tax receivable:	
Delinquent	406,661
Succeeding year	5,770,000
Due from other governments	<u>19,761</u>
<b>Total assets</b>	<u><u>6,477,393</u></u>

**Liabilities**

Accounts payable	1,189
Salaries and benefits payable	2,336
Due to other governments	529,336
Trusts payable	38,462
Compensated absences	<u>894</u>
<b>Total liabilities</b>	<u><u>572,217</u></u>

**Deferred Inflows of Resources**

Unavailable property tax revenue	<u>5,770,000</u>
<b>Total net position</b>	<u><u>\$ 135,176</u></u>

See notes to financial statements.

Sample County

Statement of Changes in Fiduciary Net Position  
Custodial Funds

June 30, 2020

Additions:	
Property and other county tax	\$ 5,767,017
911 surcharge	105,430
State tax credits	901,757
Drivers license fees	28,362
Office fees and collections	84,785
Auto licenses, use tax and postage	915,889
Assessments	13,487
Trusts	293,326
Miscellaneous	<u>221,226</u>
Total additions	<u>8,331,279</u>
Deductions:	
Agency remittances:	
To other funds	69,770
To other governments	7,954,390
Trusts paid out	<u>311,432</u>
Total deductions	<u>8,335,592</u>
Changes in net position	(4,313)
Net position beginning of year, as restated	<u>139,489</u>
Net position end of year	<u>\$ 135,176</u>
See notes to financial statements.	

Sample County

Notes to Financial Statements

June 30, 2020

**(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 911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Custodial Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County 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.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary 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 - Custodial Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

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. Drainage assessments receivable represent assessments which are due and payable but have not been collected and 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, 2020, 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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, 2020. 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Sample County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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

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

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

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

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, 2020, 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, 2020 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, 2020, the County had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Federal National Mortgage Association (FNMA)	<u>\$ 203,987</u>	October 2020

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. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County’s investment in IPAIT is unrated.

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, 2020 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, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Rural Services	\$ 6,922
Special Revenue: Secondary Roads County Recorder's Records Management	General	29,261
Total	General	<u>150</u>
		<u>\$ 36,333</u>

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 50,139
	Special Revenue: Rural Services	<u>586,160</u>
Total		<u>\$ 636,299</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 600,250	10,800	-	611,050
Construction in progress	-	1,707,466	(1,328,000)	379,466
Total capital assets not being depreciated/amortized	600,250	1,718,266	(1,328,000)	990,516
Capital assets being depreciated/amortized:				
Buildings	1,102,636	25,745	-	1,128,381
Improvements other than buildings	22,793	-	-	22,793
Equipment and vehicles	1,877,365	745,510	(57,719)	2,565,156
Intangibles	50,000	-	-	50,000
Infrastructure, road network	30,000,000	1,328,000	-	31,328,000
Total capital assets being depreciated/amortized	33,052,794	2,099,255	(57,719)	35,094,330
Less accumulated depreciation/amortization for:				
Buildings	553,315	22,568	-	575,883
Improvements other than buildings	9,400	456	-	9,856
Equipment and vehicles	938,682	371,094	(56,089)	1,253,687
Intangibles	25,000	2,500	-	27,500
Infrastructure, road network	1,800,000	600,000	-	2,400,000
Total accumulated depreciation/amortization	3,326,397	996,618	(56,089)	4,266,926
Total capital assets being depreciated/amortized, net	29,726,397	1,102,637	(1,630)	30,827,404
Governmental activities capital assets, net	\$ 30,326,647	2,820,903	(1,329,630)	31,817,920

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 41,716
Physical health and social services	8,353
Mental health	1,480
County environment and education	6,711
Roads and transportation	881,070
Governmental services to residents	735
Administration	56,553
Total depreciation/amortization expense - governmental activities	\$ 996,618

Equipment costing \$631,000 was purchased under capital lease purchase agreements. Accumulated depreciation on these assets totaled \$68,700 at June 30, 2020.

**(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, 2020 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 20,592
Special Revenue:		
Mental Health	Services	23,432
Secondary Roads	Services	238
Total for governmental funds		<u>\$ 44,262</u>
Custodial:		
County Offices	Collections	\$ 1,371
Schools		357,590
Corporations		69,412
Auto License and Use Tax		71,593
All other		29,370
Total for agency funds		<u>\$ 529,336</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	<u>Capital Lease Purchase Agreements</u>	<u>General Obligation Bonds</u>	<u>Drainage Warrants</u>	<u>Drainage Improvement Certificates</u>	<u>Compensated Absences</u>	<u>Net Pension Liability</u>	<u>Total OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 66,752	155,000	-	-	30,460	1,256,694	473,700	1,982,606
Increases	465,515	1,000,000	118,948	21,265	47,812	407,517	157,900	2,218,957
Decreases	96,690	155,000	-	-	37,500	-	-	289,190
Balance end of year	<u>\$ 435,577</u>	<u>1,000,000</u>	<u>118,948</u>	<u>21,265</u>	<u>40,772</u>	<u>1,664,211</u>	<u>631,600</u>	<u>3,912,373</u>
Due within one year	\$ 107,629	130,000	-	-	40,772	-	-	278,401

Capital Lease Purchase Agreements

On May 25, 2019, the County entered into a capital lease purchase agreement for a telephone system with a total cost of \$56,000. The agreement bears interest at 5.00% per annum and is payable in annual installments of \$9,605 over 4 years, with a final payment of \$802 due by May 25, 2024. On April 2, 2020, the County entered into a lease purchase agreement for two motor graders with a total cost of \$465,515. The agreement bears interest at 5.50% per annum and is payable with a first payment of \$60,178 made June 2, 2020 and with annual installments of \$120,904 over 4 years, with a final payment of \$120,904 due by April 2, 2024. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2020:

<u>Year Ending June 30,</u>	<u>Telephone System</u>	<u>Motor Graders</u>	<u>Total</u>
2021	\$ 9,605	120,904	130,509
2022	9,605	120,904	130,509
2023	9,605	120,904	130,509
2024	802	120,904	121,706
Total minimum lease payments	29,617	483,616	513,233
Less amount representing interest	(3,644)	(74,012)	(77,656)
Present value of net minimum lease payments	<u>\$ 25,973</u>	<u>409,604</u>	<u>435,577</u>



Payments under the capital lease purchase agreements totaled \$96,690 for the year ended June 30, 2020.

Bonds Payable

On December 5, 2019, the County issued \$1,000,000 of general obligation bonds, Series 2019A, with interest rates ranging from 2.00-3.00% per annum. The bonds were issued to provide funds to help defray the costs associated with the courthouse renovation project. A summary of the County’s June 30, 2020 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Courthouse Renovations Issued December 1, 2019			
	Interest Rates	Principal	Interest	Total
2021	2.00%	\$ 130,000	64,760	194,760
2022	2.30	130,000	65,209	195,209
2023	2.50	140,000	58,551	198,551
2024	2.75	140,000	50,460	190,460
2025	3.00	150,000	41,047	191,047
2026-2027	3.00	310,000	43,090	353,090
Total		\$ 1,000,000	323,117	1,323,117

During the year ended June 30, 2020, the County 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 PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 totaled \$288,150.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, 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, 2019 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, 2019, the County's proportion was 0.033685%, which was an increase of 0.001998% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$130,677. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,263	20,660
Changes of assumptions	46,037	12,536
Net difference between projected and actual earnings on IPERS' investments	-	192,496
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	13,323	85,576
County contributions subsequent to the measurement date	288,150	-
Total	<u>\$ 372,773</u>	<u>311,268</u>

\$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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2021	\$ (105,604)
2022	(105,604)
2023	(105,604)
2024	88,839
2025	1,328
Total	<u>\$ (226,645)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 3,392,281	1,664,211	207,090

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, 2020.

**(9) Other Postemployment Benefits (OPEB)**

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>127</u>
Total	<u><u>130</u></u>

Total OPEB Liability – The County's total OPEB liability of \$631,600 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2020)	3.51% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	8.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2019 total dataset mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 473,700
Changes for the year:	
Service cost	104,829
Interest	21,463
Differences between expected and actual experiences	104,207
Changes in assumptions	3,001
Benefit payments	<u>(75,600)</u>
Net changes	<u>157,900</u>
Total OPEB liability end of year	<u>\$ 631,600</u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2019 to 3.51% in fiscal year 2020.

Sensitivity of the County’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.51%) or 1% higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 675,812	631,600	587,388

Sensitivity of the County’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 555,808	631,600	707,392

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$136,917. At June 30, 2020, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 93,879
Changes in assumptions	2,704
Total	<u>\$ 96,583</u>

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

Year ending June 30,	Amount
2021	\$ 10,625
2022	10,625
2023	10,625
2024	10,625
2025	10,625
Thereafter	<u>43,458</u>
	<u>\$ 96,583</u>

**(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 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, 2020 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, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, 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, 2020 was \$184,313.



Amounts payable from the Employee Group Health Fund at June 30, 2020 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, 2020 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 43,300
Incurred claims (including claims incurred but not reported at June 30, 2020)	189,500
Payments:	
Payment on claims during the year	<u>180,100</u>
Unpaid claims end of year	<u>\$ 52,700</u>

**(12) Development Agreement**

The County has entered into a development agreement to assist with an urban renewal project. The agreement requires the County 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, 2016.

The total rebated during the year ended June 30, 2020 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, 2020, \$4,500 of property tax was diverted from the County under the County’s urban renewal development agreement.

**Tax Abatements of Other Entities**

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

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Anywhere	Urban renewal and economic development projects	\$ 25,000
	Chapter 404 tax abatement program	5,000
City of Somewhere	Urban renewal and economic development projects	15,000
City of Everywhere	Urban renewal and economic development projects	10,000

**(14) Construction Commitment**

The County has entered into contracts totaling \$972,600 for Courthouse renovation. As of June 30, 2020, costs of \$362,750 on the project have been incurred. The \$609,850 balance remaining on the project at June 30, 2020 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 Custodial Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2020:

Additions:		
Contributions from governmental units:		
Sample County	\$ 50,288	
Twinville	29,111	
Springfield	24,845	
Sunset Valley	8,615	
River City	<u>7,200</u>	\$ 120,059
Miscellaneous		<u>1,110</u>
Total additions		121,169
Deductions:		
Salaries	86,534	
Benefits	19,244	
Office supplies	1,138	
Uniforms	1,012	
Telephone	5,528	
Travel	321	
Training	158	
Equipment repair	3,044	
Insurance	940	
Miscellaneous	<u>558</u>	<u>118,477</u>
Net		2,692
Net position beginning of year, as restated		<u>472</u>
Net position end of year		<u>\$ 3,164</u>

**(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 Custodial Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2020 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 22,637	-	22,637
Quality improvement	-	15,898	15,898
Allocation for administration	2,770	4,934	7,704
School ready general use	-	83,369	83,369
Total state grants	25,407	104,201	129,608
Interest on investments	18	170	188
Total revenues	25,425	104,371	129,796
Expenditures:			
Program services:			
Early childhood	25,660	-	25,660
Quality improvement	-	17,044	17,044
School ready general use	-	111,379	111,379
Total program services	25,660	128,423	154,083
Administration	2,567	8,587	11,154
Total expenditures	28,227	137,010	165,237
Change in fund balance	(2,802)	(32,639)	(35,441)
Net position beginning of year, as restated	2,924	33,130	36,054
Net position end of year	\$ 122	491	613

Findings related to the operations of the Early Childhood Iowa Area Board are included as items II-E-20 and IV-M-20 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 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, 2020, as follows:

Revenues:		
Property and other county tax		\$ 285,468
Intergovernmental revenues:		
State tax credits	\$ 21,125	
Payments from regional fiscal agent	<u>20,758</u>	41,883
Charges for service		-
Use of money and property		-
Miscellaneous		<u>-</u>
Total revenues		<u>327,351</u>
Expenditures:		
Services to persons with:		
Mental illness	4,000	
Intellectual disabilities	5,826	
Other developmental disabilities	-	
Brain injury	<u>-</u>	9,826
General administration:		
Direct administration	120,960	
Purchased administration	-	
Distribution to regional fiscal agent	<u>287,479</u>	408,439
County provided case management		-
County provided services		<u>-</u>
Total expenditures		<u>418,265</u>
Excess of expenditures over revenues		(90,914)
Fund balance beginning of year		<u>138,467</u>
Fund balance end of year		<u>\$ 47,553</u>

*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) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2019, as previously reported	\$ -
Change to implement GASBS No. 84	<u>139,489</u>
Net position July 1, 2019, as restated	<u>\$ 139,489</u>

**(19) Prospective Accounting Change**

**(Note – include this prospective change note only if the County intends to implement GASB Statement No. 87 in FY2021)**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

**Sample County**

**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, 2020

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 1,785,708	-	1,785,708
Interest and penalty on property tax	56,505	-	56,505
Intergovernmental	1,870,609	-	1,870,609
Licenses and permits	4,980	-	4,980
Charges for service	163,852	-	163,852
Use of money and property	187,140	-	187,140
Miscellaneous	277,600	79,952	197,648
<b>Total receipts</b>	<b>4,346,394</b>	<b>79,952</b>	<b>4,266,442</b>
<b>Disbursements:</b>			
Public safety and legal services	457,082	-	457,082
Physical health and social services	458,860	-	458,860
Mental health	417,991	-	417,991
County environment and education	172,270	-	172,270
Roads and transportation	1,399,299	-	1,399,299
Governmental services to residents	102,708	-	102,708
Administration	414,035	-	414,035
Non-program	560,020	208,948	351,072
Debt service	275,843	-	275,843
Capital projects	828,725	-	828,725
<b>Total disbursements</b>	<b>5,086,833</b>	<b>208,948</b>	<b>4,877,885</b>
Deficiency of receipts under disbursements	(740,439)	(128,996)	(611,443)
Other financing sources, net	1,607,358	140,213	1,467,145
Change in fund balances	866,919	11,217	855,702
Balance beginning of year	2,944,391	4,562	2,939,829
Balance end of year	<b>\$ 3,811,310</b>	<b>15,779</b>	<b>3,795,531</b>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
1,836,173	1,836,173	(50,465)
54,255	54,255	2,250
1,856,547	2,086,200	(215,591)
5,000	5,000	(20)
123,900	162,800	1,052
105,050	150,300	36,840
65,936	142,225	55,423
<u>4,046,861</u>	<u>4,436,953</u>	<u>(170,511)</u>
422,500	471,014	13,932
578,055	580,055	121,195
495,000	498,975	80,984
177,500	179,399	7,129
1,319,344	1,480,215	80,916
112,907	113,962	11,254
448,500	477,965	63,930
150,000	220,800	(130,272)
276,800	276,800	957
945,000	728,900	(99,825)
<u>4,925,606</u>	<u>5,028,085</u>	<u>150,200</u>
(878,745)	(591,132)	(20,311)
<u>1,000,000</u>	<u>1,465,515</u>	<u>1,630</u>
121,255	874,383	(18,681)
<u>2,700,659</u>	<u>2,886,300</u>	<u>53,529</u>
<u>2,821,914</u>	<u>3,760,683</u>	<u>34,848</u>

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**Sample County**

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Sample County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,346,394	287,000	4,633,394
Expenditures	5,086,833	824,323	5,911,156
Net	(740,439)	(537,323)	(1,277,762)
Other financing sources, net	1,607,358	-	1,607,358
Beginning fund balances	2,944,391	101,497	3,045,888
Ending fund balances	<u>\$ 3,811,310</u>	<u>(435,826)</u>	<u>3,375,484</u>

See accompanying independent auditor's report.

**Sample County**

Sample County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

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 Custodial Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$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 Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the non-program and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

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Sample County

Schedule of County Proportionate Share of the Net Pension Liability

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

Required Supplementary Information

	2020	2019	2018	2017
County's proportion of the net pension liability	0.033685%	0.031687%	0.036871%	0.034732%
County's proportionate share of the net pension liability	\$ 1,664	1,257	1,462	1,285
County's covered payroll	\$ 2,963	2,934	2,848	2,765
County's proportionate share of the net pension liability as a percentage of its covered payroll	56.16%	42.84%	51.33%	46.47%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

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

See accompanying independent auditor's report.

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<u>2016</u>	<u>2015</u>
0.034361%	0.033994%
1,264	1,243
2,528	2,153
50.00%	57.73%
85.19%	87.61%



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Sample County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 288	283	270	262
Contributions in relation to the statutorily required contribution	<u>(288)</u>	<u>(283)</u>	<u>(270)</u>	<u>(262)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 3,032	2,963	2,934	2,848
Contributions as a percentage of covered payroll	9.50%	9.55%	9.20%	9.20%

See accompanying independent auditor's report.

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2016	2015	2014	2013	2012	2011
249	228	197	179	166	156
(249)	(228)	(197)	(179)	(166)	(156)
-	-	-	-	-	-
2,765	2,528	2,153	2,002	1,969	2,117
9.01%	9.02%	9.15%	8.94%	8.43%	7.37%

Sample County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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Sample County

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

For the Last Three Years  
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 104,829	42,557	38,218
Interest cost	21,463	16,098	11,086
Difference between expected and actual experiences	104,207	21,206	43,208
Changes in assumptions	3,001	7,253	6,942
Benefit payments	(75,600)	(64,633)	(57,642)
Net change in total OPEB liability	157,900	22,481	41,812
Total OPEB liability beginning of year	473,700	451,219	409,407
Total OPEB liability end of year	<u>\$ 631,600</u>	<u>473,700</u>	<u>451,219</u>
Covered-employee payroll	\$ 3,146,382	3,139,894	3,098,725
Total OPEB liability as a percentage of covered-employee payroll	20.1%	15.1%	14.6%

See accompanying independent auditor's report.

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

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

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

Year ended June 30, 2020	3.51%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	4.50%
Year ended June 30, 2017	4.25%

**Sample County**

## **Supplementary Information**

Sample County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2020

		Special
	County Recorder's Records Management	Drainage Districts
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 7,450	15,779
Receivables:		
Succeeding year tax increment financing	-	-
Drainage assessments	-	126,369
Due from other funds	150	-
<b>Total assets</b>	<b>\$ 7,600</b>	<b>142,148</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 100	1,935
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year tax increment financing	-	-
Other	-	119,528
Total deferred inflows of resources	\$ -	119,528
Fund balances:		
Restricted for:		
Drainage warrants/drainage improvement certificates	\$ -	20,685
Other purposes	7,500	-
Total fund balances	7,500	20,685
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,600</b>	<b>142,148</b>

See accompanying independent auditor's report.

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Revenue

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Tax Increment Financing	Memorial Trust	Total
-	3,656	26,885
60,000	-	60,000
-	-	126,369
-	-	150
60,000	3,656	213,404

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-	-	2,035
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60,000	-	60,000
-	-	119,528
60,000	-	179,528

-	-	20,685
-	3,656	11,156
-	3,656	31,841
60,000	3,656	213,404



Sample County

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

Year ended June 30, 2020

	Special	
	County Recorder's Records Management	Drainage Districts
Revenues:		
Tax increment financing	\$ -	-
Charges for service	13,500	-
Use of money and property	50	-
Miscellaneous	-	80,793
Total revenues	13,550	80,793
Expenditures:		
Operating:		
County environment and education	-	-
Governmental services to residents	11,050	-
Non-program	-	210,883
Total expenditures	11,050	210,883
Excess (deficiency) of revenues over (under) expenditures	2,500	(130,090)
Other financing sources:		
Drainage warrants/drainage improvement certificates issued	-	140,213
Change in fund balances	2,500	10,123
Fund balances beginning of year	5,000	10,562
Fund balances end of year	\$ 7,500	20,685

See accompanying independent auditor's report.

Revenue		
Tax Increment Financing	Memorial Trust	Total
49,000	-	49,000
-	-	13,500
-	41	91
-	2,715	83,508
49,000	2,756	146,099
49,000	-	49,000
-	-	11,050
-	-	210,883
49,000	-	270,933
-	2,756	(124,834)
-	-	140,213
-	2,756	15,379
-	900	16,462
-	3,656	31,841

Sample County  
Combining Schedule of Fiduciary Net Position  
Custodial Funds

June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	546	101,276	43,380
Other County officials	6,503	-	-	-
Receivables:				
Property tax:				
Delinquent	-	3,695	6,569	314,210
Succeeding year	-	53,000	119,000	4,500,000
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>6,503</b>	<b>57,241</b>	<b>226,845</b>	<b>4,857,590</b>
<b>Liabilities</b>				
Accounts payable	-	-	923	-
Salaries and benefits payable	-	-	586	-
Due to other governments	1,371	4,241	-	357,590
Trusts payable	5,132	-	-	-
Compensated absences	-	-	328	-
<b>Total liabilities and deferred inflows of resources</b>	<b>6,503</b>	<b>4,241</b>	<b>1,837</b>	<b>357,590</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	-	53,000	119,000	4,500,000
<b>Net Position</b>				
Restricted for individuals, organizations and other governments	\$ -	-	106,008	-

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
1,985	9,749	782	71,593	45,157	274,468
-	-	-	-	-	6,503
15,127	59,663	7,235	-	162	406,661
195,000	810,000	91,000	-	2,000	5,770,000
-	-	-	-	19,761	19,761
212,112	879,412	99,017	71,593	67,080	6,477,393
-	-	-	-	266	1,189
-	-	-	-	1,750	2,336
17,112	69,412	8,017	71,593	-	529,336
-	-	-	-	33,330	38,462
-	-	-	-	566	894
17,112	69,412	8,017	71,593	35,912	572,217
195,000	810,000	91,000	-	2,000	5,770,000
-	-	-	-	29,168	135,176

Sample County

Combining Schedule of Changes in Fiduciary Net Position  
Custodial Funds

Year ended June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	52,400	121,786	4,498,380
911 surcharge	-	-	-	-
State tax credits	-	8,585	14,436	688,188
Drivers license fees	-	-	-	-
Office fees and collections	84,785	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	66,773	-	-	-
Miscellaneous	-	-	258	-
Total additions	<u>151,558</u>	<u>60,985</u>	<u>136,480</u>	<u>5,186,568</u>
Deductions:				
Agency remittances:				
To other funds	41,060	-	-	-
To other governments	42,857	60,985	132,346	5,186,568
Trusts paid out	67,641	-	-	-
Total deductions	<u>151,558</u>	<u>60,985</u>	<u>132,346</u>	<u>5,186,568</u>
Changes in net position	-	-	4,134	-
Net position beginning of year, as restated	-	-	101,874	-
Net position end of year	<u>\$ -</u>	<u>-</u>	<u>106,008</u>	<u>-</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
194,784	807,666	90,028	-	-	1,973	5,767,017
-	-	-	-	-	105,430	105,430
31,646	145,039	13,507	-	-	356	901,757
-	-	-	-	28,362	-	28,362
-	-	-	-	-	-	84,785
-	-	-	-	913,111	2,778	915,889
-	-	-	13,487	-	-	13,487
-	-	-	-	-	226,553	293,326
-	-	-	-	-	220,968	221,226
226,430	952,705	103,535	13,487	941,473	558,058	8,331,279
-	-	-	-	28,710	-	69,770
226,430	952,705	103,535	13,487	912,763	322,714	7,954,390
-	-	-	-	-	243,791	311,432
226,430	952,705	103,535	13,487	941,473	566,505	8,335,592
-	-	-	-	-	(8,447)	(4,313)
-	-	-	-	-	37,615	139,489
-	-	-	-	-	29,168	135,176

Sample County

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

For the Last Ten Years

	2020	2019	2018	2017
<b>Revenues:</b>				
Property and other county tax	\$ 1,308,663	1,404,457	1,438,533	1,292,133
Tax increment financing	49,000	-	-	-
Local option sales tax	579,180	446,670	423,977	461,667
Interest and penalty on property tax	54,093	52,310	51,390	52,010
Intergovernmental	2,021,342	1,973,318	1,875,500	1,798,900
Licenses and permits	4,980	4,822	4,811	4,750
Charges for service	159,352	162,412	170,310	169,315
Use of money and property	210,015	251,100	222,400	241,318
Fines, forfeitures and defaults	9,878	9,313	9,101	9,002
Miscellaneous	236,891	366,909	200,019	211,315
Total	<u>\$ 4,633,394</u>	<u>4,671,311</u>	<u>4,396,041</u>	<u>4,240,410</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 525,514	511,129	509,320	496,300
Physical health and social services	547,808	539,315	541,318	529,217
Mental health	418,265	421,835	417,300	408,311
County environment and education	305,516	276,903	276,315	281,000
Roads and transportation	1,819,597	1,910,108	1,746,500	1,712,510
Governmental services to residents	126,706	127,100	125,920	124,800
Administration	423,047	417,129	410,318	409,812
Non-program	597,293	646,822	612,400	609,341
Debt service	275,843	260,100	255,000	265,100
Capital projects	871,567	472,000	518,100	422,300
Total	<u>\$ 5,911,156</u>	<u>5,582,441</u>	<u>5,412,491</u>	<u>5,258,691</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
1,397,213	1,394,651	1,241,097	1,452,671	1,353,521	1,374,629
-	-	-	-	-	-
347,818	341,655	460,483	231,893	314,197	276,412
51,750	51,491	50,461	49,957	49,457	48,963
1,789,906	1,780,956	1,745,337	1,727,883	1,710,605	1,693,499
4,726	4,703	4,609	4,562	4,517	4,472
168,468	167,626	164,274	162,631	161,005	159,394
240,111	238,911	234,133	231,791	229,473	227,179
8,957	8,912	8,734	8,647	8,560	8,475
210,258	209,207	205,023	202,973	200,943	198,934
4,219,207	4,198,112	4,114,151	4,073,008	4,032,278	3,991,957
493,819	491,349	481,522	476,707	471,940	467,221
526,571	523,938	513,459	508,325	503,241	498,209
406,269	404,238	396,153	392,192	388,270	384,287
279,595	278,197	272,633	269,907	267,208	264,536
1,703,947	1,695,428	1,661,519	1,644,904	1,628,455	1,612,170
124,176	123,555	121,084	119,873	118,674	117,488
407,763	405,724	397,610	393,634	389,697	385,800
606,294	603,263	591,198	585,286	579,433	573,638
263,775	262,456	257,207	254,634	252,088	249,567
420,189	418,088	409,726	405,629	401,572	397,557
5,232,398	5,206,236	5,102,111	5,051,091	5,000,578	4,950,473



**Schedule 6**

Sample County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Program Expenditures
Direct:				
U.S. Department of Agriculture: Watershed Protection and Flood Prevention	10.904	68-6115-5-199	\$ -	\$ 159,186
Indirect:				
U.S. Department of Agriculture: Iowa Department of Public Health: WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5889A199	-	1,161
Iowa Department of Human Services: Human Services Administrative Reimbursements: SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY20	-	1,325
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-ED-199	120,000	351,000
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	BROS-CO100(200)--8J-100	-	169,000
U. S. Department of Health and Human Services: Iowa Department of Human Services: Human Services Administrative Reimbursements: Foster Care Title IV-E	93.658	FY20	-	617
Adoption Assistance	93.659	FY20	-	168
Social Services Block Grant	93.667	FY20	-	1,919
Children's Health Insurance Program	93.767	FY20	-	43
TANF Cluster: Temporary Assistance for Needy Families	93.558	FY20	-	7,570
CCDF Cluster: Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY20	-	125
Medicaid Cluster: Medical Assistance Program	93.778	FY20	-	2,565
U.S. Department of Homeland Security: Iowa Department of Homeland Security and Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4187 DRIA	-	84,206
Total indirect			120,000	619,699
Total			<u>\$ 120,000</u>	<u>\$ 778,885</u>

Note: Presenting amounts provided to subrecipients in a separate column is only a suggestion.  
Refer to Sample Cash City for another presentation method.

## Sample County

## Schedule of Expenditures of Federal Awards

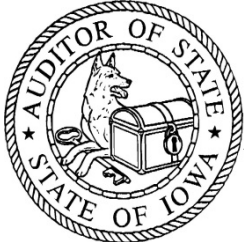
Year ended June 30, 2020

**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 Revigovernment for the year ended June 30, 2020. 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 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.



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

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

To the Officials of 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, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 21, 2020.

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-20 and II-B-20 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-20 through II-E-20 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, 2020 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.

Marlys K. Gaston, CPA  
Deputy Auditor of State

October 21, 2020



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

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

To the Officials of 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, 2020. 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, 2020.

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-20 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 a 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-20 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-20 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.

Marlys K. Gaston, CPA  
Deputy Auditor of State

October 21, 2020

Sample County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2020

**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 200.516.
- (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.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-20 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 Treasurer'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 and Corrective Action Planned – 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, 2020.

Conclusion – Response accepted.

II-B-20 Financial Reporting

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



Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Condition – Material amounts of receivables, payables and capital asset 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 and capital asset additions 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 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-20 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 reports 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 – Federal quarterly 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 of quarterly federal reports to help to ensure the accuracy and reliability of the 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 quarterly reports were necessary. In addition, procedures are not in place to ensure the timely submission of the federal reports.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – The County should implement procedures to provide for an independent review of federal 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 and Corrective Action Planned – We agree with the Auditor’s recommendation and will comply. Beginning November 2, 2020, the County Auditor will review federal financial reports for accuracy, completeness and timely remittance.

Conclusion – Response accepted.

II-D-20 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure the reliability of financial reporting, the 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 logins/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 to be stored off site daily in a fireproof 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 the computer-based system 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.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer system. 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-20 Early Childhood Iowa Area Board – Supporting Documentation and Approval

Criteria – An effective internal control system provides for internal controls related to ensuring expenditures are properly and adequately supported and reviewed. The Area Board contracted with 7 providers. The provider contracts require detailed monthly invoices be submitted to the Coordinator prior to payment. The Coordinator 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.

Cause – Area Board policies do not require, and procedures have not been established to require evidence of independent review and approval 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. The invoices and supporting documentation should be reviewed and approved by the Coordinator. The Coordinator review and approval should be documented by his/her initials or signature and the date approved.

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.

Sample County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2020

**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: 20-ED-199  
Federal Award Year: 2020  
Prior Year Finding Number: NA  
U.S. Department of Housing and Urban Development  
Passed through the Iowa Economic Development Authority**

III-A-20 Unsupported Expenditures  
(2020-001)

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 federal expenditures tested, claims totaling \$25,589 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 unsupported costs.

Response and Corrective Action Planned – We will revise our procedures so documentation (e.g. invoices and timecards) is maintained to support federal expenditures. We returned the \$25,589 of unsupported costs to the Iowa Economic Development Authority on November 3, 2020.

Conclusion – Response accepted.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**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: 20-ED-199**

**Federal Award Year: 2020**

**Prior Year Finding Number: III-B-19, III-C-19**

**U.S. Department of Housing and Urban Development**

**Passed through the Iowa Economic Development Authority**

III-B-20     Segregation of Duties over Federal Revenues – The County Treasurer did  
(2020-002) not properly segregate custody, record-keeping and reconciling functions  
for revenues, including those related to federal programs. See item II-A-20.

III-C-20     Federal Financial Reporting – Procedures were not in place to verify the  
(2020-003) accuracy of federal financial reports and to ensure timely submission,  
including the federal financial status reports for the Community  
Development Block Grant program. See item II-C-20.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

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

IV-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the non-program and capital projects functions and 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-20 Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Anwhere Flower Shop	Flower arrangements for gifts	\$ 332
Anywhere Quick Shop	Pop and food for County employees	239
Electronic, Inc.	Satellite radio for the County Assessor's office	345

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 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 and the County Assessor should determine and document the public purpose served by these types of expenditures prior to authorizing any further payments. If this practice is continued, the County and the County Assessor should establish written policies and procedures, including requirements for proper public purpose documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

IV-C-20 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-20 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-20 Restricted Donor Activity – Per Chapter 68B of the Code of Iowa, County officials are prohibited from receiving or soliciting gifts from a restricted donor. A restricted donor per Chapter 68B.2(24)(a) is a “party to any one or any combination of sales, purchases, leases or contracts to, from, or with the agency in which the donee holds office or is employed.” The County Sheriff used the County’s email to communicate with vendors for soliciting donations for his daughter’s softball team’s fundraiser. These donations directly benefited the County Sheriff financially reducing the fees paid for his daughter’s participation.

Additionally, Supervisor Cassidy was provided monthly lunches with a cost in excess of \$3 per lunch by the County’s healthcare insurance provider.

Recommendation – The County should consult legal counsel to determine the disposition of these matters. Also, the County should ensure the Iowa gift law is adequately communicated and understood by all staff. Additional oversight should be performed to monitor compliance.

Response – We will consult legal counsel and communicate the Iowa gift law through training to all staff.

Conclusion – Response accepted.

IV-F-20 Bond Coverage – Except for the County Treasurer, surety bond coverage of County officials and employees is in accordance with statutory provisions. The County Treasurer was only bonded for \$25,000.

Recommendation – The Treasurer’s bond should be increased to at least \$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-G-20 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, 2020 to discuss matters relating to the County. The minutes record did not include the reason for the closed session by reference to a specific exemption under Chapter 21.5 of the Code of Iowa or documentation of 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.

Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

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

Conclusion – Response accepted.

IV-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-I-20 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-20 Capital Lease Purchase Agreement – During the year ended June 30, 2020, 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 Chapter 331.302(10)(e) 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 331.301(10)(e) of the Code of Iowa.

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

Conclusion – Response accepted.

IV-K-20 Economic Development – During the year ended June 30, 2020, the County contributed \$10,000 to the Sample County Development Corporation (SCDC). 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 – To ensure the public funds provided to the SCDC are used to accomplish economic development activities, the Board should require monthly or quarterly documentation from the SCDC showing of how the funds were used.

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

Conclusion – Response accepted.



Sample County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

IV-L-20 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 Custodial 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-M-20 Tax Increment Financing (TIF) – For the year ended June 30, 2020, the County Auditor did not prepare a reconciliation for each City to reconcile 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 certified TIF debt.

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

Conclusion – Response accepted.

IV-N-20 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. However, the following reporting exceptions were noted:

The County understated the amount reported as TIF debt outstanding on the Levy Authority Summary by \$58,350. The debt outstanding excluded the County’s rebate agreement.

Recommendation – The County should ensure the TIF debt outstanding reported on the Levy Authority Summary includes all TIF obligations.

Response – This will be corrected on next year’s report.

Conclusion – Response accepted.

Sample County

Staff

This audit was performed by:

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