



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 15, 2016

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

The County had local tax revenue of \$17,369,310 for the year ended June 30, 2015, which included \$1,234,503 in tax credits from the state. The County forwarded \$12,352,046 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,017,264 of the local tax revenue to finance County operations, a 7.6% increase over the prior year. Other revenues included charges for service of \$453,348, operating grants, contributions and restricted interest of \$3,335,831, capital grants, contributions and restricted interest of \$580,250, tax increment financing of \$1,096,189, local option sales tax of \$457,492, gain on disposition of capital assets of \$32,388, unrestricted investment earnings of \$18,911 and other general revenues of \$107,898.

Expenses for County operations for the year ended June 30, 2015 totaled \$9,512,824, a 2.8% decrease from the prior year. Expenses included \$5,597,168 for roads and transportation, \$1,335,893 for public safety and legal services and \$701,873 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1510-0001-B00F.pdf>.

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

JUNE 30, 2015

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Adair County

Officials

(Before January 2015)

Steven Shelley	Board of Supervisors	Jan 2015
Cliff Sheriff	Board of Supervisors	Jan 2015
David Homan	Board of Supervisors	Jan 2017
John Twombly	Board of Supervisors	Jan 2017
Matt Wedemeyer	Board of Supervisors	Jan 2017
Melinda Schaefer	County Auditor	Jan 2017
Brenda Wallace	County Treasurer	Jan 2015
Janelle Schneider	County Recorder	Jan 2015
Brad Newton	County Sheriff	(Resigned)
Jeff Vandewater (Appointed)	County Sheriff	Nov 2017
Michael Maynes	County Attorney	Jan 2015
Kenneth E. Huddleson	County Assessor	(Resigned)
Pam Jensen (Appointed)	County Assessor	Jan 2016

(After January 2015)

David Homan	Board of Supervisors	Jan 2017
John Twombly	Board of Supervisors	Jan 2017
Matt Wedemeyer	Board of Supervisors	Jan 2017
Jodie Hoadley	Board of Supervisors	Jan 2019
Steven Shelley	Board of Supervisors	Jan 2019
Melinda Schaefer	County Auditor	Jan 2017
Brenda Wallace	County Treasurer	Jan 2019
Janelle Schneider	County Recorder	Jan 2019
Jeff Vandewater	County Sheriff	Nov 2017
Clint Hight	County Attorney	Jan 2019
Pam Jensen	County Assessor	Jan 2016

Adair County



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Independent Auditor's Report

To the Officials of Adair 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 Adair County, Iowa, as of and for the year ended June 30, 2015, 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 Adair County as of June 30, 2015, 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 15 to the financial statements, Adair County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. 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 Funding Progress for the Retiree Health Plan on pages 9 through 15 and 52 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2016 on our consideration of Adair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adair County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN C. JENKINS, CPA
Chief Deputy Auditor of State

January 19, 2016

Adair County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adair County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated \$1,489,799 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities increased 14.5%, or approximately \$1,406,000, from fiscal year 2014 to fiscal year 2015. Property tax for debt service increased approximately \$224,000, capital grants, contributions and restricted interest increased approximately \$472,000, local option sales tax increased approximately \$22,000 and tax increment financing increased approximately \$263,000.
- Program expenses of the County's governmental activities were 1.8%, or approximately \$174,000, less in fiscal year 2015 than in fiscal year 2014. Roads and transportation expenses decreased approximately \$308,000 and mental health expenses increased approximately \$147,000.
- The County's net position at June 30, 2015 increased 7.8%, or approximately \$1,587,000, over the restated June 30, 2014 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services 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 government 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 agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

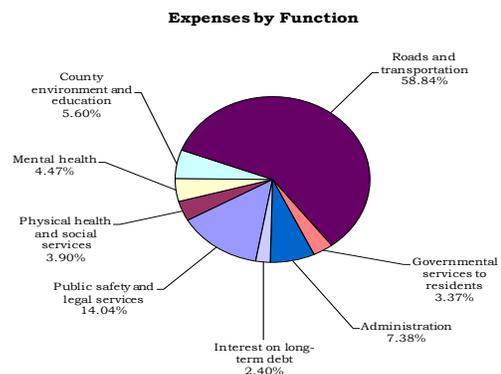
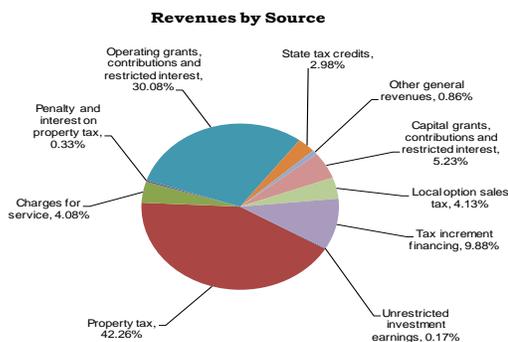
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Adair County's combined net position increased from approximately \$21.9 million to approximately \$22 million. The analysis below shows the changes in the net position of governmental activities from a year ago.

Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 14,390	15,044
Capital assets	25,382	24,213
Total assets	<u>39,772</u>	<u>39,257</u>
Deferred outflows of resources	368	-
Long-term liabilities	10,511	10,581
Other liabilities	646	1,067
Total liabilities	<u>11,157</u>	<u>11,648</u>
Deferred inflows of resources	7,031	5,754
Net position:		
Net investment in capital assets	18,469	18,208
Restricted	3,669	2,751
Unrestricted	(186)	896
Total net position	<u>\$ 21,952</u>	<u>21,855</u>

Prior to restatement, the net position of Adair County's governmental activities increased 0.44% (approximately \$22 million compared to approximately \$21.9 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. Net position invested in capital assets increased approximately \$261,000. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased approximately \$918,000, or 33.37%, from June 30, 2014 to June 30, 2015. 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 approximately \$896,000 at June 30, 2014 to approximately \$(186,000) at the end of this year, a decrease of 120.76%, primarily due to recording the net pension liability as of July 1, 2014.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 453	368
Operating grants, contributions and restricted interest	3,336	3,161
Capital grants, contributions and restricted interest	580	108
General revenues:		
Property tax	4,687	4,423
Tax increment financing	1,096	833
Penalty and interest on property tax	37	24
State tax credits	331	241
Local option sales tax	458	436
Unrestricted investment earnings	19	19
Other general revenues	103	81
Total revenues	11,100	9,694
Program expenses:		
Public safety and legal services	1,336	1,313
Physical health and social services	371	312
Mental health	425	270
County environment and education	533	612
Roads and transportation	5,597	5,905
Governmental services to residents	321	327
Administration	702	794
Interest on long-term debt	228	154
Total expenses	9,513	9,687
Change in net position	1,587	7
Net position beginning of year, as restated	20,365	21,944
Net position end of year	\$ 21,952	21,951



Revenues for governmental activities increased approximately \$1,406,000 over the prior year, with property tax revenue for debt service up \$202,000, or 72.68%, over the prior year.

The cost of all governmental activities this year was approximately \$9.5 million compared to approximately \$9.8 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was \$5,143,395 because some of the cost was paid by those directly benefited from the programs (\$453,348) or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,916,081). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$3,637,000 to approximately \$4,369,000. This was primarily due to increased federal grant receipts related to road and bridge projects.

INDIVIDUAL MAJOR FUND ANALYSIS

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$7.3 million, a decrease of approximately \$.9 million below last year's total of approximately \$8.2 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues exceeded expenditures. The ending fund balance increased approximately \$226,000 from the prior year to approximately \$2,095,000. Charges for service, intergovernmental and interest and penalty on property tax increased and expenditures, primarily in the administration function, decreased.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2015, Special Revenue, Mental Health Fund expenditures totaled approximately \$378,000, an increase of 40% from the prior year, primarily due to the statewide mental health redesign and payments to the fiscal agent. The ending fund balance decreased from approximately \$16,000 to approximately \$6,000. The decrease is primarily due to an increase in distributions to the mental health fiscal agent.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$115,000 from the prior year to approximately \$181,000. This decrease is due primarily to an increase in public safety and roads and transportation expenditures.
- The Special Revenue, Secondary Roads Fund revenues increased approximately \$392,000 from the prior year, primarily due to federal grant revenue recorded in fiscal year 2015. Expenditures decreased approximately \$2,968,000 from the prior year due to a decrease in equipment purchases and a decrease in locally funded road and bridge projects financed by local option sales tax and tax increment financing revenues. The Special Revenue, Secondary Roads Fund balance at year end increased approximately \$839,000, or 198.7%, to approximately \$1,262,000.
- The Special Revenue, Urban Renewal Fund ending fund balance increased from approximately (\$76,000) at the end of the prior year to approximately (\$20,000) as increased tax increment financing revenue exceeded debt service payments. The County will eliminate the deficit balance through the collection of future tax increment financing revenue.

- The Capital Projects Fund ending fund balance decreased approximately \$2,055,000 from the prior year to approximately \$2,358,000. This decrease is primarily due to interfund transfers to the Special Revenue, Secondary Roads Fund for road and bridge projects financed by the general obligation, series 2014 bond issuance.

BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget two times. The first amendment was made in January 2015 and increased budgeted mental health and county environment and education disbursements approximately \$51,000 and \$55,000, respectively, related to the payment of mental health claims and possible legal expenses which could arise from the Lake Orient Safe Room construction project.

The second amendment was made in May 2015. This amendment increased budgeted receipts approximately \$115,000, due primarily to an increase in state and federal grant receipts and unemployment pool distribution. The amendment also increased budgeted disbursements approximately \$272,000, primarily for expenses related to mental health region disbursements, disbursements of state and federal grants and additional disbursements for roads.

The County’s receipts were approximately \$220,000 less than budgeted, primarily because the County budgeted for anticipated state and federal grant proceeds which were not received in the current year.

Total disbursements were approximately \$2,972,000 less than budgeted. Actual disbursements for the capital projects function were approximately \$2,379,000 less than budgeted because of delays for planned secondary roads projects. Also, the County budgeted for the completion of the Lake Orient Safe Room Project, but work on the project did not resume after a stop work order was issued on September 26, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Adair County had approximately \$25,382,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,169,000, or 4.8%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 713	713
Intangibles, road network	34	34
Construction in progress	679	1,604
Buildings and improvements	3,117	3,205
Improvements other than buildings	149	156
Equipment and vehicles	3,032	3,264
Intangibles	343	229
Infrastructure, road network	17,315	15,008
Total	\$ 25,382	24,213
This year's major additions included (in thousands):		
Construction projects	\$ 2,136	
Purchase of Secondary Roads vehicles and equipment	116	
Purchase of intangible assets (Pictometry and computer software)	133	
Total	\$ 2,385	

The County had depreciation expense of approximately \$1,249,000 in fiscal year 2015 and total accumulated depreciation of approximately \$7,629,000 at June 30, 2015. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2015, Adair County had approximately \$9,257,000 of outstanding debt, which included \$9,100,000 of general obligation bonds and approximately \$157,000 of installment purchase agreement debt, compared to total outstanding debt of approximately \$10,385,000 at June 30, 2014. The decrease was due mainly to general obligation bond payments of \$1,075,000.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation bonds	\$ 9,100	10,175
Installment purchase agreements	157	210
Total	<u>\$ 9,257</u>	<u>10,385</u>

Adair County's general obligation debt carries the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Adair County's outstanding debt is significantly below its constitutional debt limit of approximately \$45.3 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Adair County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Adair County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Adair County.

The local option sales tax has generated funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The County estimates it will receive \$411,319 of local option sales tax in fiscal year 2016.

Amounts available for appropriation in the operating budget are approximately \$13.1 million, a decrease of 13% from the final fiscal year 2015 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase to approximately \$8,504,854 by the close of fiscal year 2016.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Adair County

Basic Financial Statements

Exhibit A

Adair County
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 6,651,639
Receivables:	
Property tax:	
Delinquent	10,349
Succeeding year	4,779,000
Succeeding year tax increment financing	1,584,000
Interest and penalty on property tax	14,017
Accounts	42,249
Accrued interest	1,419
Due from other governments	794,415
Inventories	313,190
Prepaid items	199,970
Capital assets, net of accumulated depreciation	25,381,830
Total assets	<u>39,772,078</u>
Deferred Outflows of Resources	
Pension related deferred outflows	368,377
Liabilities	
Accounts payable	444,305
Accrued interest payable	36,217
Salaries and benefits payable	115,025
Due to other governments	51,757
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,080,000
Installment purchase agreements	49,111
Compensated absences	105,732
Portion due or payable after one year:	
General obligation bonds	8,020,000
Installment purchase agreements	107,975
Compensated absences	91,445
Net pension liability	1,051,196
Net OPEB liability	4,800
Total liabilities	<u>11,157,563</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	4,779,000
Unavailable tax increment financing revenue	1,584,000
Pension related deferred inflows	667,827
Total deferred inflows of resources	<u>7,030,827</u>
Net Position	
Net investment in capital assets	18,468,863
Restricted for:	
Supplemental levy purposes	471,669
Mental health purposes	6,650
Rural services purposes	184,158
Secondary roads purposes	1,198,534
Conservation land acquisition purposes	435,564
Resource enhancement and protection	120,545
Bridge maintenance and replacement	823,046
Debt service	401,336
Other purposes	47,498
Unrestricted	(205,798)
Total net position	<u>\$ 21,952,065</u>

See notes to financial statements.

Adair County
Statement of Activities
Year ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,335,893	189,700	47,640	-	(1,098,553)
Physical health and social services	370,377	23,802	45,325	-	(301,250)
Mental health	425,282	-	47,595	-	(377,687)
County environment and education	533,350	37,076	13,027	-	(483,247)
Roads and transportation	5,597,168	27,359	3,134,118	580,250	(1,855,441)
Governmental services to residents	320,490	146,903	13	-	(173,574)
Administration	701,873	27,295	-	-	(674,578)
Nonprogram	-	1,213	47,262	-	48,475
Interest on long-term debt	228,391	-	851	-	(227,540)
Total	\$ 9,512,824	453,348	3,335,831	580,250	(5,143,395)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,154,664
Debt service					531,841
Tax increment financing					1,096,189
Penalty and interest on property tax					37,482
State tax credits					330,759
Local option sales tax					457,492
Unrestricted investment earnings					18,911
Gain on disposition of capital assets					32,388
Miscellaneous					70,416
Total general revenues					6,730,142
Change in net position					1,586,747
Net position beginning of year, as restated					20,365,318
Net position end of year					\$ 21,952,065

See notes to financial statements.

Adair County
Balance Sheet
Governmental Funds

June 30, 2015

	General	Mental Health	Special Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 1,854,165	5,988	194,390
Receivables:			
Property tax:			
Delinquent	5,365	662	3,244
Succeeding year	2,404,000	286,000	1,500,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	14,017	-	-
Accounts	40,773	-	151
Accrued interest	1,419	-	-
Due from other funds	-	-	-
Due from other governments	110,089	-	-
Interfund advance receivable	66,470	-	-
Inventories	-	-	-
Prepaid items	128,149	-	-
Total assets	\$ 4,624,447	292,650	1,697,785
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 10,810	-	1,783
Salaries and benefits payable	46,616	-	8,871
Due to other funds	1,713	-	-
Due to other governments	47,097	-	2,973
Interfund advance payable	-	-	-
Total liabilities	106,236	-	13,627
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,404,000	286,000	1,500,000
Succeeding year tax increment financing	-	-	-
Other	19,382	662	3,244
Total deferred inflow of resources	2,423,382	286,662	1,503,244
Fund balances:			
Nonexpendable:			
Inventories	-	-	-
Prepaid items	128,149	-	-
Restricted for:			
Supplemental levy purposes	417,951	-	-
Mental health purposes	-	5,988	-
Rural services purposes	-	-	180,914
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	435,564	-	-
Debt service	-	-	-
Capital projects	-	-	-
Resource enhancement and protection	-	-	-
Bridge maintenance and replacement	-	-	-
Other purposes	-	-	-
Assigned for:			
Courthouse windows	42,000	-	-
Courthouse roof	100,000	-	-
Unassigned	971,165	-	-
Total fund balances	2,094,829	5,988	180,914
Total liabilities, deferred inflows of resources and fund balances	\$ 4,624,447	292,650	1,697,785

See notes to financial statements.

Revenue				
Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	Total
749,844	46,952	2,407,096	1,354,972	6,613,407
-	-	-	1,078	10,349
-	-	-	589,000	4,779,000
-	1,584,000	-	-	1,584,000
-	-	-	-	14,017
1,325	-	-	-	42,249
-	-	-	-	1,419
1,713	-	-	-	1,713
601,199	-	-	83,127	794,415
-	-	-	-	66,470
313,190	-	-	-	313,190
67,241	-	-	-	195,390
1,734,512	1,630,952	2,407,096	2,028,177	14,415,619
345,329	-	48,927	37,456	444,305
59,538	-	-	-	115,025
-	-	-	-	1,713
1,687	-	-	-	51,757
-	66,470	-	-	66,470
406,554	66,470	48,927	37,456	679,270
-	-	-	589,000	4,779,000
-	1,584,000	-	-	1,584,000
66,289	-	-	1,078	90,655
66,289	1,584,000	-	590,078	6,453,655
313,190	-	-	-	313,190
67,241	-	-	-	195,390
-	-	-	-	417,951
-	-	-	-	5,988
-	-	-	-	180,914
881,238	-	-	-	881,238
-	-	-	-	435,564
-	-	-	409,554	409,554
-	-	2,358,169	-	2,358,169
-	-	-	120,545	120,545
-	-	-	823,046	823,046
-	-	-	47,498	47,498
-	-	-	-	42,000
-	-	-	-	100,000
-	(19,518)	-	-	951,647
1,261,669	(19,518)	2,358,169	1,400,643	7,282,694
1,734,512	1,630,952	2,407,096	2,028,177	14,415,619

Adair County

Adair County

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

June 30, 2015

Total governmental fund balances (page 21)		\$ 7,282,694
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$33,011,192 and the accumulated depreciation is \$7,629,362.		25,381,830
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.		90,655
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		42,812
Pension related deferred outflows of resources and deferred inflows of resources are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 368,377	
Deferred inflows of resources	<u>(667,827)</u>	(299,450)
Long-term liabilities, including bonds payable, installment purchase agreements payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(10,546,476)</u>
Net position of governmental activities (page 18)		<u><u>\$ 21,952,065</u></u>

See notes to financial statements.

Adair County

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

Year ended June 30, 2015

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,353,253	290,244	1,509,781
Tax increment financing	-	-	-
Local option sales tax	-	-	-
Interest and penalty on property tax	34,530	-	-
Intergovernmental	380,706	66,338	91,894
Licenses and permits	6,202	-	7,590
Charges for service	214,134	-	10
Use of money and property	35,481	-	-
Miscellaneous	64,605	11,232	-
Total revenues	3,088,911	367,814	1,609,275
Expenditures:			
Operating:			
Public safety and legal services	1,111,720	-	199,988
Physical health and social services	361,004	-	9,985
Mental health	-	377,669	-
County environment and education	390,105	-	130,313
Roads and transportation	-	-	280,071
Governmental services to residents	324,950	-	3,919
Administration	684,815	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	2,872,594	377,669	624,276
Excess (deficiency) of revenues over (under) expenditures	216,317	(9,855)	984,999
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(88,097)	-	(1,100,000)
Interfund advance	66,470	-	-
Disposition of capital assets	30,900	-	-
Total other financing sources (uses)	9,273	-	(1,100,000)
Change in fund balances	225,590	(9,855)	(115,001)
Fund balances beginning of year	1,869,239	15,843	295,915
Fund balances end of year	\$ 2,094,829	5,988	180,914

See notes to financial statements.

Revenue				
Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	Total
-	-	-	531,301	4,684,579
-	1,096,189	-	-	1,096,189
-	-	-	457,492	457,492
-	-	-	-	34,530
3,316,144	5,310	-	48,745	3,909,137
950	-	-	-	14,742
-	-	-	1,345	215,489
-	599	6,395	2,852	45,327
102,656	-	-	4,049	182,542
3,419,750	1,102,098	6,395	1,045,784	10,640,027
-	-	-	10,267	1,321,975
-	-	-	-	370,989
-	-	-	-	377,669
-	-	-	-	520,418
4,036,336	-	-	4,013	4,320,420
-	-	-	1,551	330,420
-	-	-	-	684,815
-	979,428	-	319,469	1,298,897
1,893,433	-	428,729	33,419	2,355,581
5,929,769	979,428	428,729	368,719	11,581,184
(2,510,019)	122,670	(422,334)	677,065	(941,157)
3,347,837	-	58,410	-	3,406,247
-	-	(1,690,647)	(527,503)	(3,406,247)
-	(66,470)	-	-	-
1,488	-	-	-	32,388
3,349,325	(66,470)	(1,632,237)	(527,503)	32,388
839,306	56,200	(2,054,571)	149,562	(908,769)
422,363	(75,718)	4,412,740	1,251,081	8,191,463
1,261,669	(19,518)	2,358,169	1,400,643	7,282,694

Adair County

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

Year ended June 30, 2015

Change in fund balances - Total governmental funds (page 25) \$ (908,769)

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

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

Expenditures for capital assets	\$ 2,076,065	
Capital assets contributed by the Iowa Department of Transportation	308,698	
Depreciation expense	<u>(1,248,612)</u>	1,136,151

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 32,388

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

Property tax	1,926	
Other	<u>69,239</u>	71,165

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. 1,128,048

The current year County's share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 244,846

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	(8,251)	
Interest on long-term debt	(4,494)	
Pension expense	(105,692)	
Other postemployment benefits	<u>1,800</u>	(116,637)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. (445)

Change in net position of governmental activities (page 19) \$ 1,586,747

See notes to financial statements.

Adair County
 Statement of Net Position
 Proprietary Fund
 June 30, 2015

		Internal Service - Employee Health Insurance
Assets		
Cash and cash equivalents	\$	38,232
Prepaid items		4,580
Total current assets		42,812
Liabilities		
None		-
Net Position		
Unrestricted	\$	42,812

See notes to financial statements.

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

Year ended June 30, 2015

	<u>Internal Service - Employee Health Insurance</u>
Operating revenues:	
Premium reimbursements from employees and others	\$ 47,217
Operating expenses:	
Insurance premiums	<u>47,737</u>
Operating loss	(520)
Non-operating revenues:	
Interest income	<u>75</u>
Net loss	(445)
Net position beginning of year	43,257
Net position end of year	<u><u>\$ 42,812</u></u>

See notes to financial statements.

Adair County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2015

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Premium reimbursements from employees and others	\$ 47,217
Cash paid to governmental funds	(47,737)
Cash paid to suppliers for services	(570)
Net cash used by operating activities	(1,090)
Cash flows from investing activities:	
Interest on investments	75
Net decrease in cash and cash equivalents	(1,015)
Cash and cash equivalents beginning of year	39,247
Cash and cash equivalents end of year	\$ 38,232
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (520)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Increase in prepaid items	(570)
Net cash used by operating activities	\$ (1,090)

See notes to financial statements.

Adair County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 553,761
Other County officials	25,779

Receivables:

Property tax:

Delinquent	24,059
Succeeding year	11,499,000

Special assessments	25,426
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Due from other governments	13,721
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Prepaid expenses	13,063
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Total assets	<u>12,154,809</u>
---------------------	-------------------

Liabilities

Accounts payable	15,317
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Salaries and benefits payable	890
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Due to other governments	12,078,910
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Trusts payable	42,126
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Compensated absences	17,566
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Total liabilities	<u>12,154,809</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Adair County

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

Due from and to Other Funds and Advances to and from 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, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Special Assessments Receivable – Special assessments receivable represent amounts due from individuals for work done which benefits 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. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), 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 estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	10 - 65
Intangibles	5 - 25
Equipment	3 - 20
Vehicles	3 - 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions by 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. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health 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.

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

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

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

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

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

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 Health Insurance Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$90,574 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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 investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.

(3) Interfund Assets/Liabilities

The detail of amounts due from and due to other funds at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	<u>\$ 1,713</u>

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

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Urban Renewal	<u>\$ 66,470</u>

The General Fund advanced \$66,470 to the Special Revenue, Urban Renewal Fund to pay for economic development expenses. The amounts will be repaid with tax increment financing receipts as they are collected.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 88,097
	Special Revenue:	
	Rural Services	1,100,000
	Local Option Sales Tax	469,093
	Capital Projects	1,690,647
		<u>3,347,837</u>
Capital Projects	Debt Service	58,410
Total		<u>\$ 3,406,247</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, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 712,767	-	-	712,767
Intangibles, road network	34,220	-	-	34,220
Construction in progress	1,604,070	2,136,053	3,060,911	679,212
Total capital assets not being depreciated	<u>2,351,057</u>	<u>2,136,053</u>	<u>3,060,911</u>	<u>1,426,199</u>
Capital assets being depreciated:				
Buildings	3,695,159	-	-	3,695,159
Improvements other than buildings	278,917	-	-	278,917
Equipment and vehicles	6,119,355	148,098	69,535	6,197,918
Intangibles	241,006	133,000	-	374,006
Infrastructure, road network	17,978,082	3,060,911	-	21,038,993
Total capital assets being depreciated	<u>28,312,519</u>	<u>3,342,009</u>	<u>69,535</u>	<u>31,584,993</u>
Less accumulated depreciation for:				
Buildings	489,926	88,027	-	577,953
Improvements other than buildings	122,591	7,422	-	130,013
Equipment and vehicles	2,855,963	379,854	69,535	3,166,282
Intangibles	12,050	18,701	-	30,751
Infrastructure, road network	2,969,755	754,608	-	3,724,363
Total accumulated depreciation	<u>6,450,285</u>	<u>1,248,612</u>	<u>69,535</u>	<u>7,629,362</u>
Total capital assets being depreciated, net	<u>21,862,234</u>	<u>2,093,397</u>	<u>-</u>	<u>23,955,631</u>
Governmental activities capital assets, net	<u>\$24,213,291</u>	<u>4,229,450</u>	<u>3,060,911</u>	<u>25,381,830</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 113,778
County environment and education	20,678
Roads and transportation	1,082,306
Administration	<u>31,850</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,248,612</u></u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

Fund	Description	Amount
General	Services	<u>\$ 47,097</u>
Special Revenue:		
Rural Services	Services	2,973
Secondary Roads	Services	<u>1,687</u>
		<u>4,660</u>
Total for governmental funds		<u><u>\$ 51,757</u></u>
Agency:		
County Assessor	Collections	\$ 297,126
Schools		6,627,884
Community Colleges		391,005
Corporations		2,456,556
Townships		344,081
County Hospital		1,465,559
Auto License and Use Tax		243,198
All other		<u>253,501</u>
Total for agency funds		<u><u>\$ 12,078,910</u></u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	General Obligation Bonds	Installment Purchase Agreements	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$ 10,175,000	210,134	188,926	1,729,226	6,600	12,309,886
Increases	-	-	138,308	-	6,600	144,908
Decreases	<u>1,075,000</u>	<u>53,048</u>	<u>130,057</u>	<u>678,030</u>	<u>8,400</u>	<u>1,944,535</u>
Balance end of year	<u>\$ 9,100,000</u>	<u>157,086</u>	<u>197,177</u>	<u>1,051,196</u>	<u>4,800</u>	<u>10,510,259</u>
Due within one year	<u><u>\$ 1,080,000</u></u>	<u><u>49,111</u></u>	<u><u>105,732</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>1,234,843</u></u>

A summary of the County's June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Public Safety Building			Bridge, Road and Culvert		
	Issued Sept 1, 2010			Issued Apr 28, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	2.00%	\$ 125,000	77,150	2.00%	\$ 850,000	17,000
2017	2.25	130,000	74,650		-	-
2018	2.25	135,000	71,725		-	-
2019	2.50	140,000	68,688		-	-
2020	3.50-3.25	145,000	65,189		-	-
2021-2024	2.50-3.00	820,000	260,860		-	-
2026-2030	3.25-3.75	1,025,000	115,626		-	-
Total		<u>\$ 2,520,000</u>	<u>733,888</u>		<u>\$ 850,000</u>	<u>17,000</u>

Year Ending June 30,	General Obligation, Series 2014			Total		
	Issued Apr 2, 2014					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2016	1.50%	\$ 105,000	91,932	1,080,000	186,082	1,266,082
2017	1.50	920,000	90,358	1,050,000	165,008	1,215,008
2018	1.50	885,000	76,557	1,020,000	148,282	1,168,282
2019	1.50	895,000	63,283	1,035,000	131,971	1,166,971
2020	1.50	910,000	49,858	1,055,000	115,047	1,170,047
2021-2025	1.50-2.10	2,015,000	60,700	2,835,000	321,560	3,156,560
2026-2030		-	-	1,025,000	115,626	1,140,626
Total		<u>\$ 5,730,000</u>	<u>432,688</u>	<u>9,100,000</u>	<u>1,183,576</u>	<u>10,283,576</u>

Installment Purchase Agreements

On November 12, 2013, the County entered into an interest-free installment purchase agreement to purchase aerial photography for its Geographic Information System. On December 11, 2013, the County entered into an interest-free installment purchase agreement for ShieldWare software for the County Sheriff's Office. The following is a schedule of the future minimum payments under the agreements in effect at June 30, 2015:

Year Ending June 30,	Geographic Information System	ShieldWare Software	Total
2016	\$ 29,325	19,785	49,110
2017	29,325	29,173	58,498
2018	-	27,739	27,739
2019	-	21,739	21,739
Total	<u>\$ 58,650</u>	<u>98,436</u>	<u>157,086</u>

(8) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 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 - Effective July 1, 2012, as a result of a 2010 law change, the 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 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the County contributed 8.93% for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$244,846.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,051,196 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 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, 2014, the County's collective proportion was 0.026506%, which was a decrease of 0.003611% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$105,692. At June 30, 2015, 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	\$ 12,583	19,792
Changes of assumptions	51,098	13,717
Net difference between projected and actual earnings on pension plan investments	-	634,318
Changes in proportion and differences between County contributions and proportionate share of contributions	59,850	-
County contributions subsequent to the measurement date	244,846	-
Total	\$ 368,377	667,827

\$244,846 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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
2016	\$ (137,546)
2017	(137,546)
2018	(137,546)
2019	(137,546)
2020	5,888
Total	<u>\$ (544,296)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)	\$ 2,491,454	\$1,051,196	\$ (163,330)

IPERS Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2015, the County reported payables to IPERS of \$19,140 for legally required employer contributions and \$13,507 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 65 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits were provided through a partially self-funded medical plan administered by Wellmark until January 1, 2014. Effective January 1, 2014, medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 7,800
Interest on net OPEB obligation	300
Adjustment to annual required contribution	<u>(1500)</u>
Annual OPEB cost	6,600
Contributions made	<u>8,400</u>
Increase in net OPEB obligation	(1,800)
Net OPEB obligation beginning of year	<u>6,600</u>
Net OPEB obligation end of year	<u>\$ 4,800</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$8,400 to the medical plan. Plan members eligible for benefits contributed \$22,700, or 73% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 7,796	52.6%	\$ 5,971
2014	6,729	90.7	6,600
2015	6,600	127.2	4,800

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$73,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$73,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,596,000 and the ratio of the UAAL to covered payroll was 2.8%. As of June 30, 2015, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this report.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on Scale T-4 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$9,655 annually for retirees participating in the plan. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 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 operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$111,811.

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 \$350,000 per claim. Claims exceeding \$350,000 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, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, 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 Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. On January 1, 2015, the County discontinued the self-funding portion of its health insurance benefit plan and changed to a fully-funded plan. Prior to January 1, 2015, the plan was funded by County contributions and was administered by the County. The County assumed liability for claims up to the individual deduction limitations of \$1,000 and \$2,000 for single and family coverage, respectively.

Contributions to the Employee Health Insurance Fund were recorded as expenditures from the operating funds. The County's contribution for the year ended June 30, 2015 was \$0.

The County was not required to obtain an actuarial report for the period ended June 30, 2015 since its plan qualifies as a "mini plan." A liability is 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. There were no amounts payable from the Employee Health Insurance Fund at June 30, 2015.

(12) Deficit Fund Balance

The Special Revenue, Urban Renewal Fund had a fund balance deficit of \$19,518 at June 30, 2015. The County plans to eliminate the deficit through the collection of tax increment financing revenue in fiscal year 2016.

(13) Litigation

The Adair County Conservation Board obtained federal assistance from the Hazard Mitigation Grant Program through an agreement with the Iowa Homeland Security and Emergency Management Department to help finance the construction of the Adair County Lake Orient Tornado Safe Room.

The Conservation Board awarded a contract for the Lake Orient Tornado Safe Room to Winterstein Construction on April 16, 2013. Work on the project commenced May 2013, but a stop work order was issued on September 26, 2013.

On August 14, 2014, the Adair County Conservation Board filed suit against the contractor, alleging breach of contract, breach of the implied warranties of workmanlike construction and fitness for a particular purpose and breach of express warranty arising out of the project. In July 2015, the Adair County Conservation Board reached a favorable settlement with the Contractor.

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

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Adams County, Union County, Taylor County, and Adair County. The financial activity of Adair County's Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2015, as follows:

Revenues:		
Property and other county tax		\$ 290,244
Intergovernmental revenues:		
State tax credits	\$ 21,579	
Mental health and disability services equalization	44,636	
Other intergovernmental revenues	123	66,338
Miscellaneous		11,232
Total revenues		<u>367,814</u>
Expenditures:		
Services to persons with mental illness		1,100
General administration:		
Distribution to regional fiscal agent		376,569
Total expenditures		<u>377,669</u>
Deficiency of revenues under expenditures		(9,855)
Fund balance beginning of the year		<u>15,843</u>
Fund balance end of the year		<u>\$ 5,988</u>

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not to be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 21,855,117
Net pension liability at June 30, 2014	(1,729,226)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	239,427
Net position July 1, 2014, as restated	<u>\$ 20,365,318</u>

Required Supplementary Information

Adair County

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

Required Supplementary Information

Year ended June 30, 2015

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 6,224,024	6,259,863	6,259,863	(35,839)
Interest and penalty on property tax	34,530	27,000	27,000	7,530
Intergovernmental	3,492,901	3,725,374	3,786,374	(293,473)
Licenses and permits	15,417	16,200	16,200	(783)
Charges for service	216,663	176,925	191,748	24,915
Use of money and property	45,446	42,800	44,107	1,339
Miscellaneous	169,804	55,325	93,614	76,190
Total receipts	10,198,785	10,303,487	10,418,906	(220,121)
Disbursements:				
Public safety and legal services	1,334,664	1,418,180	1,437,260	102,596
Physical health and social services	373,380	350,961	412,961	39,581
Mental health	427,576	306,568	427,576	-
County environment and education	516,388	525,496	580,496	64,108
Roads and transportation	4,416,374	4,620,827	4,645,827	229,453
Governmental services to residents	330,837	352,894	352,894	22,057
Administration	696,044	830,957	830,957	134,913
Debt service	1,298,895	1,203,044	1,298,896	1
Capital projects	2,731,932	5,110,780	5,110,780	2,378,848
Total disbursements	12,126,090	14,719,707	15,097,647	2,971,557
Excess (deficiency) of receipts over (under) disbursements	(1,927,305)	(4,416,220)	(4,678,741)	2,751,436
Other financing sources, net	1,487	15,000	15,000	(13,513)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,925,818)	(4,401,220)	(4,663,741)	2,737,923
Balance beginning of year	\$ 8,539,225	9,245,509	9,245,509	(706,284)
Balance end of year	\$ 6,613,407	4,844,289	4,581,768	2,031,639

See accompanying independent auditor's report.

Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 10,198,785	441,242	10,640,027
Expenditures	12,126,090	(544,906)	11,581,184
Net	(1,927,305)	(103,664)	(941,157)
Other financing sources, net	1,487	30,901	32,388
Beginning fund balances	8,539,225	(347,762)	8,191,463
Ending fund balances	\$ 6,613,407	669,287	7,282,694

See accompanying independent auditor's report.

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$377,940. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

Adair County

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.026506%
County's collective proportionate share of the net pension liability (asset)	\$ 1,051
County's covered-employee payroll	\$ 2,620
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.11%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Adair County
 Schedule of County Contributions
 Iowa Public Employees' Retirement System
 Last 10 Fiscal Years
 (In Thousands)

Required Supplementary Information

	2015	2014	2013
Statutorily required contribution	\$ 245	241	221
Contributions in relation to the statutorily required contribution	(245)	(241)	(221)
Contribution deficiency (excess)	\$ -	-	-
County's covered-employee payroll	\$ 2,596	2,620	2,502
Contributions as a percentage of covered-employee payroll	9.44%	9.20%	8.83%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
192	150	138	127	123
<u>(192)</u>	<u>(150)</u>	<u>(138)</u>	<u>(127)</u>	<u>(123)</u>
-	-	-	-	-
2,361	2,207	1,926	1,987	1,920
8.13%	6.80%	7.17%	6.39%	6.41%

Adair County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Adair County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	Jul 1, 2009	-	\$ 107	107	0.0%	\$ 2,207	4.8%
2012	Jul 1, 2009	-	107	107	0.0	2,361	4.5
2013	Jul 1, 2012	-	73	73	0.0	2,502	2.9
2014	Jul 1, 2012	-	73	73	0.0	2,620	2.8
2015	Jul 1, 2012	-	73	73	0.0	2,596	2.8

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

See accompanying independent auditor's report.

Supplementary Information

Adair County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Assets			
Cash, cash equivalents and pooled investments	\$ 120,545	5,796	4,492
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	167	-
Total assets	\$ 120,545	5,963	4,492
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Resource enhancement and protection	120,545	-	-
Bridge maintenance and replacement	-	-	-
Other purposes	-	5,963	4,492
Total fund balances	120,545	5,963	4,492
Total liabilities, deferred inflows of resources and fund balances	\$ 120,545	5,963	4,492

See accompanying independent auditor's report.

Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
37,068	777,517	409,554	1,354,972
-	-	1,078	1,078
-	-	589,000	589,000
-	82,960	-	83,127
37,068	860,477	999,632	2,028,177
25	37,431	-	37,456
-	-	589,000	589,000
-	-	1,078	1,078
-	-	590,078	590,078
-	-	409,554	409,554
-	-	-	120,545
-	823,046	-	823,046
37,043	-	-	47,498
37,043	823,046	409,554	1,400,643
37,043	823,046	999,632	2,028,177

Adair County

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

Year ended June 30, 2015

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Revenues:			
Property tax	\$ -	-	-
Local option sales tax	-	-	-
Intergovernmental	12,042	-	807
Charges for service	-	1,345	-
Use of money and property	233	13	16
Miscellaneous	-	-	1,000
Total revenues	12,275	1,358	1,823
Expenditures:			
Operating:			
Public safety and legal services	-	-	4,525
Roads and transportation	-	-	-
Governmental services to residents	-	1,551	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	-	1,551	4,525
Excess (deficiency) of revenues over (under) expenditures	12,275	(193)	(2,702)
Other financing uses:			
Transfers out	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	12,275	(193)	(2,702)
Fund balances beginning of year	108,270	6,156	7,194
Fund balances end of year	\$ 120,545	5,963	4,492

See accompanying independent auditor's report.

Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
-	-	531,301	531,301
-	457,492	-	457,492
-	-	35,896	48,745
-	-	-	1,345
75	1,664	851	2,852
3,049	-	-	4,049
3,124	459,156	568,048	1,045,784
5,742	-	-	10,267
-	4,013	-	4,013
-	-	-	1,551
-	-	319,469	319,469
-	33,419	-	33,419
5,742	37,432	319,469	368,719
(2,618)	421,724	248,579	677,065
-	(469,093)	(58,410)	(527,503)
(2,618)	(47,369)	190,169	149,562
39,661	870,415	219,385	1,251,081
37,043	823,046	409,554	1,400,643

Adair County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,989	76,010	89,460
Other County officials	25,779	-	-	-
Receivables:				
Property tax:				
Delinquent	-	335	508	13,424
Succeeding year	-	149,000	226,000	6,525,000
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	13,063	-
Total assets	\$ 25,779	151,324	315,581	6,627,884
Liabilities				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	890	-
Due to other governments	22,735	151,324	297,125	6,627,884
Trusts payable	3,044	-	-	-
Compensated absences	-	-	17,566	-
Total liabilities	\$ 25,779	151,324	315,581	6,627,884

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	County Hospital	Auto License and Use Tax	Other	Total
5,083	21,511	4,516	19,304	243,198	92,690	553,761
-	-	-	-	-	-	25,779
923	5,045	565	3,255	-	4	24,059
385,000	2,430,000	339,000	1,443,000	-	2,000	11,499,000
-	-	-	-	-	25,426	25,426
-	-	-	-	-	13,721	13,721
-	-	-	-	-	-	13,063
<u>391,006</u>	<u>2,456,556</u>	<u>344,081</u>	<u>1,465,559</u>	<u>243,198</u>	<u>133,841</u>	<u>12,154,809</u>
-	-	-	-	-	15,317	15,317
-	-	-	-	-	-	890
391,006	2,456,556	344,081	1,465,559	243,198	79,442	12,078,910
-	-	-	-	-	39,082	42,126
-	-	-	-	-	-	17,566
<u>391,006</u>	<u>2,456,556</u>	<u>344,081</u>	<u>1,465,559</u>	<u>243,198</u>	<u>133,841</u>	<u>12,154,809</u>

Adair County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 31,173	147,621	286,007	6,606,384
Additions:				
Property and other county tax	-	151,132	229,943	6,589,278
State tax credits	-	10,997	16,660	490,764
Office fees and collections	161,602	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	104,612	-	-	-
Miscellaneous	-	-	1,211	-
Total additions	266,214	162,129	247,814	7,080,042
Deductions:				
Agency remittances:				
To other funds	85,006	-	-	-
To other governments	75,121	158,426	218,240	7,058,542
Trusts paid out	111,481	-	-	-
Total deductions	271,608	158,426	218,240	7,058,542
Balances end of year	\$ 25,779	151,324	315,581	6,627,884

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	County Hospital	Auto License and Use Tax	Other	Total
377,709	2,623,524	327,571	1,429,436	197,851	267,207	12,294,483
388,975	2,281,844	341,360	1,464,152	-	1,618	11,448,302
27,922	227,399	23,135	106,746	-	121	903,744
-	-	-	-	-	-	161,602
-	-	-	-	-	1,345	1,345
-	-	-	-	2,930,110	-	2,930,110
-	-	-	-	-	5,478	5,478
-	-	-	-	-	139,997	244,609
-	-	-	-	-	58,517	59,728
416,897	2,509,243	364,495	1,570,898	2,930,110	207,076	15,754,918
-	-	-	-	101,637	-	186,643
403,600	2,676,211	347,985	1,537,775	2,783,326	340,442	15,599,668
-	-	-	-	-	-	111,481
403,600	2,676,211	347,985	1,537,775	2,884,963	340,442	15,897,792
391,006	2,456,556	344,081	1,462,559	242,998	133,841	12,151,609

Adair County

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

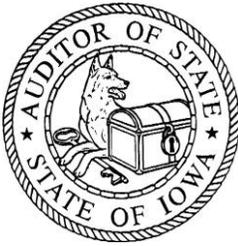
For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 4,684,579	4,423,885	4,251,744	3,869,754
Tax increment financing	1,096,189	832,544	644,439	13,541
Local option sales tax	457,492	435,869	503,817	393,649
Interest and penalty on property tax	34,530	31,576	34,847	38,153
Intergovernmental	3,909,137	3,344,693	3,512,965	3,345,918
Licenses and permits	14,742	13,628	13,234	19,665
Charges for service	215,489	212,097	208,137	216,685
Use of money and property	45,327	47,802	68,027	111,898
Miscellaneous	182,542	285,658	133,964	125,581
Total	\$ 10,640,027	9,627,752	9,371,174	8,134,844
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,321,975	1,338,217	1,166,708	1,157,935
Physical health and social services	370,989	312,561	285,058	253,437
Mental health	377,669	269,793	313,493	965,012
County environment and education	520,418	455,202	458,616	442,356
Roads and transportation	4,320,420	4,356,764	5,146,178	3,900,205
Governmental services to residents	330,420	326,728	306,720	283,578
Administration	684,815	785,889	744,504	689,376
Debt service	1,298,897	1,053,050	765,449	268,250
Capital projects	2,355,581	5,140,604	1,281,359	1,949,111
Total	\$ 11,581,184	14,038,808	10,468,085	9,909,260

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
3,348,513	3,167,982	3,059,585	2,940,051	2,787,863	2,811,648
-	-	155,821	224,152	228,134	197,312
382,925	359,998	389,100	384,633	331,171	288,283
40,603	36,663	32,615	31,970	24,795	30,144
4,514,671	3,406,128	4,056,407	3,570,799	3,253,022	3,698,104
13,045	11,581	10,785	7,996	5,892	8,773
218,616	202,184	192,838	209,970	187,939	194,725
141,667	115,319	143,624	168,860	192,220	145,577
47,221	65,442	58,841	57,627	59,213	56,182
8,707,261	7,365,297	8,099,616	7,596,058	7,070,249	7,430,748
1,032,605	922,347	911,956	872,781	848,714	838,304
254,101	285,962	211,656	196,164	205,790	187,905
830,960	723,834	822,903	899,924	832,900	738,628
395,070	349,061	356,852	302,639	297,218	282,131
4,398,859	3,317,301	3,225,904	3,049,285	3,208,317	3,689,971
264,392	258,019	241,661	192,932	208,987	283,523
730,973	637,063	631,016	652,064	534,470	532,093
65,313	3,180	310,430	236,213	392,157	204,537
2,568,105	235,048	915,695	207,174	511,154	707,302
10,540,378	6,731,815	7,628,073	6,609,176	7,039,707	7,464,394

Adair County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

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

To the Officials of Adair County:

We have audited in accordance with 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 Adair County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adair County's internal control over financial reporting 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 Adair County's internal control. Accordingly, we do not express an opinion on the effectiveness of Adair 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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses.

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 the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Adair County's Responses to the Findings

Adair County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Adair 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 Adair County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 19, 2016

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from an employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Sheriff, Recorder and Conservation
(2) The mail opener also has access to the accounts receivable records.	Sheriff
(3) Inventory and supplies receiving, accounting and storing responsibilities are not properly segregated.	Secondary Roads

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the control activities should be reviewed to obtain the maximum internal control possible under the circumstances. The offices should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of review.

Responses –

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

The Director or Secretary opens the mail, the Secretary prepares the deposit slip and the Director takes the money and deposit slip to the County Treasurer for deposit. At the end of the month the Conservation Board balances its receipts with the County Treasurer report for the month

Recorder – To the best of their ability the office tries to comply with the limited amount of staff.

Adair County

Schedule of Findings

Year ended June 30, 2015

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

Secondary Roads – We will work to develop practices that provide additional control through independent reviews of transactions, reconciliations and reports.

Conclusions – Responses accepted.

- (B) Salvaged Materials and Scrap Metal – Although records are maintained for materials recovered from job sites, these records are not periodically reviewed by someone independent of other duties related to the materials to ensure all material is accounted for.

Recommendation – The Engineer’s Office should implement procedures which ensure sufficient records are maintained for materials recovered from job sites. The records should include a description of the materials, quantity/weight, whether it will be sold as individual pieces or as scrap, the job from which it was recovered, the date it was returned to the Engineer’s Office yard, the date it was subsequently sold, the amount it was sold for and who authorized the sale.

In addition, the records should periodically be reviewed by someone independent of other duties related to the materials to ensure all material is accounted for. The sale amounts should be compared to the amounts deposited with the County Treasurer. Any variances identified should be resolved in a timely matter.

Response – We will continue to work to further develop practices and procedures for tracking used and scrap materials.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the mental health function prior to a budget amendment.

Recommendation – The budget should have been properly amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Adair County will make every attempt to comply with Chapter 331.435 of the Code of Iowa to not exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Berg, Secondary Roads Head mechanic, nephew is owner of Appliance Repair Service	Furnance repair	\$ 1,137
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	1,983
Pam Jensen, Deputy Assessor, brother-in-law is owner of Southwest Iowa Pest Control	Pest control	527
Kurt Mackrill, Conservation Board Member, Owner of Jacobson's	Plumbing supplies	249

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Don Carlos Insurance may represent a conflict of interest since the total transactions exceeded \$1,500 during the fiscal year.

The transactions with Appliance Repair Service, Southwest Iowa Pest Control and Jacobson’s do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions with each were less than \$1,500 during the fiscal year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Adair County

Schedule of Findings

Year ended June 30, 2015

Response – Adair County will consult legal counsel on the transactions with Don Carlos Insurance to ensure there is not a conflict of interest.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) 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.
- (8) 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).
- (9) Financial Condition – Although the Special Revenue, Urban Renewal Fund had a positive cash balance at June 30, 2015, the modified accrual basis unassigned fund balance deficit was \$19,518.

Recommendation – The County should investigate alternatives to eliminate this deficit balance.

Response – Adair County plans to eliminate the deficit through the collection of tax increment financing revenue in fiscal year 2016.

Conclusion – Response accepted.

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

Disbursements during the year ended June 30, 2015 for the County Extension Office did not exceed the amount budgeted.

Adair County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Brandon J. Vogel, Senior Auditor II
April D. Harbst, Staff Auditor
Megan E. Irvin, Staff Auditor
Alex W. Case, Assistant Auditor
Jessica R. Frisch, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State