

CALHOUN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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CALHOUN COUNTY

OFFICIALS

(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Jacobs	Board of Supervisors	Jan. 2015
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2017
Gary Nicholson	Board of Supervisors	Jan. 2017
Judy Howrey	County Auditor	Jan. 2017
Lori Erkenbrack	County Treasurer	Jan. 2015
Kathy Jurries	County Recorder	Jan. 2015
William A. Davis	County Sheriff	Jan. 2017
Tina Meth-Farrington	County Attorney	Jan. 2015
Joan Wagner	County Assessor	Jan. 2016

(After January 2015)

Scott Jacobs	Board of Supervisors	Jan. 2019
Dean G. Hoag, Sr. (Resigned March 2015)	Board of Supervisors	Jan. 2017
Mike Cooper (Began June 2015)	Board of Supervisors	Jan. 2017
Gary Nicholson	Board of Supervisors	Jan. 2017
Judy Howrey	County Auditor	Jan. 2017
Lori Erkenbrack	County Treasurer	Jan. 2019
Kathy Jurries	County Recorder	Jan. 2019
William A. Davis	County Sheriff	Jan. 2017
Tina Meth-Farrington	County Attorney	Jan. 2019
Joan Wagner	County Assessor	Jan. 2021

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
STEVE C. CAMPBELL, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun 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 Calhoun County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the 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 Calhoun County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 18 to the financial statements, Calhoun 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 6 through 10 and 42 through 48 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 Calhoun 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 each of the years in the nine year period ending June 30, 2014 (which are not presented herein), and expressed unqualified 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 February 2, 2016 on our consideration of Calhoun 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 Calhoun County's internal control over financial reporting and compliance.

Hunnegelman, Putzies & Co., PLC

February 2, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun 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

- Revenues of the County's governmental activities increased 7.5%, or \$977,327, from fiscal 2014 to fiscal 2015. Charges for services increased \$312,682, operating grants and contributions increased \$11,514, property tax decreased \$61,478, unrestricted investment earnings increased \$19,750, and capital grants and contributions increased \$612,421.
- Program expenses of the County's governmental activities were 8.9%, or \$1,119,161, more in fiscal 2015 than in fiscal 2014.
- The County's net position increased \$209,869 from June 30, 2014, to June 30, 2015.

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 Calhoun 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 Calhoun County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor Special Revenue 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 and liabilities 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 periods.

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 categories 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, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) Proprietary funds account 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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Calhoun County’s combined net position for fiscal year 2015 totaled approximately \$26 million, decreasing 8.6% from fiscal year 2014. The analysis that follows focuses on the changes in the net position of governmental activities.

	June 30,	
	<u>2015</u>	<u>2014</u> (Not Restated)
Current and other assets	\$ 20,377,223	\$ 19,758,285
Capital assets	<u>16,743,717</u>	<u>17,045,308</u>
Total assets	<u>37,120,940</u>	<u>36,803,593</u>
Deferred outflows of resources	<u>560,549</u>	<u>-</u>
Long-term liabilities	3,316,572	970,333
Other liabilities	<u>495,475</u>	<u>550,116</u>
Total liabilities	<u>3,812,047</u>	<u>1,520,449</u>
Total deferred inflows of resources	<u>7,891,604</u>	<u>6,861,768</u>
Net position		
Net investment in capital assets	16,743,717	17,045,308
Restricted	7,563,441	9,487,414
Unrestricted	<u>1,670,680</u>	<u>1,888,654</u>
Total net position	<u>\$ 25,977,838</u>	<u>\$ 28,421,376</u>

Net position of Calhoun County’s governmental activities increased by \$209,869 from fiscal year 2014. The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment). Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net position represents 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.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$2,653,407 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities

	Year Ended	
	June 30,	
	<u>2015</u>	<u>2014</u>
		(Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 1,621,809	\$ 1,308,127
Operating grants, contributions, and restricted interest	3,908,053	3,896,539
Capital grants, contributions, and restricted interest	1,358,158	745,737
General revenues:		
Property tax	6,103,464	6,164,942
Penalty and interest on property tax	48,605	47,989
State tax credits	374,223	316,565
Local option sales tax	302,783	307,757
Unrestricted investment earnings	138,103	118,353
Other general revenues	75,740	47,602
Total revenues	<u>13,930,938</u>	<u>12,953,611</u>
Program expenses:		
Public safety and legal services	2,387,569	2,051,626
Physical health and social services	1,600,609	1,902,845
Mental health	596,145	134,427
County environment and education	782,045	745,274
Roads and transportation	5,256,123	5,574,105
Governmental services to residents	539,682	584,265
Administration	1,412,024	1,379,803
Non-program	1,113,467	203,452
Interest on long-term debt	33,405	26,111
Total expenses	<u>13,721,069</u>	<u>12,601,908</u>
Increase in net position	209,869	351,703
Net position beginning of year, as restated	<u>25,767,969</u>	<u>28,069,673</u>
Net position end of year	<u>\$ 25,977,838</u>	<u>\$ 28,421,376</u>

Calhoun County decreased property taxes from a total levy of 11.56321 to 11.01865 from fiscal year 2014 to fiscal year 2015.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$12,938,537 an increase of \$673,664 from last year's total of \$12,264,873. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues decreased by \$27,986, and expenditures increased by \$219,056. The General Fund ending balance increased by \$218,249 from the prior year to \$4,776,121.
- Rural Services Fund ending balance increased \$153,727 from the prior year.
- Secondary Roads Fund revenues increased \$356,687 and expenditures decreased \$106,550.
- Drainage Districts Fund ending balance increased \$15,390 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget three times. There were various reasons for the amendments including:

- July 29, 2014: Expenditure for Public Safety and Legal Services due to the Sheriff’s Office upcoming trial and additional security measures.
- January 27, 2015: Revenue – Charges for Service – Additional revenue from Lake City and additional payments for staff time from SMCH.
Expenditure for Public Safety and Legal Services due to additional employees and the addition of Lake City.
- May 26, 2015: Revenue – Insurance reimbursement.
Expenditures – Legal and court related expenses, summer intern, additional part time employees, ambulance building repairs, election expenses, courthouse repairs, Mental Health salary budget increase, increase in secondary roads projects, and expenses for courthouse sidewalk-engineering fees,

The County did not exceed the amounts budgeted.

CAPITAL ASSETS

At June 30, 2015, Calhoun County had approximately \$16.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 565,548	\$ 565,548
Buildings and improvements	1,729,619	1,789,872
Equipment and vehicles	4,756,042	4,748,380
Intangibles	14,028	33,112
Construction in progress	963,119	449,026
Infrastructure, road network	<u>8,715,361</u>	<u>9,459,370</u>
Total	<u>\$ 16,743,717</u>	<u>\$ 17,045,308</u>

The County had depreciation expense of \$1,638,337 in fiscal year 2015, and total accumulated depreciation of \$12,255,954 at June 30, 2015.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Calhoun County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget and tax rates. The census for 2010 is 9,670. This is a decrease of 1,445 from census year 2000.

All departments budget very conservatively. The employees pay a portion of their health insurance with the Board setting a cap for the portion the county will pay.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County’s finances and to show the County’s accountability for the money it receives. If you have any questions, contact the Calhoun County Auditor’s Office, 416 Fourth St., Ste 1, Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash, cash equivalents and pooled investments	\$ 11,710,740
Receivables (net of allowances for uncollectibles):	
Property tax:	
Delinquent	14,263
Succeeding year	5,838,440
Interest and penalty on property tax	86,414
Accounts	347,831
Accrued interest	32,564
Drainage assessments	1,018,650
Due from other governments	201,127
Inventories	875,042
Prepaid expenses	252,152
Land	565,548
Construction in progress	963,119
Capital assets (net of accumulated depreciation/amortization)	<u>15,215,050</u>
Total Assets	<u>37,120,940</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related deferred outflows	<u>560,549</u>
<u>LIABILITIES</u>	
Accounts payable	201,994
Salaries and benefits payable	194,516
Due to other governments	8,698
Interest payable	90,267
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	541,743
Portion due or payable after one year:	
Drainage warrants payable	752,990
Net pension liability	1,989,143
Net OPEB liability	<u>32,696</u>
Total liabilities	<u>3,812,047</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenues:	
Succeeding year property tax	5,838,440
Other	1,038,486
Pension related deferred inflows	<u>1,014,678</u>
Total deferred inflows of resources	<u>7,891,604</u>
<u>NET POSITION</u>	
Net investment in capital assets	16,743,717
Restricted for:	
Supplemental levy purposes	611,645
Rural service purposes	623,887
Secondary roads purposes	5,400,868
Other purposes	927,041
Unrestricted	<u>1,670,680</u>
Total net position	<u>\$ 25,977,838</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Exhibit B

	Program Revenues				
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,387,569	\$ 585,225	\$ 24,581	\$ -	\$ (1,777,763)
Physical health and social services	1,600,609	306,117	433,215	-	(861,277)
Mental health	596,145	2,359	130,684	-	(463,102)
County environment and education	782,045	157,464	15,803	-	(608,778)
Roads and transportation	5,256,123	247,072	3,303,234	514,093	(1,191,724)
Governmental services to residents	539,682	220,781	-	-	(318,901)
Administration	1,412,024	102,791	536	-	(1,308,697)
Non-program	1,113,467	-	-	844,065	(269,402)
Interest on long-term debt	33,405	-	-	-	(33,405)
Total	<u>\$13,721,069</u>	<u>\$ 1,621,809</u>	<u>\$ 3,908,053</u>	<u>\$ 1,358,158</u>	<u>(6,833,049)</u>
General Revenues:					
Property and other county tax					6,103,464
Penalty and interest on property tax					48,605
State tax credits					374,223
Local option sales tax					302,783
Unrestricted investment earnings					138,103
Miscellaneous					75,740
Total general revenues					<u>7,042,918</u>
Change in net position					209,869
Net position beginning of year, as restated					<u>25,767,969</u>
Net position end of year					<u>\$ 25,977,838</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

Exhibit C

	<u>General</u>	<u>Special Revenue</u>			<u>Nonmajor</u>	<u>Total</u>
		<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Drainage Districts</u>		
<u>ASSETS</u>						
Cash, cash equivalents and pooled investments	\$ 4,451,941	\$ 636,202	\$ 5,191,871	\$ 251,335	\$ 1,173,800	\$ 11,705,149
Receivables:						
Property tax:						
Delinquent	19,110	2,864	-	-	1,996	23,970
Succeeding year	3,757,952	1,884,740	-	-	195,748	5,838,440
Interest and penalty on property tax	94,894	-	-	-	-	94,894
Accounts	247,701	4,144	95,168	-	822	347,835
Accrued interest	32,538	-	-	-	-	32,538
Drainage assessments	-	-	-	1,018,650	-	1,018,650
Due from other governments	87,007	-	48,967	-	65,154	201,128
Inventories	-	-	875,043	-	-	875,043
Prepaid expenses	133,411	38,186	69,443	-	1,674	242,714
Total assets	<u>\$ 8,824,554</u>	<u>\$ 2,566,136</u>	<u>\$ 6,280,492</u>	<u>\$ 1,269,985</u>	<u>\$ 1,439,194</u>	<u>\$ 20,380,361</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 52,623	\$ 3,044	\$ 59,240	\$ 22,106	\$ 35,376	\$ 172,389
Salaries and benefits payable	115,561	11,412	64,685	-	2,858	194,516
Due to other governments	8,293	-	405	-	-	8,698
Interest payable	-	-	-	90,267	-	90,267
Total liabilities	<u>176,477</u>	<u>14,456</u>	<u>124,330</u>	<u>112,373</u>	<u>38,234</u>	<u>465,870</u>
Deferred inflows of resources:						
Succeeding year property tax	3,757,952	1,884,740	-	-	195,748	5,838,440
Other	114,004	2,864	-	1,018,650	1,996	1,137,514
Total deferred inflows of resources	<u>3,871,956</u>	<u>1,887,604</u>	<u>-</u>	<u>1,018,650</u>	<u>197,744</u>	<u>6,975,954</u>
Fund balances:						
Nonspendable						
Inventories	-	-	875,043	-	-	875,043
Prepaid expenses	133,411	38,186	69,443	-	1,674	242,714
Restricted for:						
Supplemental levy purposes	2,229,855	-	-	-	-	2,229,855
Rural services purposes	-	625,890	-	-	-	625,890
Secondary roads purposes	-	-	4,253,775	-	-	4,253,775
Drainage purposes	-	-	-	138,962	-	138,962
Other purposes	-	-	-	-	567,720	567,720
Committed for:						
Secondary roads projects	-	-	957,901	-	-	957,901
Assigned for:						
Conservation capital improvements	-	-	-	-	395,523	395,523
Equipment, software, and sidewalk upgrades	-	-	-	-	238,299	238,299
Unassigned	2,412,855	-	-	-	-	2,412,855
Total fund balances	<u>4,776,121</u>	<u>664,076</u>	<u>6,156,162</u>	<u>138,962</u>	<u>1,203,216</u>	<u>12,938,537</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,824,554</u>	<u>\$ 2,566,136</u>	<u>\$ 6,280,492</u>	<u>\$ 1,269,985</u>	<u>\$ 1,439,194</u>	<u>\$ 20,380,361</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit D

Total governmental fund balances		\$ 12,938,537
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$28,999,671 and the accumulated depreciation/amortization is \$12,255,954.		16,743,717
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.		118,851
The allowance for uncollectible accounts receivable is not reported in the governmental funds.		(18,187)
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.		(34,379)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 560,549	
Deferred inflows of resources	<u>(1,014,678)</u>	(454,129)
Long-term liabilities, including compensated absences payable, other postemployment benefits payable, net pension liability and drainage warrants payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(3,316,572)</u>
Net position of governmental activities		<u>\$ 25,977,838</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Exhibit E

	General	Special Revenue			Nonmajor	Total
		Rural Services	Secondary Roads	Drainage Districts		
Revenues:						
Property and other County tax	\$3,919,744	\$1,795,805	\$ 151,392	\$ -	\$ 556,652	\$ 6,423,593
Interest and penalty on property tax	33,062	-	-	-	-	33,062
Intergovernmental	708,179	91,082	3,303,234	-	172,930	4,275,425
Licenses and permits	16,206	-	5,005	-	-	21,211
Charges for services	1,095,455	16,448	-	-	5,783	1,117,686
Use of money and property	137,746	-	-	-	96	137,842
Miscellaneous	171,789	-	172,289	844,065	7,647	1,195,790
Total revenues	<u>6,082,181</u>	<u>1,903,335</u>	<u>3,631,920</u>	<u>844,065</u>	<u>743,108</u>	<u>13,204,609</u>
Expenditures:						
Operating:						
Public safety and legal services	1,995,957	368,508	-	-	9,246	2,373,711
Physical health and social services	1,624,613	-	-	-	-	1,624,613
Mental health	-	-	-	-	598,300	598,300
County environment and education	529,582	172,136	-	-	738	702,456
Roads and transportation	145	14,303	4,721,140	-	-	4,735,588
Governmental services to residents	535,097	1,451	-	-	5,870	542,418
Administration	1,051,478	1,154	-	-	50,395	1,103,027
Non-program	542	-	-	1,146,331	-	1,146,873
Capital projects	-	-	843	-	58,243	59,086
Total expenditures	<u>5,737,414</u>	<u>557,552</u>	<u>4,721,983</u>	<u>1,146,331</u>	<u>722,792</u>	<u>12,886,072</u>
Excess (deficiency) of revenues over expenditures	<u>344,767</u>	<u>1,345,783</u>	<u>(1,090,063)</u>	<u>(302,266)</u>	<u>20,316</u>	<u>318,537</u>
Other financing sources (uses):						
Sale of capital assets	-	-	37,471	-	-	37,471
Operating transfers in	66,740	-	1,302,574	-	16,000	1,385,314
Operating transfers out	(193,258)	(1,192,056)	-	-	-	(1,385,314)
Drainage district warrants	-	-	-	317,656	-	317,656
Total other financing sources (uses)	<u>(126,518)</u>	<u>(1,192,056)</u>	<u>1,340,045</u>	<u>317,656</u>	<u>16,000</u>	<u>355,127</u>
Net change in fund balances	218,249	153,727	249,982	15,390	36,316	673,664
Fund balances, beginning of year	<u>4,557,872</u>	<u>510,349</u>	<u>5,906,180</u>	<u>123,572</u>	<u>1,166,900</u>	<u>12,264,873</u>
Fund balances, end of year	<u>\$4,776,121</u>	<u>\$ 664,076</u>	<u>\$ 6,156,162</u>	<u>\$ 138,962</u>	<u>\$ 1,203,216</u>	<u>\$12,938,537</u>

See notes to financial statements.

CALHOUN 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

Exhibit F

Net change in fund balances - Total governmental funds	\$ 673,664
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:	
Expenditures for capital assets	\$ 1,374,217
Depreciation/amortization expense	<u>(1,638,337)</u> (264,120)
In the Statement of Activities, the net effect of various transactions involving capital assets (i.e., sales and trade-ins) is reflected in depreciation expense, whereas the governmental funds report any proceeds from the disposition of assets as an increase in financial resources.	(37,471)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:	
Property tax	15,984
The increase in the allowance for uncollectible accounts receivable is not reported in the fund financial statements.	340
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments as follows:	
Issued drainage district warrants	(390,703)
Redeemed drainage district warrants	<u>73,047</u> (317,656)
The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position	381,955
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	(33,915)
Other post employment benefits	(5,524)
Pension expense	<u>(171,820)</u> (211,259)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.	<u>(31,568)</u>
Change in net position of governmental activities	<u>\$ 209,869</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

Exhibit G

	<u>Internal Service Employee Group Health</u>
<u>ASSETS</u>	
Cash, cash equivalents and pooled investments	\$ 5,593
Accrued interest	21
Prepaid expense	<u>137,743</u>
Total assets	<u>143,357</u>
 <u>LIABILITIES</u>	
Accounts payable	<u>29,596</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenues	<u>148,140</u>
 <u>NET POSITION</u>	
Unrestricted	<u>\$ (34,379)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Exhibit H

	<u>Internal Service Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,569,016
Reimbursements from employees and others	197,270
Insurance reimbursements	<u>105</u>
Total operating revenues	1,766,391
 Operating expenses:	
Medical claims and administrative fees	<u>1,798,220</u>
Operating loss	(31,829)
 Non-operating revenues:	
Interest income	<u>261</u>
Net loss	(31,568)
 Net position beginning of year	<u>(2,811)</u>
 Net position end of year	<u>\$ (34,379)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

Exhibit I

	<u>Internal Service Employee Group Health</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 197,270
Cash received from insurance reimbursements	105
Cash received from operating fund reimbursements	1,569,852
Cash payments for medical claims and administrative fees	<u>(1,789,445)</u>
Net cash used for operating activities	(22,218)
Cash flows from investing activities:	
Interest on investments	<u>264</u>
Net decrease in cash and cash equivalents	(21,954)
Cash and cash equivalents, beginning of year	<u>27,547</u>
Cash and cash equivalents, end of year	<u>\$ 5,593</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (31,829)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase in prepaid expense	(1,293)
Increase in accrued expenses	10,069
Increase in deferred revenue	<u>835</u>
Net cash used for operating activities	<u>\$ (22,218)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015

Exhibit J

ASSETS

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 939,756
Other County officials	42,283

Receivables:

Property tax:

Delinquent	77,761
Succeeding year	10,079,301

Accounts	9,881
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Due from other governments	33,202
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Special assessments	37,797
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Total assets	11,219,981
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LIABILITIES

Accounts payable	1,555
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Salaries payable	5,543
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Due to other governments	11,209,247
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Trusts payable	3,636
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Total liabilities	11,219,981
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Net Position	\$ -
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CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun 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, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

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

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

Three hundred thirty-eight drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County 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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

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

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, 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/amortization.

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

Unrestricted net position consists of net position not meeting the definition of the two 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 main 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 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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue: (Continued)

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

The Drainage Districts Fund is used to account for the financial information of drainage districts within the County.

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 they occur 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 property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

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.

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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting- (Continued)

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

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 are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating 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 that 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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. These assessments receivable represent assessments which are payable but not yet due.

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. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepays – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the Government-wide and fund financial statements on the consumption method.

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Position. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. Capital assets are recorded at historical cost or estimated 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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity - (Continued)

Capital Assets – (Continued)

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Intangibles	10
Equipment	4-50
Vehicles	6-10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contribution from the employer after the measurement date but before the end of the employer’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.

Deferred Inflows of Resources - 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 represents 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 consists of succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end and drainage assessments receivable.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable and drainage assessments receivable that will not be recognized as revenue until the year for which it is levied and contributions from external customers in the Employee Group Health Fund.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services, and Secondary Roads Funds.

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity - (Continued)

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.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 insure 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's investments at June 30, 2015, include drainage district warrants with a carrying amount of \$256,542. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,822,512 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 Iowa Public Agency Investment Trust is unrated.

3. INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	General Supplemental	\$ <u>66,740</u>
Special Revenue: Secondary Roads	General	110,518
	Special Revenue: Rural Services	1,192,056
Recorder's Records Mgmt.	General	<u>16,000</u>
		<u>1,318,574</u>
Total		\$ <u>1,385,314</u>

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

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

4. 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/amortized:				
Land	\$ 565,548	\$ -	\$ -	\$ 565,548
Construction in progress	449,026	514,093	-	963,119
Total capital assets not being depreciated/amortized	1,014,574	514,093	-	1,528,667
Capital assets being depreciated/amortized:				
Buildings	2,608,666	-	-	2,608,666
Equipment and vehicles	9,483,925	525,172	81,803	9,927,294
Intangibles	182,126	-	-	182,126
Infrastructure, road network	14,427,904	325,014	-	14,752,918
Total capital assets being depreciated/amortized	26,702,621	850,186	81,803	27,471,004
Less accumulated depreciation/amortization for:				
Buildings	818,794	60,253	-	879,047
Equipment and vehicles	4,735,545	489,977	54,270	5,171,252
Intangibles	149,014	19,084	-	168,098
Infrastructure, road network	4,968,534	1,069,023	-	6,037,557
Total accumulated depreciation/amortization	10,671,887	1,638,337	54,270	12,255,954
Total capital assets being depreciated/amortized, net	16,030,734	(788,151)	27,533	15,215,050
Governmental activities capital assets, net	\$17,045,308	\$ (274,058)	\$ 27,533	\$16,743,717

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 48,231
Physical health and social services	32,043
County environment and education	42,593
Roads and transportation	1,435,495
Governmental services to residents	16,591
Administration	63,384
Total depreciation/amortization expense--governmental activities	\$ 1,638,337

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. 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 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 8,293
Special Revenue:		
Secondary Roads		<u>405</u>
Total for governmental funds		<u>\$ 8,698</u>
Agency:		
County Assessor	Collections	\$ 369,805
Schools		6,300,852
Community Colleges		527,117
Corporations		2,723,963
Auto License and Use Tax		289,329
All other		<u>998,181</u>
Total for agency funds		<u>\$ 11,209,247</u>

6. LONG-TERM LIABILITIES

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

	<u>Drainage</u> <u>Warrants</u>	<u>Net</u> <u>OPEB</u> <u>Liability</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>	<u>Compen-</u> <u>sated</u> <u>Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 435,333	\$ 27,172	\$ 3,022,612	\$ 507,828	\$ 3,992,945
Increases	390,703	5,524	-	33,915	430,142
Decreases	<u>73,046</u>	<u>-</u>	<u>1,033,469</u>	<u>-</u>	<u>1,106,515</u>
Balance, end of year	<u>\$ 752,990</u>	<u>\$ 32,696</u>	<u>\$ 1,989,143</u>	<u>\$ 541,743</u>	<u>\$ 3,316,572</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 541,743</u>	<u>\$ 541,743</u>

Drainage Warrants

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

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

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. PENSION AND RETIREMENT BENEFITS

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

The formula to calculate a sheriff and deputy and protection occupation members' 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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that 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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. PENSION AND RETIREMENT BENEFITS – (Continued)

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. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that 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 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County’s contributions to IPERS for the year ended June 30, 2015 were \$381,955.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$1,989,143 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County’s collective proportion was .0501561 percent, which was a decrease of .002487 percent from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$171,820. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,507	\$ 19,867
Changes of assumptions	91,393	16,732
Net difference between projected and actual earnings on pension plan investments	-	978,079
Changes in proportion and differences between County contributions and proportionate share of contributions	64,694	-
County contributions subsequent to the measurement date	<u>381,955</u>	<u>-</u>
Total	<u>\$ 560,549</u>	<u>\$ 1,014,678</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. PENSION AND RETIREMENT BENEFITS – (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued)

\$381,955 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 ended 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 Ended	
<u>June 30,</u>	<u>Total</u>
2016	\$ (211,344)
2017	(211,344)
2018	(211,344)
2019	(211,344)
2020	<u>9,291</u>
	<u>\$ (836,085)</u>

There were no non-employer contributing entities at 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 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, 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 pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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 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	<u>1</u>	(0.69)
Total	<u>100 %</u>	

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. PENSION AND RETIREMENT BENEFITS – (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan 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 7.5 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1%</u> <u>Decrease</u> <u>6.50%</u>	<u>Discount</u> <u>Rate</u> <u>7.50%</u>	<u>1%</u> <u>Increase</u> <u>8.50%</u>
County's proportionate share of the net pension liability:	\$4,233,948	\$ 1,989,143	\$ 95,621

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the County reported no payables to the defined benefit pension plan.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. There are 90 active and 1 retired members in the plan. Retired participants must have accumulated 20 years of service or have attained age 62 at retirement. Benefits cease upon attaining age 65. The plan does not issue a stand-alone financial report.

The medical, prescription drug, and dental coverage, which is a medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur. The required contribution is based on projected pay-as-you go financing. Retirees receiving benefits have required monthly contributions of:

<u>Rate Tier</u>	<u>Health and</u> <u>Prescription Drug</u>	<u>Dental</u>
Retiree only	\$ 750	\$ 36
Retiree and family	1,860	83

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

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	\$ 5,897
Interest on net OPEB obligation	1223
Adjustment to annual required contribution	<u>(1,596)</u>
Annual OPEB cost	5,524
Contributions made	<u>-</u>
Increase in net OPEB obligation	5,524
Net OPEB obligation beginning of year	<u>27,172</u>
Net OPEB obligation end of year	<u>\$ 32,696</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.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 5,636	0.00%	\$ 21,571
June 30, 2014	\$ 5,601	0.00%	\$ 27,172
June 30, 2015	\$ 5,524	0.00%	\$ 32,696

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 \$78,482, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$78,482. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,449,677 and the ratio of the UAAL to covered payroll was 1.76%. 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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

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 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on 10% for actives currently electing coverage.

Projected claim costs of the medical plan are \$745 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. RISK MANAGEMENT

Calhoun 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 casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the 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 \$166,666.

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.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

9. RISK MANAGEMENT - (Continued)

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 \$40,000, respectively, except that the treasurer's bond is in the amount of \$200,000. 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.

10. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Benefits, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$6,350 for single coverage and \$12,700 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Benefits, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2015, was \$1,569,016.

Amounts payable from the Employee Group Health Fund at June 30, 2015, total \$29,596, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2015, the County has actual claims and expenses in excess of accumulated funds of \$34,379, which is reported as a deficit net position of the Internal Service, Employee Group Health Fund.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

11. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2015, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6/30/15</u>	<u>Remaining Commitment As of 6/30/15</u>
Roadway markings	\$ 55,477	\$ -	\$ 55,477
Gravel crushing	543,940	-	543,940
Truck and equipment	179,952	-	179,952
Mill and crackseal N57	<u>218,493</u>	<u>-</u>	<u>218,493</u>
	<u>\$ 997,862</u>	<u>\$ -</u>	<u>\$ 997,862</u>

The balance remaining at June 30, 2015, will be paid as work on the projects progresses.

12. FARM LEASE

The County has entered into an agreement to lease 241.07 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$85,098 per year for each of the three years of the lease with payments of \$28,366 being due on or before each March 15, August 15, and December 15, of 2014, 2015, and 2016. This agreement commenced on March 1, 2014, and will end on February 28, 2017.

13. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

The Center's activity for the fiscal year ending June 30, 2014, which is the latest information available, is summarized as follows:

Net position, beginning of year	\$ 129,040
Receipts	9,042,600
Disbursements	<u>9,025,971</u>
Net position, end of year	<u>\$ 145,669</u>

During the year ended June 30, 2014, the Center received line of credit proceeds totaling \$2,990,010 and repaid \$1,649,000. At June 30, 2014, \$1,843,318 was outstanding on the mortgage line of credit. The other line of credit had \$234,688 outstanding at June 30, 2014.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

14. OPERATING LEASE

Calhoun County leases digital imaging equipment for its public health department, ambulance department and county attorney's office. The public health department also leases a postage machine. Total expenses under these operating leases for the year ended June 30, 2015, was \$15,685. Future remaining minimum lease payments under these leases at June 30, 2015, are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 15,123
2017	11,970
2018	11,970
2019	<u>2,197</u>
Total minimum lease payments	<u>\$ 41,260</u>

15. CALHOUN COUNTY FINANCIAL INFORMATION INCLUDED IN THE ROLLING HILLS COMMUNITY SERVICE REGION

Rolling Hills Community Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Buena Vista, Calhoun, Carroll, Cherokee, Crawford, Ida, and Sac. The financial activity of Calhoun County's Special Revenue, Mental Health Fund is included in the Rolling Hills Community Services Region of the year end June 30, 2015 as follows:

Revenues:	
Property and other county tax	\$ 405,260
Intergovernmental revenues:	
State tax credits	\$ 29,035
Mental health and disability services transition	36,937
Social services block grant	14,107
Other intergovernmental revenues	<u>79,640</u>
Total revenues	<u>564,979</u>
Expenditures:	
Services to persons with:	
Mental illness	1,688
General administration	
Direct administration	113,109
Distribution to regional fiscal agent	<u>483,503</u>
Total expenditures	<u>598,300</u>
Deficiency of revenue over expenditures	(33,321)
Fund balance beginning of the year	<u>451,981</u>
Fund balance end of the year	<u>\$ 418,660</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

16. FINANCIAL CONDITION

The Proprietary Fund- Internal Service Employee Group Health had a deficit net position balance of \$34,379 at June 30, 2015. The deficit balances were a result of payables as of June 30, 2015.

17. CONTINGENCIES

There is currently litigation against certain drainage districts, which are component units of the county, seeking damages for various reasons. The outcome and eventual liability of the drainage districts, if any, from these is not known at this time.

18. 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 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 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 will not 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	\$ 28,421,376
Net pension liability at June 30, 2014	(3,022,612)
Deferred outflows of resources	
related to prior year contributions made after	
the June 30, 2013 measurement date	<u>369,205</u>
Net position, July 1, 2014, as restated	<u>\$ 25,767,969</u>

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET
AND ACTUAL (CASH BASIS) – ALL GOVERNMENT FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	<u>Actual</u>	Less Funds	<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
		Not Required to be Budgeted		<u>Original</u>	<u>Final</u>	
Receipts:						
Property and other County tax	\$ 6,377,488	\$ -	\$ 6,377,488	\$ 6,529,855	\$ 6,529,855	\$ (152,367)
Interest and penalty on property tax	33,062	-	33,062	25,000	25,000	8,062
Intergovernmental	4,390,049	-	4,390,049	4,382,654	4,387,654	2,395
Licenses and permits	21,051	-	21,051	17,550	17,550	3,501
Charges for service	1,081,461	-	1,081,461	868,950	1,008,950	72,511
Use of money and property	130,497	-	130,497	121,000	121,000	9,497
Miscellaneous	<u>1,125,691</u>	<u>844,178</u>	<u>281,513</u>	<u>128,850</u>	<u>215,975</u>	<u>65,538</u>
Total receipts	<u>13,159,299</u>	<u>844,178</u>	<u>12,315,121</u>	<u>12,073,859</u>	<u>12,305,984</u>	<u>9,137</u>
Disbursements:						
Public safety and legal services	2,360,289	-	2,360,289	2,290,551	2,680,396	320,107
Physical health and social services	1,615,365	-	1,615,365	2,122,153	2,122,153	506,788
Mental health	600,707	-	600,707	517,210	617,710	17,003
County environment and education	704,185	-	704,185	902,026	903,026	198,841
Roads and transportation	4,903,804	-	4,903,804	4,933,428	5,096,428	192,624
Governmental services to residents	538,782	-	538,782	628,102	646,102	107,320
Administration	1,091,378	-	1,091,378	1,192,116	1,222,116	130,738
Non-program	1,132,807	1,132,263	544	5,225	5,225	4,681
Capital projects	<u>93,809</u>	<u>-</u>	<u>93,809</u>	<u>834,105</u>	<u>696,105</u>	<u>602,296</u>
Total disbursements	<u>13,041,126</u>	<u>1,132,263</u>	<u>11,908,863</u>	<u>13,424,916</u>	<u>13,989,261</u>	<u>2,080,398</u>
Excess (deficiency) of receipts over disbursements	118,173	(288,085)	406,258	(1,351,057)	(1,683,277)	2,089,535
Other financing sources	<u>328,096</u>	<u>317,656</u>	<u>10,440</u>	<u>500</u>	<u>500</u>	<u>9,940</u>
Excess (deficiency) of receipts and other financing sources over disbursements	446,269	29,571	416,698	(1,350,557)	(1,682,777)	2,099,475
Balance beginning of year	<u>11,258,880</u>	<u>221,764</u>	<u>11,037,116</u>	<u>9,827,840</u>	<u>9,827,840</u>	<u>1,209,276</u>
Balance end of year	<u>\$ 11,705,149</u>	<u>\$ 251,335</u>	<u>\$ 11,453,814</u>	<u>\$ 8,477,283</u>	<u>\$ 8,145,063</u>	<u>\$ 3,308,751</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 13,159,299	\$ 45,310	\$ 13,204,609
Expenditures	<u>13,041,126</u>	<u>(155,054)</u>	<u>12,886,072</u>
Net	118,173	200,364	318,537
Other financing sources, net	328,096	27,031	355,127
Beginning fund balances	<u>11,258,880</u>	<u>1,005,993</u>	<u>12,264,873</u>
Ending fund balances	<u>\$ 11,705,149</u>	<u>\$ 1,233,388</u>	<u>\$ 12,938,537</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service 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, 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, three budget amendments increased budgeted disbursements by \$564,345. 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 Calhoun County Emergency Management Commission.

Included in the funds not required to be budgeted are the drainage districts.

CALHOUN COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	2015
County's collective proportion of the net pension liability (asset)	0.050156%
County's collective proportionate share of the net pension liability (asset)	\$1,989,143
County's covered-employee payroll	\$4,180,207
County's collective proportionate share of the net pension liability as a percentage of it covered-employee payroll	47.58%
Plan fiduriary 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.

Note: GASB Statement No. 68 requires ten years of information to 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.

CALHOUN COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST SIX FISCAL YEARS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contribution	\$ 381,955	\$ 369,204	\$ 337,809	\$ 324,394	\$ 279,898	\$ 277,590
Contributions in relation to the statutorily required contributions	<u>(381,955)</u>	<u>(369,204)</u>	<u>(337,809)</u>	<u>(324,394)</u>	<u>(279,898)</u>	<u>(277,590)</u>
Contribution & deficiency (excess)	<u>\$ -</u>					
County's covered-employee payroll	\$4,180,207	\$4,057,853	\$3,804,216	\$3,890,479	\$3,834,327	\$4,034,474
Contributions as a percentage of covered-employee payroll	9.14%	9.10%	8.88%	8.34%	7.30%	6.88%

Note: GASB Statement No. 68 requires ten years of information to 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.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
JUNE 30, 2015

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular member. 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 percent per year measured from the member's first unreduced retirement age to a 6 percent 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 retirement 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 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 year. 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 percent to 4.00 percent
- Lowered the inflation assumption from 3.50 percent to 3.25 percent
- Lowered disability rates for sheriffs and deputies and protection occupation members

CALHOUN COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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)
2010	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,805,000	1.39%
2011	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,900,125	1.35%
2012	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,997,630	1.32%
2013	July 1, 2012	-	\$ 78,482	\$ 78,482	0.00%	\$3,661,913	2.14%
2014	July 1, 2012	-	\$ 78,482	\$ 78,482	0.00%	\$4,280,339	1.83%
2015	July 1, 2012	-	\$ 78,482	\$ 78,482	0.00%	\$4,449,677	1.76%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, and funded status and funding progress.

SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR FUNDS
JUNE 30, 2015

Schedule 1

	Special Revenue											Total
	Local Option Sales Tax	Resource Enhancement and Protection	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Conservation Trust	Mental Health	Supplemental Environment Project	Calhoun Co Canine Shelter Project	Capital Projects	
<u>ASSETS</u>												
Cash, cash equivalents and pooled investments	\$ 42,988	\$ 110,711	\$ 5,091	\$ 11,984	\$ 5,627	\$ 41,597	\$ 326,248	\$ 382,907	\$ 4,000	\$ 3,223	\$ 239,424	\$ 1,173,800
Receivables:												
Property tax:												
Delinquent	-	-	-	-	-	-	-	1,996	-	-	-	1,996
Succeeding year	-	-	-	-	-	-	-	195,748	-	-	-	195,748
Accounts	-	-	-	617	-	-	205	-	-	-	-	822
Due from other governments	24,854	-	-	-	-	-	-	40,300	-	-	-	65,154
Prepaid expenses	-	-	-	-	-	-	-	1,674	-	-	-	1,674
Total assets	<u>\$ 67,842</u>	<u>\$ 110,711</u>	<u>\$ 5,091</u>	<u>\$ 12,601</u>	<u>\$ 5,627</u>	<u>\$ 41,597</u>	<u>\$ 326,453</u>	<u>\$ 622,625</u>	<u>\$ 4,000</u>	<u>\$ 3,223</u>	<u>\$ 239,424</u>	<u>\$ 1,439,194</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>												
Liabilities:												
Accounts payable	\$ 24,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,930	\$ 3,363	\$ -	\$ -	\$ 1,125	\$ 35,376
Salaries and benefits payable	-	-	-	-	-	-	-	2,858	-	-	-	2,858
Total liabilities	<u>24,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,930</u>	<u>6,221</u>	<u>-</u>	<u>-</u>	<u>1,125</u>	<u>38,234</u>
Deferred inflows of resources:												
Succeeding year property tax	-	-	-	-	-	-	-	195,748	-	-	-	195,748
Other	-	-	-	-	-	-	-	1,996	-	-	-	1,996
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,744</u>
Fund balance:												
Nonspendable:												
Prepaid expenses	-	-	-	-	-	-	-	1,674	-	-	-	1,674
Restricted	42,884	35,711	5,091	12,601	5,627	41,597	-	416,986	4,000	3,223	-	567,720
Assigned for:												
Conservation capital improvements	-	75,000	-	-	-	-	320,523	-	-	-	-	395,523
Equipment, software, and sidewalk upgrades	-	-	-	-	-	-	-	-	-	-	238,299	238,299
Total fund balances	<u>42,884</u>	<u>110,711</u>	<u>5,091</u>	<u>12,601</u>	<u>5,627</u>	<u>41,597</u>	<u>320,523</u>	<u>418,660</u>	<u>4,000</u>	<u>3,223</u>	<u>238,299</u>	<u>1,203,216</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 67,842</u>	<u>\$ 110,711</u>	<u>\$ 5,091</u>	<u>\$ 12,601</u>	<u>\$ 5,627</u>	<u>\$ 41,597</u>	<u>\$ 326,453</u>	<u>\$ 622,625</u>	<u>\$ 4,000</u>	<u>\$ 3,223</u>	<u>\$ 239,424</u>	<u>\$ 1,439,194</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR FUNDS
 JUNE 30, 2015

Schedule 2

	Special Revenue										Total	
	Local Option Sales Tax	Resource Enhancement and Protection	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Conservation Trust	Mental Health	Supplemental Environment Project	Calhoun Co Canine Shelter Project		Capital Projects
Revenues:												
Property and other County tax	\$ 151,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 405,260	\$ -	\$ -	\$ -	\$ 556,652
Intergovernmental	-	12,661	550	-	-	-	-	159,719	-	-	-	172,930
Charges for services	-	-	-	2,199	-	3,189	395	-	-	-	-	5,783
Use of money and property	-	11	-	51	-	-	34	-	-	-	-	96
Miscellaneous	-	-	-	-	-	-	4,504	-	-	3,143	-	7,647
Total revenues	<u>151,392</u>	<u>12,672</u>	<u>550</u>	<u>2,250</u>	<u>-</u>	<u>3,189</u>	<u>4,933</u>	<u>564,979</u>	<u>-</u>	<u>3,143</u>	<u>-</u>	<u>743,108</u>
Expenditures:												
Operating:												
Public safety and legal services	-	-	300	-	-	8,946	-	-	-	-	-	9,246
Mental health	-	-	-	-	-	-	-	598,300	-	-	-	598,300
County environment and education	-	-	-	-	-	-	-	-	-	738	-	738
Governmental services to residents	-	-	-	5,870	-	-	-	-	-	-	-	5,870
Administration	50,395	-	-	-	-	-	-	-	-	-	-	50,395
Capital projects	3,803	-	-	-	-	-	40,390	-	-	-	14,050	58,243
Total expenditures	<u>54,198</u>	<u>-</u>	<u>300</u>	<u>5,870</u>	<u>-</u>	<u>8,946</u>	<u>40,390</u>	<u>598,300</u>	<u>-</u>	<u>738</u>	<u>14,050</u>	<u>722,792</u>
Excess (deficiency) of revenues over expenditures	<u>97,194</u>	<u>12,672</u>	<u>250</u>	<u>(3,620)</u>	<u>-</u>	<u>(5,757)</u>	<u>(35,457)</u>	<u>(33,321)</u>	<u>-</u>	<u>2,405</u>	<u>(14,050)</u>	<u>20,316</u>
Other financing sources (uses):												
Operating transfers in	-	-	-	16,000	-	-	-	-	-	-	-	16,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>97,194</u>	<u>12,672</u>	<u>250</u>	<u>12,380</u>	<u>-</u>	<u>(5,757)</u>	<u>(35,457)</u>	<u>(33,321)</u>	<u>-</u>	<u>2,405</u>	<u>(14,050)</u>	<u>36,316</u>
Fund balances beginning of year	<u>(54,310)</u>	<u>98,039</u>	<u>4,841</u>	<u>221</u>	<u>5,627</u>	<u>47,354</u>	<u>355,980</u>	<u>451,981</u>	<u>4,000</u>	<u>818</u>	<u>252,349</u>	<u>1,166,900</u>
Fund balances end of year	<u>\$ 42,884</u>	<u>\$ 110,711</u>	<u>\$ 5,091</u>	<u>\$ 12,601</u>	<u>\$ 5,627</u>	<u>\$ 41,597</u>	<u>\$ 320,523</u>	<u>\$ 418,660</u>	<u>\$ 4,000</u>	<u>\$ 3,223</u>	<u>\$ 238,299</u>	<u>\$ 1,203,216</u>

CALHOUN COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS
 AND LIABILITIES – AGENCY FUNDS
 JUNE 30, 2015

Schedule 3

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
<u>ASSETS</u>										
Cash, cash equivalents and pooled investments:										
County Treasurer	\$ -	\$ 2,420	\$ 104,385	\$ 81,048	\$ 7,371	\$ 47,897	\$ 3,977	\$ 289,329	\$ 403,329	\$ 939,756
Other County officials	42,283	-	-	-	-	-	-	-	-	42,283
Receivables:										
Property tax:										
Delinquent	-	879	1,272	29,187	2,677	42,912	824	-	10	77,761
Succeeding year	-	184,239	268,880	6,190,617	517,069	2,595,357	321,071	-	2,068	10,079,301
Accounts	970	-	-	-	-	-	-	-	8,911	9,881
Due from other governments	-	-	-	-	-	-	-	-	33,202	33,202
Special assessments	-	-	-	-	-	37,797	-	-	-	37,797
Total assets	<u>\$ 43,253</u>	<u>\$ 187,538</u>	<u>\$ 374,537</u>	<u>\$ 6,300,852</u>	<u>\$ 527,117</u>	<u>\$ 2,723,963</u>	<u>\$ 325,872</u>	<u>\$ 289,329</u>	<u>\$ 447,520</u>	<u>\$ 11,219,981</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,132	\$ 1,555
Salary payable	-	-	4,309	-	-	-	-	-	1,234	5,543
Due to other governments	39,617	187,538	369,805	6,300,852	527,117	2,723,963	325,872	289,329	445,154	11,209,247
Trusts payable	3,636	-	-	-	-	-	-	-	-	3,636
Total liabilities	<u>\$ 43,253</u>	<u>\$ 187,538</u>	<u>\$ 374,537</u>	<u>\$ 6,300,852</u>	<u>\$ 527,117</u>	<u>\$ 2,723,963</u>	<u>\$ 325,872</u>	<u>\$ 289,329</u>	<u>\$ 447,520</u>	<u>\$ 11,219,981</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
 AND LIABILITIES – AGENCY FUNDS
 YEAR ENDED JUNE 30, 2015

Schedule 4

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
Balances beginning of year	\$ 41,071	\$ 181,204	\$ 360,814	\$ 6,139,750	\$ 553,499	\$ 2,772,809	\$ 301,814	\$ 299,365	\$ 343,532	\$10,993,858
Additions:										
Property and other county tax	-	185,782	270,882	6,233,840	521,335	2,677,594	298,756	-	2,084	10,190,273
E911 surcharge	-	-	-	-	-	-	-	-	233,845	233,845
State tax credits	-	10,907	15,786	366,940	33,223	247,032	15,180	-	122	689,190
Office fees and collections	268,230	-	-	-	-	-	-	-	-	268,230
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	3,747,251	-	3,747,251
Assessments	-	-	-	-	-	2,950	-	-	-	2,950
Trusts	35,237	-	-	-	-	-	-	-	-	35,237
Miscellaneous	-	-	2,854	-	-	-	-	-	209,580	212,434
Total additions	<u>303,467</u>	<u>196,689</u>	<u>289,522</u>	<u>6,600,780</u>	<u>554,558</u>	<u>2,927,576</u>	<u>313,936</u>	<u>3,747,251</u>	<u>445,631</u>	<u>15,379,410</u>
Deductions:										
Agency remittances:										
To other governments	266,452	190,355	275,799	6,439,678	580,940	2,976,422	289,878	3,757,287	341,643	15,118,454
Trusts paid out	34,833	-	-	-	-	-	-	-	-	34,833
Total deductions	<u>301,285</u>	<u>190,355</u>	<u>275,799</u>	<u>6,439,678</u>	<u>580,940</u>	<u>2,976,422</u>	<u>289,878</u>	<u>3,757,287</u>	<u>341,643</u>	<u>15,153,287</u>
Balances end of year	<u>\$ 43,253</u>	<u>\$ 187,538</u>	<u>\$ 374,537</u>	<u>\$ 6,300,852</u>	<u>\$ 527,117</u>	<u>\$ 2,723,963</u>	<u>\$ 325,872</u>	<u>\$ 289,329</u>	<u>\$ 447,520</u>	<u>\$11,219,981</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
 FUNCTION – ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

Schedule 5

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Property and other County tax	\$ 6,423,593	\$ 6,468,552	\$ 6,289,878	\$ 6,338,691	\$ 6,042,672	\$ 5,674,033	\$ 5,345,023	\$ 4,862,274	\$ 4,834,623	\$ 4,394,827
Interest and penalty on property tax	33,062	33,572	28,513	33,281	36,895	31,505	30,723	31,381	27,190	28,124
Intergovernmental	4,275,425	4,273,486	6,310,205	4,988,656	7,923,493	4,884,308	4,758,872	5,772,915	5,619,776	6,076,916
Licenses and permits	21,211	15,724	18,189	15,241	19,162	16,778	15,498	25,132	8,877	8,072
Charges for service	1,117,686	873,937	758,526	876,069	873,333	919,544	826,549	1,191,135	827,809	771,814
Use of money and property	137,842	117,245	123,222	128,809	138,453	141,518	170,658	277,837	327,506	267,324
Miscellaneous	1,195,790	391,296	285,291	303,411	899,180	599,664	217,871	710,367	144,587	446,893
Total	<u>\$13,204,609</u>	<u>\$12,173,812</u>	<u>\$13,813,824</u>	<u>\$12,684,158</u>	<u>\$15,933,188</u>	<u>\$12,267,350</u>	<u>\$11,365,194</u>	<u>\$12,871,041</u>	<u>\$11,790,368</u>	<u>\$11,993,970</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 2,373,711	\$ 1,998,903	\$ 1,902,366	\$ 1,828,755	\$ 1,711,627	\$ 1,796,321	\$ 1,743,535	\$ 1,246,797	\$ 1,210,321	\$ 1,150,588
Physical health and social services	1,624,613	1,846,290	2,005,909	1,943,008	2,133,171	2,464,403	2,516,749	3,506,317	3,323,350	3,199,600
Mental health	598,300	133,488	295,449	1,535,643	1,251,283	1,047,115	1,195,894	1,195,363	1,172,381	1,111,901
County environment and education	702,456	639,629	600,795	613,135	596,640	597,872	586,866	674,639	590,597	711,907
Roads and transportation	4,735,588	5,228,629	4,245,911	4,140,173	4,262,182	4,204,058	3,551,781	3,530,344	3,407,286	3,422,375
Governmental services to residents	542,418	566,047	552,172	500,848	466,697	455,365	414,838	411,312	377,359	367,729
Administration	1,103,027	1,332,855	1,034,694	908,429	899,804	950,042	937,809	897,791	853,276	815,228
Non-program	1,146,873	237,073	206,303	241,590	214,867	601,910	698,690	407,737	223,969	359,311
Capital projects	59,086	323,760	488,148	286,601	398,440	229,010	288,425	617,984	559,126	576,827
Total	<u>\$12,886,072</u>	<u>\$12,306,674</u>	<u>\$11,331,747</u>	<u>\$11,998,182</u>	<u>\$11,934,711</u>	<u>\$12,346,096</u>	<u>\$11,934,587</u>	<u>\$12,488,284</u>	<u>\$11,717,665</u>	<u>\$11,715,466</u>

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Calhoun County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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 Calhoun 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 February 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Calhoun 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 Calhoun County's internal control. Accordingly, we do not express an opinion on the effectiveness of Calhoun 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 the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-(A-E)-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun 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 one instance of non-compliance and other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item I-F-15. We noted certain instances of noncompliance or other matters which are described in Part II of 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.

Calhoun County's Responses to Findings

Calhoun County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Calhoun 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.

Purposes of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Hungelman, Putzies & Co., PLLC

February 2, 2016

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties – A concentration of closely related duties and responsibilities, such as the recording and processing of cash receipts and disbursements, voiding transactions, reconciliation of bank accounts, preparing journal entries for posting, analyzing financial information, and reporting financial information, exists in most county offices. This concentration with a limited number of employees makes it difficult to establish an adequate system of internal checks on the accuracy and reliability of the accounting records.

Recommendation – Each department head should review the operating procedures of their office to obtain the best segregation of duties as possible under the circumstances. The department head should utilize current employees to provide internal checks through review of financial transactions, voids, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Auditor, Sheriff, Recorder and Treasurer have reviewed the segregation of duties and will continue to obtain the best segregation of duties as possible. Segregation of duties will be discussed at a department head meeting to remind everyone that the departments are to be reviewing duties.

Conclusion – Response accepted.

I-B-15 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – The county has addressed this control risk by engaging certified public accountants to prepare the financial statements. When there are sessions as part of our ISAC (Iowa State Association of Counties) training, we attend to keep up with material presented by the State Auditor’s and Department of Management’s offices.

Conclusion – Response accepted.

I-C-15 Bank Reconciliation – The Treasurer is responsible to keep a true account of all receipts and disbursements of the county. Receipts and disbursements are recorded using the county’s computer software. A report called a general ledger summarizes the receipts and disbursements and calculates an ending cash balance. This calculated ending cash balance from the general ledger should be matched, or reconciled, each month to the actual cash on hand and on deposit with banks. This process of reconciling identifies various cash items that are in transit between the county and the banks. The reconciliation is complete when all cash items that are in transit have been identified. A complete reconciliation ensures that all receipts and disbursements have been recorded in the county’s computer software. During the year, the Treasurer began reconciliations for each month but was unable to identify all cash items that were in transit, so the reconciliations were incomplete. Since the reconciliations are incomplete, it is not known whether the general ledger is accurate with regard to receipts and disbursements or ending cash balance.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

I-C-15 Bank Reconciliation – (Continued)

Recommendation – The general ledger ending cash balance should be made accurate in order to start the new fiscal year with the correct cash balance. The Treasurer should determine the correct cash balance for the end of the fiscal year. The Treasurer should correct the general ledger and, if necessary, consult with the software company to assist with this correction. Once the general ledger is correct, the Treasurer should ensure that the ending cash balances are brought forward to the new fiscal year in order to start the year with the correct cash balances. The Treasurer should then immediately begin the process of reconciling every month since the beginning of the new fiscal year. Each month should be reconciled completely before starting the next month's reconciliation. The Treasurer should consult with other departments, as necessary, to determine that all cash items in transit have been identified. Once the monthly reconciliations for the new fiscal year are completed and are up to date, the Treasurer should strive to complete the monthly reconciliations promptly following the end of every month. A reconciliation completed promptly ensures that errors and software problems are corrected on a timely basis and are not allowed to accumulate.

Response – As County Treasurer I must take responsibility for balancing and reconciling the general ledger. I believe other departments have become more responsible for making sure that monies are brought to the Treasurer's Office in a more timely manner for receipting and many more transactions are being done electronically.

There is still some lack of communication when changes/corrections are made by other offices. Since those changes are done at will, those changes most likely will affect reconciliation, especially when done for a previous month. The Treasurer, herself, does not make corrections to the general ledger concerning claims or payroll, so if changes are made in those areas, once again, sometimes it is difficult to discern the discrepancy. A new general ledger must be run when changes are made and therefore, communication between those entering information must be a high priority as any correction/adjustment could result in a change to the general ledger. Everyone is working on more accurate reporting. A couple of employees who enter data for claims and payroll are now giving me their reports whenever those processes are run, so I can check the totals. Our software people have recently made us aware that when checks are voided, the dates entered to void those checks and re-issue new ones must be accurate. This may have been a reconciling issue in the past. All those involved are aware that more specific month-to-month reconciling and just taking the time to review their monthly reports is very important. After the independent auditors come, sometimes they have us make changes/corrections back to the previous fiscal year, which once again changes reconciliations. At this time, we are working to convert to a new financial system and so changes from previous years are being made, which once again will change reports; however, these changes will bring an accurate conversion to the new system, which we have been told is a more transparent system and changes/corrections are more easily recognizable.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

I-D-15 Accumulated Vacation Time – One public safety employee had accumulated vacation time in excess of established policies as of June 30, 2015. This amount results in a liability which may become a substantial payment at a future date.

Recommendation – To avoid possible substantial payment in the future, the Board should eliminate some of this accumulation through payments or paid time off.

Response – The employee who has vacation time accumulated in excess will be brought into compliance before his anniversary date.

Conclusion – Response accepted.

I-E-15 Computation of Paid Time Off – County employees earn various types of paid time off as detailed in the employee handbook. The amounts earned, taken, and remaining are computed on employee time sheets, as available. The computations are as varied as the corresponding time sheets; computations may not be correct and amounts could be paid out that are not in accordance with policy.

Recommendation – Timesheets should be used to record the use of paid time off. The computation of paid time off earned should be calculated with payroll, and balances of paid time off should be maintained by payroll software. This would ensure a more consistent application of policy and a more accurate computation of payroll.

Response – Calhoun County is in the preliminary stages of utilizing payroll software to maintain paid time off.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

I-F-15 Financial Condition – The Proprietary Fund-Internal Service Employee Group Health fund had a deficit net position balance of \$34,379 as of June 30, 2015.

The Special Revenue Fund – Local Option Sales Tax overdrew its share of the internal investment pool during the year. The General Fund was deemed to have advanced the overdrawn amount to the Local Option Sales Tax fund. At June 30, 2015, this advance was repaid. The advance was not approved by resolution.

The Special Revenue Fund – Recorder Records Management overdrew its share of the internal investment pool during the year. The General Fund was deemed to have advanced the overdrawn amount to the Recorder Records Management fund. At June 30, 2015, this advance was repaid. The advance was not approved by resolution.

Recommendation – The County should monitor these funds to keep a sound financial condition.

Response – Group Health fund is being monitored and an increased amount for single and family plans as of July 1 to help with the balance.

LOSST has been used for major purchases and projects and will be reviewed to be in the positive. For FY 15/16 and FY 16/17 we are doing new sidewalks, etc. around the courthouse.

Recorders Records management has been done by a budget amendment.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Disbursements in certain departments exceeded appropriations prior to the budget amendments.

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

Response – Budget amendments will be made as needed.

Conclusion – Response accepted.

II-B-15 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-15 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-15 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>
Howrey Construction, owned by the spouse of the County Auditor	Services	\$ 2,867
Snap-on Tools, owned by the spouse of a Department of Health employee	Tools	\$ 1,879
Brent Maguire Secondary Roads employee	Services	\$ 184

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Howrey Construction and Snap-on Tools may represent a conflict of interest since the total transactions were more than \$1,500 during the fiscal year.

Recommendation – The County should review those transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

Response – Howrey Construction, Inc. labor and materials for courthouse steps. This requires a certain caulk to be used that has to be ordered. This is not sold locally and needs a specific long life urethane caulk. This product was used on the previous step repair. It is hard to find available local expertise and assistance for the type of repairs and jobs that are needed without some connection to other county work and/or family in small communities.

Calhoun County Secondary Roads does purchase tools from Snap-On. Snap-On has very distinct boundaries for their salesman. We only have one option (one salesman) within our area.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-E-15 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-15 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).
- II-I-15 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.
- II-J-15 Annual Urban Renewal Report - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.