

CEDAR COUNTY

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

JUNE 30, 2015

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CEDAR COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2015)		
Betty Ellerhoff	Board of Supervisors	Jan. 2015
Bradley Gaul	Board of Supervisors	Jan. 2015
Jon Bell	Board of Supervisors	Jan. 2017
Wayne Deerberg	Board of Supervisors	Jan. 2017
Jeff Kaufmann	Board of Supervisors	Jan. 2017
Cari Gritton	County Auditor	Jan. 2017
Gary R. Jedlicka	County Treasurer	Jan. 2015
Melissa Helmold	County Recorder	Jan. 2015
Warren Wethington	County Sheriff	Jan. 2017
Jeffrey Renander	County Attorney	Jan. 2015
Cynthia Severs Marx	County Assessor	Jan. 2016
(After January 2015)		
Jon Bell	Board of Supervisors	Jan. 2017
Wayne Deerberg	Board of Supervisors	Jan. 2017
Jeff Kaufmann	Board of Supervisors	Jan. 2017
Bradley Gaul	Board of Supervisors	Jan. 2019
Dawn Smith	Board of Supervisors	Jan. 2019
Cari Gritton	County Auditor	Jan. 2017
Gary R. Jedlicka	County Treasurer	Jan. 2019
Melissa Helmold	County Recorder	Jan. 2019
Warren Wethington	County Sheriff	Jan. 2017
Jeffrey Renander	County Attorney	Jan. 2019
Cynthia Severs Marx	County Assessor	Jan. 2016

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Cedar 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 Cedar County, Tipton, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. 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 Cedar 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, Cedar 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*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 7 through 13 and 62 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cedar County’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2016 on our consideration of Cedar County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 Cedar County’s internal control over financial reporting and compliance.

*Hunt + Associates, P.C.*

Oskaloosa, Iowa  
March 22, 2016

**CEDAR COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FY 2015**

Management of Cedar County provides this Management's Discussion and Analysis of Cedar County's annual 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.

**FINANCIAL HIGHLIGHTS**

County governmental funds revenue increased by 8.1% or \$1,187,180 from FY2014 to FY2015. Property and County tax revenue increased by \$961,055 as a primary result of an increase in revenue received from the property tax levies. Intergovernmental revenue increased by \$271,629, primarily as a result of increase in revenue received from the state for secondary roads. The County governmental fund expenditures increased by 18.9%, or \$2,652,821 from FY2014 to FY2015.

**USING THE 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 government'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 Cedar 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 Cedar County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cedar County acts solely as an agent or custodian for the benefit of those outside the government. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of actual results to the County's budget for the year, the county's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.
- Supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the County.

## **Reporting the County as a Whole**

### **The Statement of Net Position and the Statement of Activities**

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

The statement of net position presents all of the County's assets and deferred outflows of resources and the liabilities and deferred inflows of resources, with the difference between them 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 event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed 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, government services to residents, administration or general government, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

### **Fund Financial Statements**

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, and 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads. 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 statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs.

The Governmental funds' required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- Proprietary funds account for the County's employee group health insurance and cafeteria plan, which are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The Proprietary funds' required financial statements include a statement of fund net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows.

- Fiduciary funds' are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds, among which are included Emergency Management Services, the County Assessor, and the E-911 Service Board.

The Fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

Summary reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### *Net Position of Governmental Activities*

	2015	2014 (Not restated)	% Difference
Current and other assets	15,194,332	14,881,731	2.10%
Capital assets	30,994,313	31,679,261	-2.16%
Total assets	46,188,645	46,560,992	-0.80%
Deferred outflows of resources	701,509	-	
Long-term liabilities	3,754,789	822,056	356.76%
Other liabilities	669,367	501,790	33.40%
Total liabilities	4,424,156	1,323,846	234.19%
Deferred inflows of resources	9,556,201	8,043,000	18.81%
Net position			
Net investment in capital assets	30,914,313	31,679,261	-2.41%
Restricted	2,433,102	4,147,430	-41.33%
Unrestricted	-437,618	1,367,455	-132.00%
Total net position	32,909,797	37,194,146	-11.52%

This reduction in unrestricted net position was primarily a result of the County's net pension liability recorded in the current year.

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 \$3,500,636 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

Revenues:		FY2015	FY2014	% Difference
Program revenue			(Not restated)	
	Charges for services	1,418,664	1,476,465	-3.91%
	Operating grants	4,953,306	4,896,365	1.16%
	Capital grants	319,512	1,067,243	-70.06%
General revenue:				
	Property and other taxes	8,864,740	7,905,052	12.14%
	Penalty/interest on property taxes	51,490	48,045	7.17%
	State tax credits	440,460	305,391	44.23%
	Unrestricted investment earnings	53,078	46,413	14.36%
	Miscellaneous	1,125	17,174	-93.45%
	Total revenue	16,102,375	15,762,148	2.16%
Program expenses:				
	Public safety and legal services	3,514,918	3,406,619	3.18%
	Physical health and social services	1,210,019	1,298,060	-6.78%
	Mental health	1,291,868	737,147	75.25%
	County environment and education	1,965,247	1,277,126	53.88%
	Roads and transportation	6,901,570	6,632,804	4.05%
	Government services to residents	465,760	462,295	0.75%
	Administration	1,531,060	1,516,116	0.99%
	Non program current	5,646	4,788	17.92%
	Total expenses	16,886,088	15,334,955	10.12%
	Change in net position	(783,713)	427,193	-283.46%
	Net position at beginning of year, as restated	33,693,510	36,766,953	-8.36%
	Net position at end of year	32,909,797	37,194,146	-11.52%

As noted earlier, net position may serve over time as a useful indicator of financial position.

## **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of approximately \$5.9 million, as compared to last year's balance of approximately \$6.1 million. The County funds received \$1,187,180 more in revenue than was received in operating revenues for the prior year and spent \$2,652,821 more in expenditures than the prior year. The following are reasons for the changes in fund balance.

- General Fund revenues increased \$609,414 and expenditures decreased \$74,451 when compared to the prior year. The ending fund balance showed a increase from the prior year of \$2,282,002 to \$2,548,601.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenue decreased by \$90,724 and expenditures increased by \$549,497, due to changes in state funding and payments to the region. The Mental Health Fund ending fund balance showed a decrease from the prior year of \$875,067 to \$651,194.
- Rural Services Fund revenues increased by \$393,653 for FY15. Expenditures increased \$255,441. The primary function for the fund is for transfers to the Secondary Road Fund. Transfers made to the Secondary Roads Fund totaled \$2,031,572 for fiscal year 2015, an increase of \$121,572 from the prior year. County contributions to libraries increased for the fiscal year to \$95,000.
- Secondary Roads Fund expenditures increased by \$1,212,454 over the prior year. Revenue increased by \$280,283. The Secondary Roads Fund ending balance for the year decreased by \$82,925.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisor's annually adopts a budget following the required public notice and hearing for all funds, except agency funds and internal service funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget once. The amendment was made in May 2015 and resulted in a \$635,000 increase in receipts from the original certified budget. The amendment resulted in a \$1,261,834 increase in disbursements from the original certified budget. The increases are primarily attributable to reimbursements and costs associated with the bridge replacement for secondary roads and the mental health fund. The County exceeded the amount budgeted in the mental health function prior to amending the budget for the year ended June 30, 2015.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY15, Cedar County had approximately \$31.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of approximately \$31.5 million of accumulated depreciation/amortization.

More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

### **Long-Term Obligations**

The County's general obligation bond rating of A2, as set in FY02, reflects the County's modest tax base, a satisfactory financial position defined by strong reserves and a low debt burden. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County has no outstanding general obligation debt.

Other obligations include early retirement, accrued vacation pay and sick leave, post employment benefits, landfill post closure monitoring costs, drainage warrants and net pension liability. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Cedar County's elected and appointed officials and citizens considered many factors when setting the 2016 fiscal year budget, tax rates, and the fees that will be charged for the various County services. Factors include the economy; local option tax revenue and other counties' needs for prisoner room and board, as well as state funding expectations.

These indicators were taken into account when adopting the General Fund budget for FY2016.

The County has added no major new programs or initiatives to the FY2016 budget.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Cedar County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Cedar County, 400 Cedar Street, Tipton, IA 52772.

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## Basic Financial Statements

CEDAR COUNTY  
STATEMENT OF NET POSITION  
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,970,292
Receivables:	
Property tax:	
Delinquent	8,714
Succeeding year	8,079,000
Interest and penalty on property tax	33,895
Accounts	116,436
Accrued interest	1,858
Due from other governments	904,029
Contract receivable (note 5)	28,200
Inventories	850,667
Prepaid expenses	201,241
Capital assets, net of accumulated depreciation/amortization (note 6)	<u>30,994,313</u>
 Total assets	 <u>46,188,645</u>
Deferred Outflows of Resources	
 Pension related deferred outflows	 <u>701,509</u>
Liabilities	
Accounts payable	280,440
Salaries and benefits payable	183,938
Due to other governments (note 7)	32,214
Incurred but not reported claims	20,000
Accrued interest payable	11,077
Unearned revenue	141,698

CEDAR COUNTY  
STATEMENT OF NET POSITION  
June 30, 2015

	<u>Governmental Activities</u>
Liabilities (continued)	
Long-term liabilities (note 8):	
Portion due or payable within one year:	
Early retirement	\$ 25,734
Installment contract	40,000
Estimated liability for landfill postclosure monitoring	14,000
Compensated absences	367,379
Portion due or payable after one year:	
Early retirement	24,322
Installment contract	40,000
Estimated liability for landfill postclosure monitoring	42,000
Drainage warrants	557,596
Net pension liability	2,399,488
Net OPEB liability	224,000
Compensated absences	<u>20,270</u>
Total liabilities	<u>4,424,156</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	8,079,000
Pension related deferred inflows	<u>1,477,201</u>
Total deferred inflows of resources	<u>9,556,201</u>
Net Position	
Net investment in capital assets	30,914,313
Restricted for:	
Mental health purposes	512,498
Rural services purposes	301,595
Secondary roads purposes	1,189,977
Resource enhancement and protection purposes	69,848
Public health purposes	26,738
Conservation purposes	149,670
Other purposes	182,776
Unrestricted	<u>(437,618)</u>
Total net position	<u>\$ 32,909,797</u>

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 3,514,918	\$ 193,143	\$ 19,656	\$ -	\$ (3,302,119)
Physical health and social services	1,210,019	124,203	680,646	-	(405,170)
Mental health	1,291,868	11,568	222,005	-	(1,058,295)
County environment and education	1,965,247	541,234	103,315	-	(1,320,698)
Roads and transportation	6,901,570	56,639	3,924,742	319,512	(2,600,677)
Government services to residents	465,760	374,395	2,942	-	(88,423)
Administration	1,531,060	117,482	-	-	(1,413,578)
Non-program	5,646	-	-	-	(5,646)
Total	<u>\$ 16,886,088</u>	<u>\$ 1,418,664</u>	<u>\$ 4,953,306</u>	<u>\$ 319,512</u>	<u>(10,194,606)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					8,049,471
Penalty and interest on property tax					51,490
State tax credits					440,460
Local option sales and services tax					815,269
Unrestricted investment earnings					53,078
Miscellaneous					1,125
Total general revenues					<u>9,410,893</u>
Change in net position					(783,713)
Net position beginning of year, as restated					<u>33,693,510</u>
Net position end of year					<u>\$ 32,909,797</u>

See notes to financial statements.

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CEDAR COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,435,357	\$ 671,308	\$ 537,412	\$ 787,457
Receivables:				
Property tax:				
Delinquent	5,753	894	2,067	-
Succeeding year	5,076,000	790,000	2,202,000	-
Interest and penalty on property tax	33,895	-	-	-
Accounts	48,016	-	-	2,925
Accrued interest	1,818	-	-	-
Interfund (note 3)	25,747	-	-	15,000
Due from other governments	128,026	11,272	95,322	669,409
Contract receivable (note 5)	28,200	-	-	-
Inventories	-	-	-	850,667
Prepaid expenses	79,176	-	-	-
 Total assets	 <u>\$ 7,861,988</u>	 <u>\$ 1,473,474</u>	 <u>\$ 2,836,801</u>	 <u>\$ 2,325,458</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 280,456	\$ 4,711,990
-	8,714
11,000	8,079,000
-	33,895
65,495	116,436
40	1,858
-	40,747
-	904,029
-	28,200
-	850,667
-	79,176
<u>\$ 356,991</u>	<u>\$ 14,854,712</u>

CEDAR COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Interfund payable (note 3)	\$ -	\$ -	\$ -	\$ -
Accounts payable	36,951	14,954	511	30,288
Salaries and benefits payable	117,069	1,636	5,465	55,481
Due to other governments (note 7)	17,234	14,951	-	29
Total liabilities	171,254	31,541	5,976	85,798
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,076,000	790,000	2,202,000	-
Other	66,133	739	2,028	215,128
Total deferred inflows of resources	5,142,133	790,739	2,204,028	215,128
Fund balances:				
Nonspendable:				
Inventories	-	-	-	850,667
Prepaid expenses	79,176	-	-	-
Restricted for:				
Supplemental levy purposes	679,571	-	-	-
Cemetery levy purposes	7,761	-	-	-
Resource enhancement and protection	69,848	-	-	-
Public health purposes	26,738	-	-	-
Mental health purposes	-	651,194	-	-
Rural services purposes	-	-	626,797	-
Secondary roads purposes	-	-	-	1,173,865
Conservation purposes	149,670	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
County Sheriff	44,457	-	-	-
Unassigned	1,491,380	-	-	-
Total fund balances	2,548,601	651,194	626,797	2,024,532
Total liabilities, deferred inflows of resources and fund balances	\$ 7,861,988	\$ 1,473,474	\$ 2,836,801	\$ 2,325,458

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 40,747	\$ 40,747
188,191	270,895
4,287	183,938
-	32,214
<u>233,225</u>	<u>527,794</u>
11,000	8,079,000
-	284,028
<u>11,000</u>	<u>8,363,028</u>
-	850,667
-	79,176
-	679,571
-	7,761
-	69,848
-	26,738
-	651,194
-	626,797
-	1,173,865
-	149,670
21,853	21,853
249,752	249,752
-	44,457
(158,839)	1,332,541
<u>112,766</u>	<u>5,963,890</u>
<u>\$ 356,991</u>	<u>\$ 14,854,712</u>

## CEDAR COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2015

Total fund balances of governmental funds	\$	5,963,890
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$62,481,369 and the accumulated depreciation/amortization is \$31,487,056.</p>		30,994,313
<p>Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.</p>		284,028
<p>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 in governmental activities in the Statement of Net Position.</p>		209,124
<p>Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.</p>		(11,077)
<p>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:</p>		
Deferred outflows of resources	\$	701,509
Deferred inflows of resources		(1,477,201)
		(775,692)
<p>Long-term liabilities, including early retirement, installment contracts, estimated liability for landfill postclosure monitoring, drainage warrants, net pension liability, net OPEB liability and compensated absences payable are not due and payable, in the current year and, therefore, are not reported as liabilities in the governmental funds.</p>		(3,754,789)
Net position of governmental activities	\$	32,909,797

See notes to financial statements.

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CEDAR COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other County tax	\$ 5,060,256	\$ 828,057	\$ 2,727,331	\$ 179,841
Interest and penalty on property tax	49,739	-	-	-
Intergovernmental	1,063,583	232,977	98,035	4,029,126
Licenses and permits	9,869	-	7,399	15,085
Charges for service	650,149	-	1,000	20
Use of money and property	149,495	-	-	-
Miscellaneous	55,807	11,324	-	35,589
<b>Total revenues</b>	<b>7,038,898</b>	<b>1,072,358</b>	<b>2,833,765</b>	<b>4,259,661</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	3,088,724	-	565,584	-
Physical health and social services	1,254,724	-	-	-
Mental health	7,002	1,296,231	-	-
County environment and education	416,716	-	168,138	-
Roads and transportation	-	-	-	5,700,406
Government services to residents	460,123	-	-	-
Administration	1,547,777	-	-	-
Non-program	5,646	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	758,752
<b>Total expenditures</b>	<b>6,780,712</b>	<b>1,296,231</b>	<b>733,722</b>	<b>6,459,158</b>
Excess (deficiency) of revenues over (under) expenditures	258,186	(223,873)	2,100,043	(2,199,497)
<b>Other financing sources (uses):</b>				
Sale of capital assets	8,413	-	-	5,000
Drainage warrants issued	-	-	-	-
Interfund transfers in (note 4)	-	-	-	2,031,572
Interfund transfers out (note 4)	-	-	(2,081,572)	-
Installment contract proceeds	-	-	-	80,000
<b>Total other financing sources (uses)</b>	<b>8,413</b>	<b>-</b>	<b>(2,081,572)</b>	<b>2,116,572</b>

	<u>Nonmajor</u>		<u>Total</u>
\$	70,471	\$	8,865,956
	-		49,739
	82,628		5,506,349
	-		32,353
	506,955		1,158,124
	357		149,852
	16,048		118,768
	<u>676,459</u>		<u>15,881,141</u>

	2,962		3,657,270
	-		1,254,724
	-		1,303,233
	697,505		1,282,359
	-		5,700,406
	10,293		470,416
	24,245		1,572,022
	-		5,646
	-		-
	<u>676,658</u>		<u>1,435,410</u>
	<u>1,411,663</u>		<u>16,681,486</u>

(735,204)      (800,345)

	-		13,413
	511,376		511,376
	50,000		2,081,572
	-		(2,081,572)
	-		80,000
	<u>561,376</u>		<u>604,789</u>

CEDAR COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 266,599	\$ (223,873)	\$ 18,471	\$ (82,925)
Fund balances beginning of year	2,282,002	875,067	608,326	2,107,457
Fund balances end of year	\$ 2,548,601	\$ 651,194	\$ 626,797	\$ 2,024,532

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ (173,828)	\$ (195,556)
<u>286,594</u>	<u>6,159,446</u>
<u>\$ 112,766</u>	<u>\$ 5,963,890</u>

CEDAR 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

Net change in fund balances - total governmental funds \$ (195,556)

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. The amount of capital outlay  
expenditures, contributed capital assets and depreciation/amortization expense  
in the current year are as follows:

Capital outlay expenditures	\$ 1,197,821	
Depreciation/amortization expense	<u>(1,882,769)</u>	(684,948)

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

Property tax	(1,216)	
Other	<u>208,479</u>	207,263

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 and does not affect the Statement of Activities. (591,376)

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. 14,000

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. 8,078

CEDAR 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

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	\$	14,705	
Early retirement		16,426	
Pension expense		317,378	
Net OPEB liability		13,000	
Interest on long-term debt		<u>(11,077)</u>	\$ 350,432

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

108,394

Change in net position of governmental activities

\$ (783,713)

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
June 30, 2015

		<u>Internal Service - Employee Group Health</u>
Assets		
Cash and investments	\$	258,302
Prepaid expenses		<u>122,065</u>
Total assets		<u>380,367</u>
Liabilities		
Accounts payable		9,545
Incurred but not reported claims		20,000
Unearned revenue		<u>141,698</u>
Total liabilities		<u>171,243</u>
Fund Net Position		
Unrestricted	\$	<u><u>209,124</u></u>

See notes to financial statements.

## CEDAR COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 Year Ended June 30, 2015

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges for services	\$ <u>1,752,379</u>
Operating expenses:	
Medical claims	110,258
Flexible benefits claims	51,252
Insurance premiums	1,453,814
Administrative fees	<u>29,219</u>
Total operating expenses	<u>1,644,543</u>
Operating income	107,836
Non-operating revenues:	
Interest on investments	<u>558</u>
Net income	108,394
Fund net position beginning of year	<u>100,730</u>
Fund net position end of year	\$ <u><u>209,124</u></u>

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2015

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,749,367
Cash payments to suppliers for services	<u>(1,645,096)</u>
Net cash provided by operating activities	<u>104,271</u>
Cash flows from investing activities:	
Interest on investments	<u>558</u>
Net increase in cash and cash equivalents	104,829
Cash and cash equivalents beginning of year	<u>113,473</u>
Cash and cash equivalents end of year	<u>\$ 218,302</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 107,836
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in prepaid expenses	4,314
(Decrease) in accounts payable	(4,867)
(Decrease) in unearned revenue	<u>(3,012)</u>
Net cash provided by operating activities	<u>\$ 104,271</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Fund Net Position:	
Cash and investments	\$ 258,302
Less items not meeting the definition of cash equivalent:	
Certificate of deposit	<u>(40,000)</u>
Cash and cash equivalents at year end	<u>\$ 218,302</u>

See notes to financial statements.

CEDAR COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2015

Assets	
Cash and pooled investments:	
County Treasurer	\$ 1,682,855
Other County officials	69,911
Receivables:	
Property tax:	
Delinquent	25,718
Succeeding year	21,755,000
Accounts	8,951
Due from other governments	<u>55,056</u>
Total assets	<u>\$ 23,597,491</u>
Liabilities	
Accounts payable	\$ 13,984
Salaries and benefits payable	8,528
Due to other governments (note 7)	23,523,324
Trusts payable	38,808
Compensated absences	<u>12,847</u>
Total liabilities	<u>\$ 23,597,491</u>

See notes to financial statements.

## CEDAR COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### Note 1. Summary of Significant Accounting Policies

Cedar 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, Cedar 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 Cedar 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.

One drainage district has 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 this district is legally separate from the County, it is controlled, managed and supervised by the Cedar County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Cedar County Auditor's office.

The Cedar County Solid Waste Commission has been established pursuant to Chapter 28E of the Code of Iowa for the disposal of solid waste and the acquisition, operation and use of public disposal areas. Although the Commission is legally separate from the County, the Commission provides services almost entirely to the County and it would be considered misleading to exclude the Commission due to its relationship with the County. The Solid Waste Commission's Solid Waste Deposal Fund is reported as a Special Revenue Fund. The Solid Waste Commission's closure surety, as required by Chapter 106.18 of the Iowa Administrative Code, is included in the Solid Waste Disposal Fund and is required to provide additional surety against any possible additional closure costs. Financial information of the Solid Waste Commission can be obtained from the Cedar County Auditor's Office.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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: Cedar County Assessor’s Conference Board, Cedar County Emergency Management Commission, and Cedar County Joint E-911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

The Statement of Net Position presents the County’s nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following three categories:

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to 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, proprietary, 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.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 that are not paid from other funds.

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 period or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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 non-operating revenues and expenses.

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

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

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

Cash, Pooled Investments and Cash Equivalents – 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.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

For purposes of the Statement of Cash Flows, all short-term 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, they have a maturity date no longer than three months. The County had \$40,000 in investments not meeting the definition of cash equivalents at June 30, 2015.

Property Tax Receivable - Property tax receivable is recognized in the governmental 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

Interfund Receivable/Payable – During the course of its operations, the County has numerous transactions between funds. To the extent that 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.

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs 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 one year.

Asset Class	Amount
Intangibles	\$ 150,000
Infrastructure	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	2,500

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

Asset Class	Estimated Useful Lives (In Years)
Intangibles	15
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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 recorded in the 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, Mental Health, Rural Services, Secondary Roads Funds and Solid Waste Disposal Funds.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Unassigned – All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the mental health function prior to amending the budget and disbursements in the human resources and mental health departments exceeded the amounts appropriated prior to amending the appropriations.

Note 2. Cash 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.

At June 30, 2015, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$25,025 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in Cedar County drainage district stamped warrants which are valued at a cost of \$6,201.

Credit Risk – The investments in Iowa Public Agency Investment Trust and Cedar County drainage district stamped warrants are unrated.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

Note 3. Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Tax Increment Financing	\$ 15,000
General Fund	Solid Waste Disposal	<u>25,747</u>
		<u>\$ 40,747</u>

The balance between the Secondary Roads and Tax Increment Financing Funds represents a short-term loan. These balances are not included on the government-wide Statement of Net Position.

The balance between the General Fund and Special Revenue Fund, Solid Waste Disposal represents a long-term loan for financing the purchase of a new vehicle by Solid Waste Disposal. This loan will be repaid over four years and includes interest at 2% per annum. These balances are not included on the government-wide Statement of Net Position.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 2,031,572
Solid Waste Disposal		<u>50,000</u>
		<u>\$ 2,081,572</u>

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

Note 5. Contract Receivable

During the year ended June 30, 2009, the County entered into a long-term interest-free lease agreement for the sale of a County building. The lease calls for payments of \$700 per month for 120 months, with a bargain purchase option of \$10,000 at the end of the lease. This represents an installment sale contract and the County has removed the building from their records.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Contract Receivable (continued)

Details of the County's installment contract receivable at June 30, 2015 are as follows:

Year Ending June 30,	Amount
2016	\$ 8,400
2017	8,400
2018	11,400
	\$ 28,200

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 2,004,676	\$ 80,000	\$ -	\$ 2,084,676
Capital assets being depreciated/amortized:				
Intangibles	218,600	-	-	218,600
Buildings	4,426,701	19,095	-	4,445,796
Improvements other than buildings	55,621	-	-	55,621
Machinery and equipment	7,148,373	503,209	119,992	7,531,590
Infrastructure	47,549,569	595,517	-	48,145,086
Total capital assets being depreciated/amortized	59,398,864	1,117,821	119,992	60,396,693
Less accumulated depreciation/amortization for:				
Intangibles	72,866	14,574	-	87,440
Buildings	1,849,098	90,260	-	1,939,358
Improvements other than buildings	37,102	1,153	-	38,255
Machinery and equipment	5,503,653	476,652	119,992	5,860,313
Infrastructure	22,261,560	1,300,130	-	23,561,690
Total accumulated depreciation/amortization	29,724,279	1,882,769	119,992	31,487,056
Total capital assets being depreciated/ amortized, net	29,674,585	(764,948)	-	28,909,637
Governmental activities capital assets, net	\$ 31,679,261	\$ (684,948)	\$ -	\$ 30,994,313

CEDAR COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

Note 6. Capital Assets (continued)

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	173,220
Physical health and social services		7,072
Mental health		4,920
County environment and education		59,142
Roads and transportation		1,599,246
Government services to residents		21,113
Administration		<u>18,056</u>
Total depreciation/amortization expense - governmental activities	\$	<u><u>1,882,769</u></u>

Note 7. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 17,234
Special Revenue:		
Mental Health		14,951
Secondary Roads		<u>29</u>
Total for governmental funds		\$ <u><u>32,214</u></u>
Agency:		
County Assessor	Collections	\$ 982,369
Schools		14,536,348
Area Schools		1,082,429
Corporations		5,314,081
Townships		420,890
Auto License and Use Tax		498,773
All Other		<u>688,434</u>
Total for agency funds		\$ <u><u>23,523,324</u></u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Long-Term Liabilities

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

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 66,482	\$ 19,182	\$ 35,608	\$ 50,056	\$ 25,734
Installment contract	-	80,000	-	80,000	40,000
Estimated liability for landfill postclosure monitoring	70,000	-	14,000	56,000	14,000
Drainage warrants	46,220	511,376	-	557,596	-
Net pension liability	4,023,476	-	1,623,988	2,399,488	-
Net OPEB liability	237,000	-	13,000	224,000	-
Compensated absences	402,354	367,531	382,236	387,649	367,379
<b>Total</b>	<b>\$ 4,845,532</b>	<b>\$ 978,089</b>	<b>\$ 2,068,832</b>	<b>\$ 3,754,789</b>	<b>\$ 447,113</b>

Early Retirement

The County offers an early retirement plan to all employees. The early retirement incentive for each eligible employee is as follows: Employees between the ages of 55 and 61 with at least sixteen years of service will receive 50% of the cost of health insurance at the time of retirement until they become eligible for Medicare; employees between the ages of 62 and 65 with at least sixteen years of service will receive 85% of the cost of health insurance at the time of retirement until they become eligible for Medicare; and employees between the ages of 55 and 65 with less than sixteen years of service will receive a prorated benefit based on the number of years of service divided by sixteen. Early retirees who retire under IPERS eligibility rules will also receive a lump-sum payment for any unused sick leave at a rate of \$5.15 per accumulated hour.

At June 30, 2015, the County had obligations to eight participants with a total liability of \$50,056. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$35,608. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Long-Term Liabilities (continued)

Installment Contract

During the year ended June 30, 2015 the County entered into a real estate contract totaling \$80,000 for the purchase of land. The contract calls for two annual payments of \$40,000 and includes an annual interest percentage rate of 4%.

Details of the County's real estate contract indebtedness at June 30, 2015 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.00 %	\$ 40,000	\$ 1,060	\$ 41,060
2017	4.00	40,000	1,600	41,600
		\$ 80,000	\$ 2,660	\$ 82,660

Landfill Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill in 1989 and plans to complete the period of postclosure monitoring in 2019. The County reports a portion of these postclosure care costs as a liability based on the remaining period of required monitoring as of each balance sheet date. The \$56,000 reported as estimated liability for landfill postclosure care costs at June 30, 2015 represents an estimate of \$14,000 per year for postclosure monitoring for the next four years (the remaining period of required postclosure monitoring). Actual postclosure care costs may be different due to inflation, change in technology, or changes in regulations.

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 written. Warrants will be paid as funds are available. Therefore, no amortization schedule is available at this time.

Drainage Warrants are paid from the Special Revenue, Drainage District Fund solely from the drainage assessments against benefitted properties.

Note 9. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employee's 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](http://www.ipers.org).

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (continued)

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, anytime 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 anytime after reaching age 50 with 22 or more years of covered employment.

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 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.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (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 \$530,918.

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 \$2,399,488 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 collective 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 0.060503 which was a decrease of 0.009572 from its collective proportion measured as of June 30, 2013.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

Note 9. Pension Plan (continued)

For the year ended June 30, 2015, the County recognized pension expense of \$205,463. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 28,195	\$ 42,321
Changes of assumptions	114,492	33,221
Net difference between projected and actual earnings on pension plan investments	-	1,394,741
Changes in proportion and differences between County contributions and proportionate share of contributions	27,904	6,918
County contributions subsequent to the measurement date	530,918	-
Total	\$ 701,509	\$ 1,477,201

\$530,918 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Total
2016	\$ (328,094)
2017	(328,094)
2018	(328,094)
2019	(328,094)
2020	5,766
	\$ (1,306,610)

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (continued)

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
Salary increase (effective June 30, 2010)	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 of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US equity	23%	6.31
Non US equity	15%	6.76
Private equity	13%	11.34
Real estate	8%	3.52
Core plus fixed income	28%	2.06
Credit opportunities	5%	3.67
TIPS	5%	1.92
Other real assets	2%	6.27
Cash	1%	(0.69)
	<hr/>	
Total	<u>100%</u>	

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.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9. Pension Plan (continued)

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability (asset)	\$ 5,572,569	\$ 2,399,488	\$ (276,196)

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](http://www.ipers.org).

Note 10. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 137 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Other Postemployment Benefits (OPEB) (continued)

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	\$	93,311
Interest on net OPEB obligation		9,480
Adjustment to annual required contribution		<u>(13,706)</u>
Annual OPEB cost		89,085
Contributions made		<u>(102,085)</u>
Decrease in net OPEB obligation		(13,000)
Net OPEB obligation beginning of year		<u>237,000</u>
 Net OPEB obligation end of year	 \$	 <u><u>224,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$102,085 to the medical plan.

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:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ 108,601	87.1%	\$ 240,000
2014	108,352	102.8%	237,000
2015	89,085	114.6%	224,000

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$809,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$809,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,191,000 and the ratio of the UAAL to covered payroll was 15.6%. 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, presented as required supplementary information in the section following the Notes to Financial Statements, will present 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.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

Note 10. Other Postemployment Benefits (OPEB) (continued)

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

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 5%.

Mortality rates are from the RP2014 Mortality Tables with scale MP-2014, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from scale T-10 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$861 per month for retirees under age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Note 11. Short-Term Debt Activity

During the year ended June 30, 2015, the County entered into short-term loans between funds. The loan was necessary to provide temporary financing for various projects. A summary of the County's short-term debt activity for the year ended June 30, 2015 is as follows:

Loan to:	Loan from:	Balance Beginning of Year	Loans Received	Loans Repaid	Balance End of Year
Special Revenue:	Special Revenue:				
Tax Increment Financing Fund	Secondary Roads Fund	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000

Note 12. Risk Management

Cedar County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in Heartland Insurance Risk Pool (Pool), a local government risk pool, to protect the County against tort liability, injuries to employees and other risks associated with County operation. The Pool has ten member Counties throughout the State of Iowa. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Risk Management (continued)

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County paid \$421,449 into the Pool for the fiscal year ended June 30, 2015.

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement, legal liability, and public officials liabilities, \$750,000 per occurrence for workers' compensation, and property losses in excess of \$100,000 per occurrence. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in from claims incurred but not reported (referred to as IBNR claims.) As of June 30, 2015 the risk pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member.

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.

The County has renewed its membership in the risk pool on an annual basis since July 1, 1989.

The County also carries commercial insurance purchased from other insurers for coverage associated with employee blanket bond in the amount of \$80,000. 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.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

Note 12. Risk Management (continued)

Self Insured Health Plan

The Cedar County Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Benefits Inc. The Agreement is subject to automatic renewal provisions. The County assumes liability for the difference between the employee deductible (\$500 for single and \$1,000 for family) and the deductible on the policy purchased by the County (\$3,500 for single and \$7,000 for family) for the health plan.

Monthly payments of service fees and plan contributions to the Cedar County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreements, monthly payments of service fees and weekly payments of claims processed are made to Benefits Inc. for the health plan from the Cedar County Employee Group Health Fund. The County records the plan assets and related liabilities for the Cedar County Employee Group Health Fund as an Internal Service Fund. The total contributions to the fund for the year ended June 30, 2015 were \$1,752,379.

Amounts payable from the Employee Group Health Fund at June 30, 2015 includes \$20,000 which is for incurred but not reported (IBNR) 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. The reserve balance at June 30, 2015 was \$209,124 and is reported as net position of the Employee Group Health Fund. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2014	\$	20,000
Incurred claims (including claims incurred but not reported at June 30, 2015)		110,258
Payments		<u>110,258</u>
Unpaid claims at June 30, 2015	\$	<u><u>20,000</u></u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 13. Economic Development

On January 6, 2003, the County entered into a tax increment financing agreement with CDC Limited. On December 16, 2004, the County entered into a second agreement with CDC Limited. Any taxes paid by CDC Limited on the incremental increase in assessed valuation of the affected parcels of real estate in each separate agreement would be repaid to CDC Limited on a semi-annual basis for a period of ten years beginning December 1, 2005 for the agreement dated January 6, 2003 and December 1, 2007 for the agreement dated December 16, 2004. In return, CDC Limited has agreed to construct and maintain industrial facilities for the length of the agreements in order to provide economic opportunities for County residents.

Tax rebate payments made according to the terms of these agreements totaled \$55,315 for the year ended June 30, 2015.

Note 14. Construction Commitment

The County has entered into contracts totaling \$1,862,513 for road repairs and drainage improvements. As of June 30, 2015, costs of \$487,206 had been incurred against the contracts. The balance remaining at June 30, 2015 of \$1,375,307 will be paid as work on the projects progresses.

Note 15. Subsequent Events

On January 5, 2016, the County approved a contract totaling \$534,477 for bridge construction, another contract totaling \$631,218 for bridge construction, and a contract totaling \$2,083,571 for highway resurfacing.

On February 9, 2016, the Drainage District, a component unit of the County and reported as a special revenue fund, approved a contract totaling \$168,192 for drainage improvements.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 16. Cedar County Financial Information Included in the Eastern Iowa Mental Health-Disability Services Region

Eastern Iowa Mental Health - Disability Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Clinton County, Jackson County, Muscatine County, Scott County, and Cedar County. The financial activity of Cedar County's Special Revenue, Mental Health Fund is included in the Eastern Iowa Mental Health - Disability Services Region for the year ended June 30, 2015 as follows:

Revenue:		
Property and other County tax	\$	828,057
Intergovernmental revenues:		
State tax credits	\$	48,043
Social services block grant		47,280
Other intergovernmental revenues		137,654
Miscellaneous		11,324
Total revenues		<u>1,072,358</u>
Expenditures:		
Services to persons with:		
Mental illness	156,060	
Intellectual disability	167,313	
Other developmental disabilities	4,088	327,461
General administration:		
Direct administration	12,976	
Purchased administration	16,000	
Distribution to regional fiscal agent	578,076	607,052
County provided case management		361,718
Total expenditures		<u>1,296,231</u>
Deficiency of revenues under expenditures		(223,873)
Fund balance beginning of year		<u>875,067</u>
Fund balance end of year	\$	<u><u>651,194</u></u>

Note 17. Financial Condition

The Special Revenue Fund, Drainage District had a deficit unassigned fund balance of \$158,839 at June 30, 2015.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

Note 18. Accounting Change/Restatement

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 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	\$ 37,194,146
Net pension liability at June 30, 2014	(4,023,476)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>522,840</u>
Net position July 1, 2014, as restated	\$ <u><u>33,693,510</u></u>

Required Supplementary Information

CEDAR COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
Required Supplementary Information  
Year Ended June 30, 2015

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
<b>RECEIPTS:</b>			
Property and other County tax	\$ 8,868,757	\$ -	\$ 8,868,757
Interest and penalty on property tax	49,076	-	49,076
Intergovernmental	5,314,428	-	5,314,428
Licenses and permits	31,818	-	31,818
Charges for service	1,135,806	-	1,135,806
Use of money and property	149,838	-	149,838
Miscellaneous	122,572	-	122,572
Total receipts	15,672,295	-	15,672,295
<b>DISBURSEMENTS:</b>			
Public safety and legal services	3,641,786	-	3,641,786
Physical health and social services	1,246,039	-	1,246,039
Mental health	1,295,214	-	1,295,214
County environment and education	1,286,964	-	1,286,964
Roads and transportation	5,718,695	-	5,718,695
Government services to residents	507,651	-	507,651
Administration	1,649,045	-	1,649,045
Non-program	5,646	-	5,646
Capital projects	1,276,992	511,628	765,364
Total disbursements	16,628,032	511,628	16,116,404
Excess (deficiency) of receipts over (under) disbursements	(955,737)	(511,628)	(444,109)
Other financing sources, net	524,789	511,376	13,413
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(430,948)	(252)	(430,696)
Balance beginning of year	5,142,938	328	5,142,610
Balance end of year	\$ 4,711,990	\$ 76	\$ 4,711,914

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 8,761,613	\$ 8,761,613	\$ 107,144
46,500	46,500	2,576
4,785,518	5,408,518	(94,090)
28,760	28,760	3,058
1,099,844	1,111,844	23,962
174,158	174,158	(24,320)
67,150	67,150	55,422
<u>14,963,543</u>	<u>15,598,543</u>	<u>73,752</u>
3,834,578	3,859,974	218,188
1,491,082	1,509,082	263,043
1,107,631	1,675,707	380,493
1,349,123	1,430,743	143,779
5,549,305	6,067,305	348,610
546,527	546,527	38,876
1,677,576	1,727,772	78,727
5,100	5,646	-
887,000	887,000	121,636
<u>16,447,922</u>	<u>17,709,756</u>	<u>1,593,352</u>
(1,484,379)	(2,111,213)	1,667,104
<u>33,401</u>	<u>33,401</u>	<u>(19,988)</u>
(1,450,978)	(2,077,812)	1,647,116
<u>3,834,228</u>	<u>3,834,228</u>	<u>1,308,382</u>
<u>\$ 2,383,250</u>	<u>\$ 1,756,416</u>	<u>\$ 2,955,498</u>

CEDAR COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,672,295	\$ 208,846	\$ 15,881,141
Expenditures	16,628,032	53,454	16,681,486
Net	(955,737)	155,392	(800,345)
Other financing sources, net	524,789	80,000	604,789
Beginning fund balances	5,142,938	1,016,508	6,159,446
Ending fund balances	<u>\$ 4,711,990</u>	<u>\$ 1,251,900</u>	<u>\$ 5,963,890</u>

See accompanying independent auditor's report.

## CEDAR COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2015

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, 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, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. 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, one budget amendment increased budgeted disbursements by \$1,261,834. This budget amendment is 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the mental health function prior to amending the budget and disbursements in the human resources and mental health departments exceeded the amounts appropriated prior to amending the appropriations.

CEDAR COUNTY

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

Iowa Public Employee's Retirement System  
Last Fiscal Year\*  
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability	0.060503%
County's proportionate share of the net pension liability	\$ 2,399
County's covered-employee payroll	\$ 5,769
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.58%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

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.

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CEDAR COUNTY

Schedule of the County's Contributions

Iowa Public Employee's Retirement System  
Last Ten Fiscal Years  
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012
Statutorily required contribution	\$ 531	\$ 523	\$ 488	\$ 458
Contributions in relation to the statutorily required contribution	(531)	(523)	(488)	(458)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 5,769	\$ 5,681	\$ 5,425	\$ 5,390
Contributions as a percentage of covered-employee payroll	9.20%	9.21%	9.00%	8.50%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 393	\$ 376	\$ 341	\$ 308	\$ 290	\$ 296
<u>(393)</u>	<u>(376)</u>	<u>(341)</u>	<u>(308)</u>	<u>(290)</u>	<u>(296)</u>
<u>\$ -</u>					
\$ 5,236	\$ 5,346	\$ 5,150	\$ 4,961	\$ 4,805	\$ 4,918
7.51%	7.03%	6.62%	6.21%	6.04%	6.02%

## CEDAR COUNTY

### Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2015

#### Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 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 requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### Changes of assumptions:

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

- Decreased the inflation assumption from 3.25 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 years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

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

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 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.

CEDAR COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended 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 )
2009	July 1, 2008	\$ -	\$ 749	\$ 749	0.0%	\$ 4,796	15.6%
2010	July 1, 2008	-	749	749	0.0%	4,834	15.5%
2011	July 1, 2008	-	749	749	0.0%	4,788	15.6%
2012	July 1, 2011	-	1,073	1,073	0.0%	4,848	22.1%
2013	July 1, 2011	-	1,073	1,073	0.0%	5,046	21.3%
2014	July 1, 2011	-	1,073	1,073	0.0%	5,152	20.8%
2015	July 1, 2014	-	809	809	0.0%	5,191	15.6%

See note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

CEDAR COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2015

	Special Revenue				
	County Recorder's Records Management	Drainage District	Solid Waste Disposal	Tax Increment Financing	Drug Forfeiture
Assets					
Cash and pooled investments	\$ 19,156	\$ 76	\$ 45,572	\$ 41,784	\$ 49,541
Receivables:					
Property tax:					
Succeeding year	-	-	-	11,000	-
Accounts	399	-	65,096	-	-
Accrued interest	6	-	22	-	12
Total assets	\$ <u>19,561</u>	\$ <u>76</u>	\$ <u>110,690</u>	\$ <u>52,784</u>	\$ <u>49,553</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Interfund payable	\$ -	\$ -	\$ 25,747	\$ 15,000	\$ -
Accounts payable	-	158,915	24,345	4,931	-
Salaries and benefits payable	-	-	4,287	-	-
Total liabilities					
	-	158,915	54,379	19,931	-
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	-	-	11,000	-
Fund balances:					
Restricted for:					
Records management	19,561	-	-	-	-
Solid waste disposal	-	-	42,556	-	-
Transfer station closure surety	-	-	13,755	-	-
Public safety purposes	-	-	-	-	49,553
Capital projects	-	-	-	21,853	-
Unassigned	-	(158,839)	-	-	-
Total fund balances					
	19,561	(158,839)	56,311	21,853	49,553
Total liabilities, deferred inflows of resources and fund balances					
	\$ <u>19,561</u>	\$ <u>76</u>	\$ <u>110,690</u>	\$ <u>52,784</u>	\$ <u>49,553</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax</u>	<u>Total</u>
\$ 124,327	\$ 280,456
-	11,000
-	65,495
-	40
<u>\$ 124,327</u>	<u>\$ 356,991</u>
\$ -	\$ 40,747
-	188,191
-	4,287
-	<u>233,225</u>
-	<u>11,000</u>
-	19,561
-	42,556
-	13,755
124,327	173,880
-	21,853
-	(158,839)
<u>124,327</u>	<u>112,766</u>
<u>\$ 124,327</u>	<u>\$ 356,991</u>

CEDAR COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	Special Revenue				
	County Recorder's Records Management	Drainage District	Solid Waste Disposal	Tax Increment Financing	Drug Forfeiture
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ 70,471	\$ -
Intergovernmental	-	-	81,839	789	-
Charges for service	3,976	-	502,979	-	-
Use of money and property	26	-	282	-	49
Miscellaneous	-	-	15,009	-	1,039
<b>Total revenues</b>	<b>4,002</b>	<b>-</b>	<b>600,109</b>	<b>71,260</b>	<b>1,088</b>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	2,962
County environment and education	-	-	642,190	55,315	-
Government services to residents Administration	10,293	-	-	-	-
	-	-	5,258	18,987	-
Capital projects	-	670,543	-	-	-
<b>Total expenditures</b>	<b>10,293</b>	<b>670,543</b>	<b>647,448</b>	<b>74,302</b>	<b>2,962</b>
Deficiency of revenues under expenditures	(6,291)	(670,543)	(47,339)	(3,042)	(1,874)
Other financing sources:					
Drainage warrants issued	-	511,376	-	-	-
Interfund transfers in	-	-	50,000	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>511,376</b>	<b>50,000</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(6,291)	(159,167)	2,661	(3,042)	(1,874)
Fund balances beginning of year	25,852	328	53,650	24,895	51,427
Fund balances end of year	<u>\$ 19,561</u>	<u>\$ (158,839)</u>	<u>\$ 56,311</u>	<u>\$ 21,853</u>	<u>\$ 49,553</u>

See accompanying independent auditor's report.

<u>Local Option Sales and Services Tax</u>	<u>Total</u>
\$ -	\$ 70,471
-	82,628
-	506,955
-	357
-	16,048
-	<u>676,459</u>
-	2,962
-	697,505
-	10,293
-	24,245
6,115	<u>676,658</u>
<u>6,115</u>	<u>1,411,663</u>
(6,115)	(735,204)
-	511,376
-	50,000
-	<u>561,376</u>
(6,115)	(173,828)
130,442	<u>286,594</u>
<u>\$ 124,327</u>	<u>\$ 112,766</u>

CEDAR COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

June 30, 2015

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	2,029
Other County officials	25,180	31,103	13,628	-
Receivables:				
Property tax:				
Delinquent	-	-	-	240
Succeeding year	-	-	-	211,000
Accounts	-	947	-	-
Due from other governments	-	-	-	-
Total assets	\$ 25,180	\$ 32,050	\$ 13,628	\$ 213,269
 <b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 13,984	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	18,066	-	213,269
Trusts payable	25,180	-	13,628	-
Compensated absences	-	-	-	-
Total liabilities	\$ 25,180	\$ 32,050	\$ 13,628	\$ 213,269

<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 132,230	\$ 593,378	\$ 140,241	\$ 10,211	\$ 253,080	\$ 37,897	\$ 10,195
-	-	-	-	-	-	-
-	459	17,107	1,218	-	6,184	-
-	405,000	14,379,000	1,071,000	-	5,270,000	-
-	-	-	-	8,004	-	-
26,748	-	-	-	28,308	-	-
<u>\$ 158,978</u>	<u>\$ 998,837</u>	<u>\$ 14,536,348</u>	<u>\$ 1,082,429</u>	<u>\$ 289,392</u>	<u>\$ 5,314,081</u>	<u>\$ 10,195</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,885	6,643	-	-	-	-	-
154,071	982,369	14,536,348	1,082,429	289,392	5,314,081	10,195
-	-	-	-	-	-	-
3,022	9,825	-	-	-	-	-
<u>\$ 158,978</u>	<u>\$ 998,837</u>	<u>\$ 14,536,348</u>	<u>\$ 1,082,429</u>	<u>\$ 289,392</u>	<u>\$ 5,314,081</u>	<u>\$ 10,195</u>

CEDAR COUNTY  
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2015

	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	Total
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 4,384	\$ 437	\$ 498,773	\$ 1,682,855
Other County officials	-	-	-	69,911
Receivables:				
Property tax:				
Delinquent	506	4	-	25,718
Succeeding year	416,000	3,000	-	21,755,000
Accounts	-	-	-	8,951
Due from other governments	-	-	-	55,056
Total assets	\$ 420,890	\$ 3,441	\$ 498,773	\$ 23,597,491
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 13,984
Salaries and benefits payable	-	-	-	8,528
Due to other governments	420,890	3,441	498,773	23,523,324
Trusts payable	-	-	-	38,808
Compensated absences	-	-	-	12,847
Total liabilities	\$ 420,890	\$ 3,441	\$ 498,773	\$ 23,597,491

See accompanying independent auditor's report.

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CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2015

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 25,091	\$ 26,196	\$ 21,633	\$ 211,491
Additions:				
Property and other County tax	-	-	-	210,246
State tax credits	-	-	-	12,083
E-911 surcharge	-	-	-	-
Office fees and collections	-	358,387	54,889	-
Auto licenses, use tax, driver licenses, and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	57,870	-
Interest on investments	140	-	-	-
Miscellaneous	-	-	-	-
Total additions	140	358,387	112,759	222,329
Deductions:				
Agency remittances:				
To other funds	-	137,284	56,397	-
To other governments	-	215,249	1,699	220,551
Trusts paid out	51	-	62,668	-
Total deductions	51	352,533	120,764	220,551
Balances end of year	\$ 25,180	\$ 32,050	\$ 13,628	\$ 213,269

<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911</u>	<u>Corporations</u>	<u>City Special Assessments</u>
\$ 209,156	\$ 941,645	\$ 14,555,242	\$ 1,066,506	\$ 189,610	\$ 5,264,843	\$ 5,452
-	404,726	14,357,013	1,069,679	-	5,193,787	-
-	24,473	831,063	60,941	-	383,147	-
-	-	-	-	298,865	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	53,113
-	-	-	-	-	-	-
-	-	-	-	97	-	-
115,348	7,481	-	-	1,850	-	-
<u>115,348</u>	<u>436,680</u>	<u>15,188,076</u>	<u>1,130,620</u>	<u>300,812</u>	<u>5,576,934</u>	<u>53,113</u>
-	-	-	-	-	-	-
165,526	379,488	15,206,970	1,114,697	201,030	5,527,696	48,370
-	-	-	-	-	-	-
<u>165,526</u>	<u>379,488</u>	<u>15,206,970</u>	<u>1,114,697</u>	<u>201,030</u>	<u>5,527,696</u>	<u>48,370</u>
\$ <u><u>158,978</u></u>	\$ <u><u>998,837</u></u>	\$ <u><u>14,536,348</u></u>	\$ <u><u>1,082,429</u></u>	\$ <u><u>289,392</u></u>	\$ <u><u>5,314,081</u></u>	\$ <u><u>10,195</u></u>

CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 Year Ended June 30, 2015

	Townships	Brucellosis and Tuberculosis Eradication	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 408,771	\$ 3,365	\$ 494,119	\$ 689
Additions:				
Property and other County tax	417,983	3,372	-	-
State tax credits	19,196	196	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	2,950
Auto licenses, use tax, driver licenses, and postage	-	-	6,304,749	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Interest on investments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	437,179	3,568	6,304,749	2,950
Deductions:				
Agency remittances:				
To other funds	-	-	220,194	-
To other governments	425,060	3,492	6,079,901	3,639
Trusts paid out	-	-	-	-
Total deductions	425,060	3,492	6,300,095	3,639
Balances end of year	\$ 420,890	\$ 3,441	\$ 498,773	\$ -

See accompanying independent auditor's report.

<u>Tax Sale Redemption</u>	<u>Total</u>
\$ <u>          -</u>	\$ <u>23,423,809</u>
-	21,656,806
-	1,331,099
-	298,865
-	416,226
-	6,304,749
-	53,113
189,883	247,753
-	237
-	124,679
<u>189,883</u>	<u>30,433,527</u>
-	413,875
-	29,593,368
189,883	252,602
<u>189,883</u>	<u>30,259,845</u>
<u>\$ <u>          -</u></u>	<u>\$ <u>23,597,491</u></u>

CEDAR COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>				
Property and other County tax	\$ 8,865,956	\$ 7,904,901	\$ 7,716,043	\$ 7,373,619
Interest and penalty on property tax	49,739	55,043	59,388	47,716
Intergovernmental	5,506,349	5,234,720	4,502,567	6,517,014
Licenses and permits	32,353	33,578	38,328	60,974
Charges for service	1,158,124	1,207,205	1,131,763	1,074,474
Use of money and property	149,852	144,135	169,825	144,190
Miscellaneous	118,768	114,379	216,735	228,837
	<hr/>			
Total	\$ <u>15,881,141</u>	\$ <u>14,693,961</u>	\$ <u>13,834,649</u>	\$ <u>15,446,824</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 3,657,270	\$ 3,352,040	\$ 3,164,444	\$ 2,960,560
Physical health and social services	1,254,724	1,297,802	1,166,679	1,190,729
Mental health	1,303,233	746,734	1,297,776	2,641,365
County environment and education	1,282,359	1,272,224	1,188,191	1,383,151
Roads and transportation	5,700,406	5,168,773	5,269,364	4,687,747
Government services to residents	470,416	508,855	446,608	427,129
Administration	1,572,022	1,549,460	1,377,601	1,303,555
Non-program	5,646	4,788	4,678	6,602
Debt service	-	-	-	-
Capital projects	1,435,410	127,989	547,857	675,861
	<hr/>			
Total	\$ <u>16,681,486</u>	\$ <u>14,028,665</u>	\$ <u>14,463,198</u>	\$ <u>15,276,699</u>

See accompanying independent auditor's report.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	7,126,247	\$ 6,732,058	\$ 6,481,663	\$ 6,709,396	\$ 6,650,106	\$ 6,493,506
	53,311	55,377	44,387	48,521	52,532	71,629
	6,764,514	7,723,850	7,401,142	5,717,081	6,613,886	6,473,937
	49,777	50,171	54,210	47,039	40,816	40,460
	1,024,116	991,219	962,818	1,000,497	880,809	1,033,796
	164,785	186,541	205,036	363,901	480,693	335,215
	173,257	78,233	77,419	154,079	96,126	144,094
	<u>\$ 15,356,007</u>	<u>\$ 15,817,449</u>	<u>\$ 15,226,675</u>	<u>\$ 14,040,514</u>	<u>\$ 14,814,968</u>	<u>\$ 14,592,637</u>
\$	2,885,382	\$ 2,788,491	\$ 2,633,866	\$ 2,526,569	\$ 2,442,778	\$ 2,410,045
	1,252,950	1,217,838	1,082,768	1,114,788	1,067,239	1,010,583
	2,254,983	2,161,313	2,309,981	2,350,115	2,343,358	2,657,815
	1,540,442	2,462,774	1,152,930	1,054,978	968,804	895,988
	4,938,334	5,024,836	5,057,008	5,279,916	4,326,007	4,406,428
	445,833	471,509	450,506	435,229	421,513	549,782
	1,273,694	1,200,970	1,248,465	1,445,904	1,294,089	1,295,564
	15,307	4,320	4,242	4,774	19,606	-
	-	-	-	1,486,038	517,725	516,915
	485,802	621,994	930,171	470,700	992,872	1,053,668
	<u>\$ 15,092,727</u>	<u>\$ 15,954,045</u>	<u>\$ 14,869,937</u>	<u>\$ 16,169,011</u>	<u>\$ 14,393,991</u>	<u>\$ 14,796,788</u>

CEDAR COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015

Grantor/Program	CFDA Number	Pass-through Grantor Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	LAE SFY 15	\$ <u>3,492</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	PRE-ENG	13,822
Highway Planning and Construction	20.205	BROS 16(85)	<u>319,511</u>
			<u>333,333</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	14-402 (Task 22-30)	<u>4,200</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	5884I413	3,589
Immunization Cooperative Agreements	93.268	5885I413	<u>751</u>
			<u>4,340</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	5884I4111	<u>100</u>
Iowa Department of Human Services:			
Refugee and Entrant Assistance - State Administered Programs			
	93.566	LAE SFY 15	<u>8</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			
	93.596	LAE SFY 15	<u>903</u>
Foster Care - Title IV-E	93.658	LAE SFY 15	<u>1,338</u>
Adoption Assistance	93.659	LAE SFY 15	<u>423</u>
Social Services Block Grant	93.667	SPP - 14	<u>1,437</u> *
Social Services Block Grant	93.667	LAE SFY 15	<u>1,074</u> *
Children's Health Insurance Program	93.767	LAE SFY 15	<u>21</u>
Medical Assistance Program	93.778	LAE SFY 15	<u>6,578</u>
Eastern Iowa Mental Health - Disability Services Region:			
Social Services Block Grant	93.667	SPP - 15	<u>45,843</u> *

CEDAR COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-IA-4187	\$ 75,165
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-07-IA-4135	<u>147,096</u>
			<u>222,261</u>
Emergency Management Performance Grants	97.042	EMPG-FY 15	<u>26,748</u>
Total			<u>\$ 652,099</u>

\* = Total expenditures for CFDA Number 93.667 = \$48,354

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Cedar County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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

To the Officials of Cedar County:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar 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 March 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cedar 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 Cedar County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-15 to be a material weakness.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-C-15 to be significant deficiencies.

Compliance

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

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

Cedar County's Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cedar County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hunt + Associates, P.C.*

Oskaloosa, Iowa  
March 22, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

To the Officials of Cedar County:

Report on Compliance for the Major Federal Program

We have audited Cedar County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2015. Cedar County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Cedar County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Cedar County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

In planning and performing our audit of compliance, we considered Cedar County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hunt & Associates, P.C.*

Oskaloosa, Iowa  
March 22, 2016

CEDAR COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on all opinion units.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were reported.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were reported.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
  - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar County did not qualify as a low-risk auditee.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County’s financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Sheriff, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Sheriff, Treasurer
(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.	Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review. For Sheriff’s office checks, dual signatures could be used to strengthen the control over disbursements. For Sheriff’s office receipts and bank reconciliations, an individual not involved with handling cash or writing checks for a particular account should be the one reconciling the books to the bank records. A triplicate pre-numbered receipt system should also be implemented in areas where it is not being used already at the Sheriff’s office. Room and board receipts recorded by the County Treasurer should also be reconciled back the original receipt records at the Sheriff’s office by an individual not involved in handling those funds.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-A-15 Segregation of Duties (continued)

Responses –

County Sheriff - We will consider your recommendation and review our procedures in order to make any necessary changes to improve internal control.

County Treasurer – We will review our procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

II-B-15 Financial Reporting – During the audit, we identified material amounts of payables, receivables, and deferred inflows of resources not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables, receivables, and deferred inflows of resources are identified and included in the County’s financial statements so that the financial statements are free of material misstatements.

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

Conclusion – Response accepted.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-C-15 Sheriff's Room and Board and Commissary Funds – During the current year audit we were asked by the County to look into some accounting irregularities they had identified in the Sheriff's office from July 2013 through December 2015. During that time period and based on the available records provided to us, we were able to identify \$9,076 of undeposited cash funds. \$5,775 resulted from what appears to be undeposited inmate room and board funds and \$3,301 was from undeposited inmate commissary funds. The room and board shortage was identified by comparing room and board collections reported in the Sheriff's office handwritten ledger to actual cash remitted to the County Treasurer's office to be deposited and recorded. The recorded amount at the Treasurer's office was \$5,775 less than the handwritten collection ledger at the Sheriff's office. The commissary shortage resulted from \$1,061 in "cash drawer-short" adjusting entries to the commissary software cash transaction report and \$2,240 of phone card commission profit and other outside vendor checks which were substituted for inmate cash collections on the bank deposits. The individual in charge of reconciling these funds also was involved in the collecting, recording, depositing and disbursing of these funds. In addition to the above findings, we also noted that there was no evidence of room and board receipts recorded by the County Treasurer being reconciled to the original collection records at the Sheriff's office, commissary deposits were being made only one to two times per month and one deposit was made almost three months after the deposit made prior to it, and phone card commission profit checks were not being deposited directly with the County Treasurer to be recorded in the budgetary Commissary Fund within the General Fund.

Recommendation – In addition to the recommendations noted in comment II-A-15 for the lack of segregation of duties, we also recommend that deposits to the commissary account be made within a week or less of their receipt and phone card commission profit checks be deposited directly with the County Treasurer to be recorded in the proper County budgetary fund.

Response – We have started an investigation into the source of the undeposited funds and will implement the recommendations suggested in order to help protect against any future loss of funds.

Conclusion – Response accepted.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the mental health function prior to amending the budget. Disbursements in the human resources and mental health departments exceeded the amounts appropriated prior to amending the appropriations.

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

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

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

Conclusion – Response accepted.

IV-B-15 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

IV-D-15 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-15 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that the coverage remains adequate for current operations.

IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa.

However, we noted that the County has invested in drainage district warrants but this type of investment is not specifically allowed by the County investment policy.

Recommendation – The County should modify the County investment policy to allow investments in drainage district warrants or divest themselves of all such investments.

Response – We updated our investment policy in January 2016 to allow for investments in drainage district warrants.

Conclusion – Response accepted.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting (continued):

IV-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).

IV-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.

IV-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.

IV-K-15 Financial Condition – At June 30, 2015, the governmental activities had a deficit unrestricted net position of \$437,618. In addition, the Special Revenue Fund, Drainage District had a deficit unassigned fund balance of \$158,839 at June 30, 2015. The governmental activities deficit balance was caused by the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, which requires the inclusion of the County’s proportionate share of the IPERS pension liability and the related deferred outflows of resources and deferred inflows of resources in the County’s financial statements. The Drainage District Fund deficit was due to accrued expenditures and delay by the County in issuing drainage district stamped warrants until the cash is needed to minimize interest costs.

Recommendation – Even though the deficit in governmental activities arose due to the net pension liability and related deferred outflows and inflows of resources, the County should investigate ways to return the governmental activities to a sound financial condition. The County should investigate ways to return the Drainage District Fund to a sound financial condition.

Response – We are unsure of what steps can be taken at this time to alleviate the strain of the County’s proportionate share of the IPERS pension liability and the related deferred outflows and inflows of resources on governmental activities since actions related to this area are controlled by the Iowa Legislature. However, we will look into this situation and investigate ways to return the governmental activities to a sound financial condition. We will look at the Drainage District Fund and discuss ways to return this fund to a sound financial condition.

Conclusion – Response accepted.