

CLARKE COUNTY

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

JUNE 30, 2015

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CLARKE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2015)		
Myron Manley	Board of Supervisors	Jan. 2015
Marvin McCann	Board of Supervisors	Jan. 2017
Larry Keller	Board of Supervisors	Jan. 2017
Janice White	County Auditor	Jan. 2017
Debbie Lynn	County Treasurer	Jan. 2015
Peggy Cummings	County Recorder	Jan. 2015
Bill Kerns	County Sheriff	Jan. 2017
Michelle Murphy Rivera	County Attorney	Jan. 2015
Paul Winship	County Assessor	Jan. 2016
(After January 2015)		
Marvin McCann	Board of Supervisors	Jan. 2017
Larry Keller	Board of Supervisors	Jan. 2017
Bill Black	Board of Supervisors	Jan. 2019
Janice White	County Auditor	Jan. 2017
Debbie Lynn	County Treasurer	Jan. 2019
Peggy Cummings	County Recorder	Jan. 2019
Bill Kerns	County Sheriff	Jan. 2017
Michelle Murphy Rivera	County Attorney	Jan. 2019
Paul Winship	County Assessor	Jan. 2016

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 Clarke 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 14 to the financial statements, Clarke 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 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 52 through 59 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.

The County has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke 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 8 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 24, 2016 on our consideration of Clarke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. 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 Clarke County's internal control over financial reporting and compliance.



Basic Financial Statements

CLARKE COUNTY
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,736,545
Receivables:	
Property tax:	
Delinquent	8,140
Succeeding year	4,430,000
Interest and penalty on property tax	21,732
Accounts	143,414
Accrued interest	813
Due from other governments	288,292
Inventories	225,020
Prepaid expenses	107,854
Hospital revenue note receivable (note 4)	5,000,000
Capital assets, net of accumulated depreciation (note 5)	<u>14,653,327</u>
 Total assets	 <u>29,615,137</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>358,560</u>
Liabilities	
Accounts payable	167,039
Salaries and benefits payable	166,930
Due to other governments (note 6)	25,893
Accrued interest payable	42,220
Long-term liabilities (note 7):	
Portion due or payable within one year:	
General obligation bonds	18,000
Capital loan notes	160,000
Child care center revenue notes	8,600
Bank loans	177,574
Capital lease purchase agreements	64,868
Compensated absences	167,970

CLARKE COUNTY
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
Long-term liabilities (note 7) (continued):	
Portion due or payable after one year:	
General obligation bonds	\$ 98,000
General obligation hospital bonds	5,000,000
Capital loan notes	375,000
Child care center revenue notes	474,179
Bank loans	678,346
Capital lease purchase agreements	54,794
Net pension liability	1,256,694
Net OPEB liability	<u>88,800</u>
Total liabilities	<u>9,024,907</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	4,430,000
Pension related deferred inflows	<u>862,564</u>
Total deferred inflows of resources	<u>5,292,564</u>
Net Position	
Net investment in capital assets	12,659,966
Restricted for:	
Mental health purposes	432,336
Rural services purposes	428,222
Secondary roads purposes	1,272,079
Debt service	13,495
Conservation purposes	230,601
Other purposes	118,563
Unrestricted	<u>500,964</u>
Total net position	<u>\$ 15,656,226</u>

See notes to financial statements.

CLARKE 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	\$ 1,786,234	\$ 202,576	\$ 4,125	\$ -	\$ (1,579,533)
Physical health and social services	901,656	167,800	383,685	38,745	(311,426)
Mental health	142,288	1,086	27,093	-	(114,109)
County environment and education	325,073	17,601	15,367	-	(292,105)
Roads and transportation	3,494,232	202,086	4,598,289	570,117	1,876,260
Government services to residents	438,826	158,000	3	-	(280,823)
Administration	963,591	18,221	6,000	-	(939,370)
Interest on long-term debt	63,146	-	40,952	-	(22,194)
Total	<u>\$ 8,115,046</u>	<u>\$ 767,370</u>	<u>\$ 5,075,514</u>	<u>\$ 608,862</u>	<u>(1,663,300)</u>

General Revenues:

Property and other county tax levied for:	
General purposes	4,112,421
Debt service	320,934
Penalty and interest on property tax	43,543
State tax credits	325,314
Gaming tax	252,767
Unrestricted investment earnings	<u>18,305</u>
Total general revenues	<u>5,073,284</u>
Change in net position	3,409,984
Net position beginning of year, as restated	<u>12,246,242</u>
Net position end of year	<u>\$ 15,656,226</u>

See notes to financial statements.

CLARKE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue				Total
	General	Rural Services	Secondary Roads	Nonmajor	
Assets					
Cash and pooled investments	\$ 2,007,316	\$ 479,920	\$ 1,605,820	\$ 631,615	\$ 4,724,671
Receivables:					
Property tax:					
Delinquent	5,625	1,164	-	1,351	8,140
Succeeding year	3,053,000	846,000	-	531,000	4,430,000
Interest and penalty on property tax	21,732	-	-	-	21,732
Accounts	99,871	50	4,241	1,254	105,416
Accrued interest	795	-	-	18	813
Due from other governments	90,171	-	186,748	11,373	288,292
Inventories	-	-	225,020	-	225,020
Prepaid expenses	72,558	-	35,296	-	107,854
Total assets	\$ 5,351,068	\$ 1,327,134	\$ 2,057,125	\$ 1,176,611	\$ 9,911,938

CLARKE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue				Total
	General	Rural Services	Secondary Roads	Nonmajor	
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 88,597	\$ 99	\$ 72,911	\$ 5,274	\$ 166,881
Salaries and benefits payable	101,107	16,119	48,644	1,060	166,930
Due to other governments (note 6)	10,980	-	14,913	-	25,893
Total liabilities	<u>200,684</u>	<u>16,218</u>	<u>136,468</u>	<u>6,334</u>	<u>359,704</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,053,000	846,000	-	531,000	4,430,000
Other	27,357	1,164	-	1,351	29,872
Total deferred inflows of resources	<u>3,080,357</u>	<u>847,164</u>	<u>-</u>	<u>532,351</u>	<u>4,459,872</u>
Fund balances:					
Nonspendable:					
Inventories	-	-	225,020	-	225,020
Prepaid expenses	72,558	-	35,296	-	107,854
Restricted for:					
Supplemental levy purposes	586,774	24,247	-	-	611,021
SIRWA water grid project	-	62,500	-	-	62,500
Rural services purposes	-	377,005	-	-	377,005
Secondary roads purposes	-	-	1,660,341	-	1,660,341
Mental health purposes	-	-	-	432,645	432,645
Debt service	-	-	-	37,325	37,325
Conservation purposes	80,245	-	-	150,655	230,900
Inmate room and board	96,981	-	-	-	96,981
Flowerbed maintenance	3,811	-	-	-	3,811
Other purposes	470	-	-	17,301	17,771
Assigned for:					
Environmental education	27,340	-	-	-	27,340
Unassigned	1,201,848	-	-	-	1,201,848
Total fund balances	<u>2,070,027</u>	<u>463,752</u>	<u>1,920,657</u>	<u>637,926</u>	<u>5,092,362</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,351,068</u>	<u>\$ 1,327,134</u>	<u>\$ 2,057,125</u>	<u>\$ 1,176,611</u>	<u>\$ 9,911,938</u>

See notes to financial statements.

CLARKE COUNTY

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

Total fund balances of governmental funds		\$ 5,092,362
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The hospital revenue note receivable is not a current financial resource and, therefore, is not reported as an asset in the governmental funds.		5,000,000
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 \$26,282,592 and the accumulated depreciation is \$11,629,265.		14,653,327
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.		29,872
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefit plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.		49,714
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.		(42,220)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
	Deferred outflows of resources	\$ 358,560
	Deferred inflows of resources	<u>(862,564)</u>
		(504,004)
Long-term liabilities, including bonds and notes payable, bank loans payable, capital lease purchase agreements payable, compensated absences payable, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(8,622,825)</u>
Net position of governmental activities		<u><u>\$ 15,656,226</u></u>

See notes to financial statements.

CLARKE COUNTY

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

	General	Special Revenue		Nonmajor	Total
		Rural Services	Secondary Roads		
Revenues:					
Property and other County tax	\$ 3,072,566	\$ 885,316	\$ -	\$ 726,778	\$ 4,684,660
Interest and penalty on property tax	41,159	-	-	-	41,159
Intergovernmental	801,944	51,436	4,598,289	137,496	5,589,165
Licenses and permits	8,125	2,910	1,735	-	12,770
Charges for service	293,923	-	100	1,622	295,645
Use of money and property	27,869	-	-	259	28,128
Miscellaneous	53,833	5,624	200,251	1,087	260,795
Total revenues	4,299,419	945,286	4,800,375	867,242	10,912,322
Expenditures:					
Operating:					
Public safety and legal services	1,487,731	289,919	-	860	1,778,510
Physical health and social services	824,853	-	-	-	824,853
Mental health	-	-	-	142,411	142,411
County environment and education	166,844	132,628	-	3,779	303,251
Roads and transportation	-	-	4,660,089	-	4,660,089
Government services to residents	524,262	-	-	-	524,262
Administration	938,953	-	-	-	938,953
Debt service	8,772	-	-	393,348	402,120
Capital projects	2,522	-	-	22,961	25,483
Total expenditures	3,953,937	422,547	4,660,089	563,359	9,599,932
Excess of revenues over expenditures	345,482	522,739	140,286	303,883	1,312,390
Other financing sources (uses):					
Interfund transfers in (note 3)	-	-	555,000	5,655	560,655
Interfund transfers out (note 3)	(35,655)	(525,000)	-	-	(560,655)
Execution of bank loan	-	-	558,958	-	558,958
Total other financing sources (uses)	(35,655)	(525,000)	1,113,958	5,655	558,958

CLARKE COUNTY

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

	General	Special Revenue		Nonmajor	Total
		Rural Services	Secondary Roads		
Net change in fund balances	\$ 309,827	\$ (2,261)	\$ 1,254,244	\$ 309,538	\$ 1,871,348
Fund balances beginning of year	1,760,200	466,013	666,413	328,388	3,221,014
Fund balances end of year	<u>\$ 2,070,027</u>	<u>\$ 463,752</u>	<u>\$ 1,920,657</u>	<u>\$ 637,926</u>	<u>\$ 5,092,362</u>

See notes to financial statements.

CLARKE 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 \$ 1,871,348

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

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

Capital outlay expenditures	\$ 1,855,194	
Capital assets contributed by others	608,862	
Depreciation expense	<u>(1,116,606)</u>	1,347,450

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	1,462	
Other	<u>2,384</u>	3,846

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. (558,958)

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. 550,869

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. 11,151

CLARKE 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	\$	15,949	
Pension expense		189,426	
Net OPEB liability		(14,400)	
Interest on long-term debt		<u>(8,595)</u>	\$ 182,380

The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefit plans to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities.

1,898

Change in net position of governmental activities

\$ 3,409,984

See notes to financial statements.

CLARKE COUNTY
 STATEMENT OF FUND NET POSITION
 PROPRIETARY FUNDS
 June 30, 2015

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ 11,874
Accounts receivable	<u>37,998</u>
Total assets	<u>49,872</u>
Liabilities	
Accounts payable	<u>158</u>
Fund Net Position	
Unrestricted	<u><u>\$ 49,714</u></u>

See notes to financial statements.

CLARKE COUNTY

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

	<u>Internal Service Funds</u>
Operating revenues:	
Charges to operating funds	\$ 811,554
Charges to employees and others	<u>213,504</u>
Total operating revenues	<u>1,025,058</u>
Operating expenses:	
Insurance premiums	991,247
Flexible spending claims	30,146
Administrative fees	<u>1,767</u>
Total operating expenses	<u>1,023,160</u>
Operating income	1,898
Fund net position beginning of year	<u>47,816</u>
Fund net position end of year	<u>\$ 49,714</u>

See notes to financial statements.

CLARKE COUNTY
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2015

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 807,566
Cash received from employees and others	213,409
Cash payments to suppliers for services	<u>(1,023,146)</u>
Net cash used by operating activities	(2,171)
Cash and cash equivalents beginning of year	<u>14,045</u>
Cash and cash equivalents end of year	<u><u>\$ 11,874</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 1,898
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) in accounts receivable	(4,083)
Increase in accounts payable	<u>14</u>
Net cash used by operating activities	<u><u>\$ (2,171)</u></u>

See notes to financial statements.

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

Assets	
Cash and pooled investments:	
County Treasurer	\$ 637,930
Other County officials	26,043
Receivables:	
Property tax:	
Delinquent	18,254
Succeeding year	9,974,000
Accounts	41
Accrued interest	21
Due from other governments	71,326
Prepaid expenses	<u>15,580</u>
Total assets	<u>\$ 10,743,195</u>
Liabilities	
Accounts payable	\$ 40,476
Salaries and benefits payable	10,623
Due to other governments (note 6)	10,576,890
Trusts payable	104,506
Compensated absences	<u>10,700</u>
Total liabilities	<u>\$ 10,743,195</u>

See notes to financial statements.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

Clarke 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, Clarke 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. Clarke County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Clarke County Assessor's Conference Board, Clarke County Hospital Board, and Clarke County Environmental Services Board, which handles the Emergency Management System. 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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 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 - Internal Service Funds are 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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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 non-negotiable certificates of deposit, which are stated at cost.

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.

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.

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.

CLARKE 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)

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

Capital Assets – Capital assets, which include property, 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	\$ 100,000
Infrastructure	250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/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.

CLARKE 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)

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.

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, Rural Services and Secondary Roads 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.

CLARKE 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 did not exceed the amount budgeted in any County function and disbursements did not exceed departmental 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.

The County's funds are all deposited in financial institution depository accounts.

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 30,000
	Special Revenue:	
	Rural Services	525,000
Capital Projects	General	<u>5,655</u>
		<u>\$ 560,655</u>

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

Note 4. Hospital Revenue Note Receivable

During the year ended June 30, 2014, the County received \$5,000,000 of hospital revenue notes from the Clarke County Public Hospital (Hospital). The revenue note was received in exchange for the proceeds of the general obligation hospital bonds issued by the County (note 7). The hospital revenue note receivable has the same payment schedule as the County's hospital bonds payable and are payable only from the net revenues of the Hospital, amounts on deposit in the funds held by the Hospital, and the guaranty obtained by the Hospital from a private corporation.

A summary of the County's hospital revenue note receivable at June 30, 2015 is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	- %	\$ -	\$ 217,138	\$ 217,138
2017	-	-	217,138	217,138
2018	-	-	217,138	217,138
2019	-	-	217,138	217,138
2020	-	-	217,138	217,138
2021-2025	-	-	1,085,687	1,085,687
2026-2030	4.00	1,175,000	1,085,687	2,260,687
2031-2033	4.35-4.50	3,825,000	342,787	4,167,787
		<u>\$ 5,000,000</u>	<u>\$ 3,599,851</u>	<u>\$ 8,599,851</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 579,154	\$ -	\$ -	\$ 579,154
Capital assets being depreciated:				
Buildings	7,181,344	51,660	-	7,233,004
Machinery and equipment	4,219,155	1,842,279	533,357	5,528,077
Infrastructure	12,372,240	570,117	-	12,942,357
Total capital assets being depreciated	<u>23,772,739</u>	<u>2,464,056</u>	<u>533,357</u>	<u>25,703,438</u>
Less accumulated depreciation for:				
Buildings	2,787,289	212,695	-	2,999,984
Machinery and equipment	2,599,958	472,499	533,357	2,539,100
Infrastructure	5,658,769	431,412	-	6,090,181
Total accumulated depreciation	<u>11,046,016</u>	<u>1,116,606</u>	<u>533,357</u>	<u>11,629,265</u>
Total capital assets being depreciated, net	<u>12,726,723</u>	<u>1,347,450</u>	<u>-</u>	<u>14,074,173</u>
Governmental activities capital assets, net	<u>\$ 13,305,877</u>	<u>\$ 1,347,450</u>	<u>\$ -</u>	<u>\$ 14,653,327</u>

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	146,579
Physical health and social services		104,267
County environment and education		17,491
Roads and transportation		796,583
Government services to residents		7,976
Administration		<u>43,710</u>
 Total depreciation expense - governmental activities	 \$	 <u><u>1,116,606</u></u>

Note 6. Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 10,980
Special Revenue:		
Secondary Roads		<u>14,913</u>
Total for governmental funds		<u><u>\$ 25,893</u></u>
Agency:		
County Assessor	Collections	\$ 389,861
Schools		5,464,755
Area Schools		272,566
Corporations		2,983,425
County Hospital		891,073
Auto License and Use Tax		182,126
All Other		<u>393,084</u>
Total for agency funds		<u><u>\$ 10,576,890</u></u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. 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
General Obligation Bonds	\$ 133,000	\$ -	\$ 17,000	\$ 116,000	\$ 18,000
General Obligation Hospital Bonds	5,000,000	-	-	5,000,000	-
Capital Loan Notes	850,000	-	315,000	535,000	160,000
Child Care Center Revenue Notes	490,989	-	8,210	482,779	8,600
Bank Loans	367,639	558,958	70,677	855,920	177,574
Capital Lease Purchase Agreements	259,644	-	139,982	119,662	64,868
Compensated Absences	183,919	167,970	183,919	167,970	167,970
Net Pension Liability	2,232,124	-	975,430	1,256,694	-
Net OPEB Liability	74,400	14,400	-	88,800	-
Total	\$ 9,591,715	\$ 741,328	\$ 1,710,218	\$ 8,622,825	\$ 597,012

General Obligation Bonds

Details of the County's June 30, 2015 general obligation solid waste disposal bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	3.64 %	\$ 18,000	\$ 4,308	\$ 22,308
2017	3.64	18,000	3,653	21,653
2018	3.64	19,000	2,997	21,997
2019	3.78	20,000	2,306	22,306
2020	3.78	20,000	1,550	21,550
2021	3.78	21,000	793	21,793
		<u>\$ 116,000</u>	<u>\$ 15,607</u>	<u>\$ 131,607</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (continued)

General Obligation Hospital Bonds

During the year ended June 30, 2014, the County issued \$5,000,000 of general obligation hospital bonds. The proceeds went to the Clarke County Public Hospital in exchange for \$5,000,000 of hospital revenue notes (note 4).

Details of the County's June 30, 2015 general obligation hospital bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	- %	\$ -	\$ 217,138	\$ 217,138
2017	-	-	217,138	217,138
2018	-	-	217,138	217,138
2019	-	-	217,138	217,138
2020	-	-	217,138	217,138
2021-2025	-	-	1,085,687	1,085,687
2026-2030	4.00	1,175,000	1,085,687	2,260,687
2031-2033	4.35-4.50	3,825,000	342,787	4,167,787
		<u>\$ 5,000,000</u>	<u>\$ 3,599,851</u>	<u>\$ 8,599,851</u>

Capital Loan Notes

Details of the County's June 30, 2015 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Series Dated August 1, 2010			Series Dated October 15, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2016	3.00 %	\$ 120,000	\$ 7,350	1.10 %	\$ 40,000	\$ 6,090
2017	3.00	125,000	3,750	2.00	40,000	5,650
2018	-	-	-	2.00	40,000	4,850
2019	-	-	-	2.00	40,000	4,050
2020	-	-	-	2.50	40,000	3,250
2021-2022	-	-	-	2.50	90,000	3,375
		<u>\$ 245,000</u>	<u>\$ 11,100</u>		<u>\$ 290,000</u>	<u>\$ 27,265</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 160,000	\$ 13,440	\$ 173,440
2017	165,000	9,400	174,400
2018	40,000	4,850	44,850
2019	40,000	4,050	44,050
2020	40,000	3,250	43,250
2021-2022	90,000	3,375	93,375
	<u>\$ 535,000</u>	<u>\$ 38,365</u>	<u>\$ 573,365</u>

Child Care Center Revenue Notes

Details of the County's June 30, 2015 child care center revenue note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.75 %	\$ 8,600	\$ 22,932	\$ 31,532
2017	4.75	9,008	22,524	31,532
2018	4.75	9,436	22,096	31,532
2019	4.75	9,885	21,647	31,532
2020	4.75	10,354	21,178	31,532
2021-2025	4.75	59,632	98,028	157,660
2026-2030	4.75	75,205	82,455	157,660
2031-2035	4.75	94,846	62,814	157,660
2036-2040	4.75	119,616	38,044	157,660
2041-2043	4.75	86,197	8,317	94,514
		<u>\$ 482,779</u>	<u>\$ 400,035</u>	<u>\$ 882,814</u>

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of \$550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (continued)

Child Care Center Revenue Notes (continued)

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from the Village, Ltd. by July 1 of each year when the payment is due.
- (b) Monthly deposits of \$263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of \$31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- (c) Monthly deposits of \$200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

The County did not comply with all of the revenue bond provisions during the year ended June 30, 2015. The required reserve account has been established by the County and all of the required reserve fund payments were made. However, the required monthly payments for funded depreciation were not made to the sinking account.

Bank Loans

During the year ended June 30, 2014, the County entered into a bank loan of \$169,639 to finance the purchase of a motor grader and a bank loan of \$198,000 to finance the purchase of two bulldozers.

During the year ended June 30, 2015, the County entered into a bank loan of \$558,958 to finance the purchase of three motor graders.

Details of the County's June 30, 2015 bank loan indebtedness are as follows:

Year Ending June 30,	Loan dated July 17, 2013			
	Interest Rates	Principal	Interest	Total
2016	1.25 %	\$ 33,496	\$ 1,731	\$ 35,227
2017	1.25	33,917	1,310	35,227
2018	1.25	34,351	876	35,227
2019	1.25	34,786	441	35,227
		<u>\$ 136,550</u>	<u>\$ 4,358</u>	<u>\$ 140,908</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (continued)

Bank Loans (continued)

Year Ending June 30,	Loan dated February 19, 2014			
	Interest Rates	Principal	Interest	Total
2016	2.56 %	\$ 38,577	\$ 4,164	\$ 42,741
2017	2.56	39,570	3,171	42,741
2018	2.56	40,606	2,135	42,741
2019	2.56	41,659	1,081	42,740
		<u>\$ 160,412</u>	<u>\$ 10,551</u>	<u>\$ 170,963</u>

Year Ending June 30,	Loan dated September 10, 2014			
	Interest Rates	Principal	Interest	Total
2016	2.86 %	\$ 105,501	\$ 16,208	\$ 121,709
2017	2.86	108,524	13,185	121,709
2018	2.86	111,707	10,002	121,709
2019	2.86	114,946	6,763	121,709
2020	2.86	118,280	3,430	121,710
		<u>\$ 558,958</u>	<u>\$ 49,588</u>	<u>\$ 608,546</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 177,574	\$ 22,103	\$ 199,677
2017	182,011	17,666	199,677
2018	186,664	13,013	199,677
2019	191,391	8,285	199,676
2020	118,280	3,430	121,710
	<u>\$ 855,920</u>	<u>\$ 64,497</u>	<u>\$ 920,417</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements

During the year ended June 30, 2009, the County entered into two capital lease purchase agreements for \$113,010 each for the acquisition of new motor graders. The agreements are payable in seven equal annual payments. The August 2008 agreement includes interest at 3.95% and the September 2008 agreement includes interest at 3.65%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for \$141,367 for the acquisition of a motor grader. The agreement is payable in seven equal annual payments including interest at 3.25%.

During the year ended June 30, 2014, the County entered into a capital lease purchase agreement for \$47,874, plus an initial down payment of \$8,772, for the acquisition of a track loader. The agreement is payable in seven equal annual payments including interest at 2.95%.

Details of the County's June 30, 2015 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	August 15, 2008			September 10, 2008		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 18,116	\$ 729	\$ 18,845	\$ 18,017	\$ 669	\$ 18,686

Year Ending June 30,	November 15, 2010			March 13, 2014		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 21,158	\$ 1,419	\$ 22,577	\$ 7,577	\$ 1,195	\$ 8,772
2017	21,857	720	22,577	7,800	972	8,772
2018	-	-	-	8,030	742	8,772
2019	-	-	-	8,267	505	8,772
2020	-	-	-	8,840	261	9,101
	\$ 43,015	\$ 2,139	\$ 45,154	\$ 40,514	\$ 3,675	\$ 44,189

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2016	\$ 64,868	\$ 4,012	\$ 68,880
2017	29,657	1,692	31,349
2018	8,030	742	8,772
2019	8,267	505	8,772
2020	8,840	261	9,101
	<u>\$ 119,662</u>	<u>\$ 7,212</u>	<u>\$ 126,874</u>

Note 8. Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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.

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 8. Pension Plan (continued)

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.

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Pension Plan (continued)

The County's contributions to IPERS for the year ended June 30, 2015 were \$282,000.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$1,256,694 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 0.031687 which was a decrease of 0.007188 from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$80,088. 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	\$ 14,762	\$ 20,436
Changes of assumptions	59,944	15,162
Net difference between projected and actual earnings on pension plan investments	-	715,297
Changes in proportion and differences between County contributions and proportionate share of contributions	1,854	111,669
County contributions subsequent to the measurement date	<u>282,000</u>	<u>-</u>
Total	<u>\$ 358,560</u>	<u>\$ 862,564</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Pension Plan (continued)

\$282,000 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:

<u>Year Ending June 30,</u>	<u>Total</u>
2016	\$ (195,344)
2017	(195,344)
2018	(195,344)
2019	(195,344)
2020	<u>(4,628)</u>
	<u>\$ (786,004)</u>

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.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Pension Plan (continued)

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:

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

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability (asset)	\$ 2,885,534	\$ 1,256,694	\$ (116,934)

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Pension Plan (continued)

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.

Note 9. 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 75 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided by Central States Health and Welfare Fund. 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.

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	\$	43,800
Interest on net OPEB obligation		3,000
Adjustment to annual required contribution		<u>(2,900)</u>
Annual OPEB cost		43,900
Contributions made		<u>(29,500)</u>
Increase in net OPEB obligation		14,400
Net OPEB obligation beginning of year		<u>74,400</u>
Net OPEB obligation end of year	\$	<u><u>88,800</u></u>

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Other Postemployment Benefits (OPEB) (continued)

For the year ended June 30, 2015, the County contributed \$29,500 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:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 43,800	67.4%	\$ 60,000
2014	43,900	67.2%	74,400
2015	43,900	67.2%	88,800

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$351,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$351,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,947,000 and the ratio of the UAAL to covered payroll was 11.9%. 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.

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

As of the July 1, 2012 actuarial valuation date, the 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 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table Fully Generational using Scale AA.

Projected claim costs of the medical plan are \$1,015 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 10. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$691. The lease is indefinite but the monthly lease payments per radio unit used are guaranteed until June 30, 2015. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,292. Rental expense for the year ended June 30, 2015 was \$8,292.

Note 11. Risk Management

Clarke County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2015 were \$114,562.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Risk Management (continued)

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$200,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Clarke County Financial Information Included in the County Rural Offices of Social Services Mental Health Region

County Rural Offices of Social Services Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Ringgold County, Decatur County, Wayne County, Lucas County, Monroe County and Clarke County. The financial activity of Clarke County's Special Revenue, Mental Health Fund is included in the County Rural Offices of Social Services Mental Health Region for the year ended June 30, 2015 as follows:

Revenue:		
Property and other county tax		\$ 405,861
Intergovernmental revenues:		
State tax credits	\$ 31,453	
Mental health and disability services equalization	12,455	
Social services block grant	14,638	58,546
Miscellaneous		1,087
Total revenues		<u>465,494</u>
Expenditures:		
Services to persons with:		
Mental illness	49,555	
Chronic mental illness	865	
Intellectual disability	19,001	
Other developmental disabilities	871	70,292
General administration:		
Direct administration	35,421	
Purchased administration	59	
Distribution to regional fiscal agent	36,639	72,119
Total expenditures		<u>142,411</u>
Excess of revenues over expenditures		323,083
Fund balance beginning of year		<u>109,562</u>
Fund balance end of year		<u>\$ 432,645</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 13. Early Childhood Iowa Area Board

The County is the fiscal agent for the Kids First Communities Early Childhood Iowa Area Board (Area Board), an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2015 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 35,687	\$ -	\$ 35,687
Family support and parent education	-	173,571	173,571
Preschool support for low-income families	-	76,210	76,210
Quality improvement	-	48,214	48,214
Allocation for administration	1,878	9,772	11,650
Other grant programs	-	18,333	18,333
Total state grants	<u>37,565</u>	<u>326,100</u>	<u>363,665</u>
Interest	<u>56</u>	<u>383</u>	<u>439</u>
Total revenues	<u>37,621</u>	<u>326,483</u>	<u>364,104</u>
Expenditures:			
Program services:			
Early childhood	37,913	-	37,913
Family support and parent education	-	155,169	155,169
Preschool support for low income families	-	87,916	87,916
Quality improvement	-	50,425	50,425
Other program services	-	29,808	29,808
Total program services	<u>37,913</u>	<u>323,318</u>	<u>361,231</u>
Administration	<u>1,878</u>	<u>10,027</u>	<u>11,905</u>
Total expenditures	<u>39,791</u>	<u>333,345</u>	<u>373,136</u>
Net change in fund balances	(2,170)	(6,862)	(9,032)
Balance beginning of year	<u>6,739</u>	<u>51,595</u>	<u>58,334</u>
Balance end of year	<u>\$ 4,569</u>	<u>\$ 44,733</u>	<u>\$ 49,302</u>

Findings related to the operations of the Early Childhood Iowa Area Board are included as item II-J-15 in the Schedule of Findings.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 14. 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	\$ 14,207,517
Net pension liability at June 30, 2014	(2,232,124)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>270,849</u>
Net position July 1, 2014, as restated	<u>\$ 12,246,242</u>

Note 15. Subsequent Event

In December 2015, the County approved the future issuance of up to \$10,000,000 in local option sales and services tax revenue bonds. The bond proceeds would be used to pay the costs of constructing the Clarke County Reservoir Project.

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Required Supplementary Information

CLARKE COUNTY

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

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 4,680,038	\$ 4,706,515	\$ 4,706,515	\$ (26,477)
Interest and penalty on property tax	41,159	45,000	45,000	(3,841)
Intergovernmental	5,493,098	2,697,593	5,363,145	129,953
Licenses and permits	12,730	11,550	11,550	1,180
Charges for service	291,414	278,520	278,520	12,894
Use of money and property	28,234	27,004	27,004	1,230
Miscellaneous	270,577	232,750	232,750	37,827
Total receipts	<u>10,817,250</u>	<u>7,998,932</u>	<u>10,664,484</u>	<u>152,766</u>
DISBURSEMENTS:				
Public safety and legal services	1,776,627	1,731,915	1,871,046	94,419
Physical health and social services	821,741	850,208	937,227	115,486
Mental health	173,602	540,936	540,936	367,334
County environment and education	320,981	341,851	371,471	50,490
Roads and transportation	4,738,644	2,811,150	5,004,650	266,006
Government services to residents	522,989	548,982	561,981	38,992
Administration	898,245	1,091,820	1,127,505	229,260
Debt service	402,120	393,348	402,120	-
Capital projects	24,704	120,000	132,916	108,212
Total disbursements	<u>9,679,653</u>	<u>8,430,210</u>	<u>10,949,852</u>	<u>1,270,199</u>
Excess (deficiency) of receipts over (under) disbursements	1,137,597	(431,278)	(285,368)	1,422,965
Other financing sources, net	<u>558,958</u>	-	<u>558,958</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,696,555	(431,278)	273,590	1,422,965
Balance beginning of year	<u>3,028,116</u>	<u>2,557,958</u>	<u>3,028,121</u>	(5)
Balance end of year	<u>\$ 4,724,671</u>	<u>\$ 2,126,680</u>	<u>\$ 3,301,711</u>	<u>\$ 1,422,960</u>

See accompanying independent auditor's report.

CLARKE 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	\$ 10,817,250	\$ 95,072	\$ 10,912,322
Expenditures	9,679,653	(79,721)	9,599,932
Net	1,137,597	174,793	1,312,390
Other financing sources, net	558,958	-	558,958
Beginning fund balances	3,028,116	192,898	3,221,014
Ending fund balances	<u>\$ 4,724,671</u>	<u>\$ 367,691</u>	<u>\$ 5,092,362</u>

See accompanying independent auditor's report.

CLARKE 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, two budget amendments increased budgeted disbursements by \$2,519,642. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amount budgeted in any County function and disbursements did not exceed departmental appropriations.

CLARKE 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	0.031687%
County's proportionate share of the net pension liability	\$ 1,257
County's covered-employee payroll	\$ 3,066
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.00%
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.

CLARKE COUNTY

Schedule of the County's Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 282	\$ 271	\$ 268	\$ 236
Contributions in relation to the statutorily required contribution	<u>(282)</u>	<u>(271)</u>	<u>(268)</u>	<u>(236)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 3,066	\$ 2,949	\$ 2,979	\$ 2,784
Contributions as a percentage of covered-employee payroll	9.20%	9.19%	9.00%	8.48%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 206	\$ 213	\$ 200	\$ 175	\$ 163	\$ 171
<u>(206)</u>	<u>(213)</u>	<u>(200)</u>	<u>(175)</u>	<u>(163)</u>	<u>(171)</u>
<u>\$ -</u>					
\$ 2,735	\$ 2,984	\$ 2,963	\$ 2,822	\$ 2,723	\$ 2,852
7.53%	7.14%	6.75%	6.20%	5.99%	6.00%

CLARKE 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.

CLARKE 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)
2010	July 1, 2009	\$ -	\$ 299	\$ 299	0.0%	\$ 2,483	12.0%
2011	July 1, 2009	-	299	299	0.0%	2,396	12.5%
2012	July 1, 2009	-	299	299	0.0%	2,693	11.1%
2013	July 1, 2012	-	351	351	0.0%	2,849	12.3%
2014	July 1, 2012	-	351	351	0.0%	2,826	12.4%
2015	July 1, 2012	-	351	351	0.0%	2,947	11.9%

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

See accompanying independent auditor's report.

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Supplementary Information

CLARKE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue			
	Mental Health	County Recorder's Records Management	REAP	County Attorney Forfeiture
Assets				
Cash and pooled investments	\$ 433,418	\$ 6,528	\$ 151,567	\$ 3,297
Receivables:				
Property tax:				
Delinquent	770	-	-	-
Succeeding year	368,000	-	-	-
Accounts	1,086	168	-	-
Accrued interest	-	-	18	-
Due from other governments	3,490	-	-	-
	\$ 806,764	\$ 6,696	\$ 151,585	\$ 3,297
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,219	\$ -	\$ -	\$ -
Salaries and benefits payable	130	-	930	-
Total liabilities	5,349	-	930	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	368,000	-	-	-
Other	770	-	-	-
Total deferred inflows of resources	368,770	-	-	-
Fund balances:				
Restricted for:				
Mental health purposes	432,645	-	-	-
Debt service	-	-	-	-
Conservation purposes	-	-	150,655	-
Other purposes	-	6,696	-	3,297
Total fund balances	432,645	6,696	150,655	3,297
	\$ 806,764	\$ 6,696	\$ 151,585	\$ 3,297

See accompanying independent auditor's report.

		Debt Service			
Drug Forfeiture	Drug Dog	Debt Service	Child Care Center Reserve	Total	
\$ 7,316	\$ 47	\$ 26,142	\$ 3,300	\$ 631,615	
-	-	581	-	1,351	
-	-	163,000	-	531,000	
-	-	-	-	1,254	
-	-	-	-	18	
-	-	7,883	-	11,373	
<u>\$ 7,316</u>	<u>\$ 47</u>	<u>\$ 197,606</u>	<u>\$ 3,300</u>	<u>\$ 1,176,611</u>	
\$ 55	\$ -	\$ -	\$ -	\$ 5,274	
-	-	-	-	1,060	
<u>55</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,334</u>	
-	-	163,000	-	531,000	
-	-	581	-	1,351	
<u>-</u>	<u>-</u>	<u>163,581</u>	<u>-</u>	<u>532,351</u>	
-	-	-	-	432,645	
-	-	34,025	3,300	37,325	
-	-	-	-	150,655	
7,261	47	-	-	17,301	
<u>7,261</u>	<u>47</u>	<u>34,025</u>	<u>3,300</u>	<u>637,926</u>	
<u>\$ 7,316</u>	<u>\$ 47</u>	<u>\$ 197,606</u>	<u>\$ 3,300</u>	<u>\$ 1,176,611</u>	

CLARKE COUNTY

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

	Special Revenue			
	Mental Health	County Recorder's Records Management	REAP	County Attorney Forfeiture
Revenues:				
Property and other County tax	\$ 405,861	\$ -	\$ -	\$ -
Intergovernmental	58,546	-	12,541	-
Charges for service	-	1,622	-	-
Use of money and property	-	3	256	-
Miscellaneous	1,087	-	-	-
Total revenues	<u>465,494</u>	<u>1,625</u>	<u>12,797</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Mental health	142,411	-	-	-
County environment and education	-	-	3,779	-
Debt service	-	-	-	-
Capital projects	-	-	11,661	-
Total expenditures	<u>142,411</u>	<u>-</u>	<u>15,440</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	323,083	1,625	(2,643)	-
Other financing sources:				
Interfund transfers in	-	-	-	-
Net change in fund balances	323,083	1,625	(2,643)	-
Fund balances beginning of year	<u>109,562</u>	<u>5,071</u>	<u>153,298</u>	<u>3,297</u>
Fund balances end of year	<u>\$ 432,645</u>	<u>\$ 6,696</u>	<u>\$ 150,655</u>	<u>\$ 3,297</u>

See accompanying independent auditor's report.

Debt Service					
Drug Forfeiture	Drug Dog	Debt Service	Child Care Center Reserve	Capital Projects	Total
\$ -	\$ -	\$ 320,917	\$ -	\$ -	\$ 726,778
1,558	-	61,551	3,300	-	137,496
-	-	-	-	-	1,622
-	-	-	-	-	259
-	-	-	-	-	1,087
<u>1,558</u>	<u>-</u>	<u>382,468</u>	<u>3,300</u>	<u>-</u>	<u>867,242</u>
860	-	-	-	-	860
-	-	-	-	-	142,411
-	-	-	-	-	3,779
-	-	393,348	-	-	393,348
-	-	-	-	11,300	22,961
<u>860</u>	<u>-</u>	<u>393,348</u>	<u>-</u>	<u>11,300</u>	<u>563,359</u>
698	-	(10,880)	3,300	(11,300)	303,883
-	-	-	-	5,655	5,655
698	-	(10,880)	3,300	(5,645)	309,538
<u>6,563</u>	<u>47</u>	<u>44,905</u>	<u>-</u>	<u>5,645</u>	<u>328,388</u>
<u>\$ 7,261</u>	<u>\$ 47</u>	<u>\$ 34,025</u>	<u>\$ 3,300</u>	<u>\$ -</u>	<u>\$ 637,926</u>

CLARKE COUNTY
 COMBINING SCHEDULE OF FUND NET POSITION
 INTERNAL SERVICE FUNDS
 June 30, 2015

	Flexible Spending	Health Insurance	Total
Assets			
Cash and cash equivalents	\$ 8,324	\$ 3,550	\$ 11,874
Accounts receivable	1,432	36,566	37,998
Total assets	9,756	40,116	49,872
Liabilities			
Accounts payable	158	-	158
Fund Net Position			
Unrestricted	\$ 9,598	\$ 40,116	\$ 49,714

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS

Year Ended June 30, 2015

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues:			
Charges to operating funds	\$ -	\$ 811,554	\$ 811,554
Charges to employees and others	33,706	179,798	213,504
Total operating revenues	<u>33,706</u>	<u>991,352</u>	<u>1,025,058</u>
Operating expenses:			
Insurance premiums	-	991,247	991,247
Flexible spending claims	30,146	-	30,146
Administrative fees	1,767	-	1,767
Total operating expenses	<u>31,913</u>	<u>991,247</u>	<u>1,023,160</u>
Operating income	1,793	105	1,898
Fund net position beginning of year	<u>7,805</u>	<u>40,011</u>	<u>47,816</u>
Fund net position end of year	<u>\$ 9,598</u>	<u>\$ 40,116</u>	<u>\$ 49,714</u>

See accompanying independent auditor's report.

CLARKE COUNTY
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2015

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 807,566	\$ 807,566
Cash received from employees and others	33,611	179,798	213,409
Cash payments to suppliers for services	<u>(31,899)</u>	<u>(991,247)</u>	<u>(1,023,146)</u>
Net cash provided by (used by) operating activities	1,712	(3,883)	(2,171)
Cash and cash equivalents beginning of year	<u>6,612</u>	<u>7,433</u>	<u>14,045</u>
Cash and cash equivalents end of year	<u>\$ 8,324</u>	<u>\$ 3,550</u>	<u>\$ 11,874</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:			
Operating income	\$ 1,793	\$ 105	\$ 1,898
Adjustments to reconcile operating income to net cash provided by (used by) operating activities:			
(Increase) in accounts receivable	(95)	(3,988)	(4,083)
Increase in accounts payable	<u>14</u>	<u>-</u>	<u>14</u>
Net cash provided by (used by) operating activities	<u>\$ 1,712</u>	<u>\$ (3,883)</u>	<u>\$ (2,171)</u>

See accompanying independent auditor's report.

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CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2015

	County Offices		Agricultural Extension Education	County Assessor
	County Recorder	County Sheriff		
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ 1,460	\$ 141,128
Other County officials	13,568	12,475	-	-
Receivables:				
Property tax:				
Delinquent	-	-	184	472
Succeeding year	-	-	101,000	248,000
Accounts	41	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	15,011
Total assets	<u>\$ 13,609</u>	<u>\$ 12,475</u>	<u>\$ 102,644</u>	<u>\$ 404,611</u>
LIABILITIES				
Accounts payable	\$ 6,455	\$ 8,021	\$ -	\$ -
Salaries and benefits payable	-	-	-	6,876
Due to other governments	7,154	-	102,644	389,861
Trusts payable	-	4,454	-	-
Compensated absences	-	-	-	7,874
Total liabilities	<u>\$ 13,609</u>	<u>\$ 12,475</u>	<u>\$ 102,644</u>	<u>\$ 404,611</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 79,008	\$ 4,054	\$ 26,969	\$ 2,703	\$ 4,201	\$ 13,389	\$ 17
-	-	-	-	-	-	-
9,747	512	5,456	197	-	1,684	2
5,376,000	268,000	2,951,000	153,000	-	876,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,464,755</u>	<u>\$ 272,566</u>	<u>\$ 2,983,425</u>	<u>\$ 155,900</u>	<u>\$ 4,201</u>	<u>\$ 891,073</u>	<u>\$ 1,019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
5,464,755	272,566	2,983,425	155,900	4,201	891,073	1,019
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,464,755</u>	<u>\$ 272,566</u>	<u>\$ 2,983,425</u>	<u>\$ 155,900</u>	<u>\$ 4,201</u>	<u>\$ 891,073</u>	<u>\$ 1,019</u>

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2015

	Auto License and Use Tax	Advance Tax	Emergency Management
ASSETS			
Cash and pooled investments:			
County Treasurer	\$ 182,126	\$ 100,052	\$ 43,110
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Accrued interest	-	-	-
Due from other governments	-	-	33,379
Prepaid expenses	-	-	569
	<u>182,126</u>	<u>100,052</u>	<u>77,058</u>
Total assets	<u>\$ 182,126</u>	<u>\$ 100,052</u>	<u>\$ 77,058</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 1
Salaries and benefits payable	-	-	1,806
Due to other governments	182,126	-	74,109
Trusts payable	-	100,052	-
Compensated absences	-	-	1,142
	<u>182,126</u>	<u>100,052</u>	<u>77,058</u>
Total liabilities	<u>\$ 182,126</u>	<u>\$ 100,052</u>	<u>\$ 77,058</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Homemakers Health Payroll	Kids First Communities Early Childhood Iowa	Total
\$ 157	\$ (37,947)	\$ 77,503	\$ 637,930
-	-	-	26,043
-	-	-	18,254
-	-	-	9,974,000
-	-	-	41
-	-	21	21
-	37,947	-	71,326
-	-	-	15,580
<u>\$ 157</u>	<u>\$ -</u>	<u>\$ 77,524</u>	<u>\$ 10,743,195</u>
\$ -	\$ -	\$ 25,999	\$ 40,476
-	-	1,941	10,623
157	-	47,900	10,576,890
-	-	-	104,506
-	-	1,684	10,700
<u>\$ 157</u>	<u>\$ -</u>	<u>\$ 77,524</u>	<u>\$ 10,743,195</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2015

	County Offices		Agricultural	County
	County Recorder	County Sheriff	Extension Education	Assessor
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 14,686	\$ 9,616	\$ 98,551	\$ 437,577
Additions:				
Property and other County tax	-	-	100,864	248,097
State tax credits	-	-	7,507	19,301
Office fees and collections	130,945	107,864	-	1,833
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	112,358	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	700
Total additions	130,945	220,222	108,371	269,931
Deductions:				
Agency remittances:				
To other funds	56,988	102,381	-	-
To other governments	75,034	1,213	104,278	302,897
Trusts paid out	-	113,769	-	-
Total deductions	132,022	217,363	104,278	302,897
Balances end of year	\$ 13,609	\$ 12,475	\$ 102,644	\$ 404,611

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 5,431,818	\$ 272,102	\$ 3,057,188	\$ 149,313	\$ 1,746	\$ 901,269	\$ 1,017
5,374,351	268,362	2,911,808	154,788	-	876,590	1,119
411,947	20,813	234,791	8,621	-	68,858	87
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	9,567	-	-
-	-	-	-	-	-	-
<u>5,786,298</u>	<u>289,175</u>	<u>3,146,599</u>	<u>163,409</u>	<u>9,567</u>	<u>945,448</u>	<u>1,206</u>
-	-	-	-	-	-	-
5,753,361	288,711	3,220,362	156,822	7,112	955,644	1,204
-	-	-	-	-	-	-
<u>5,753,361</u>	<u>288,711</u>	<u>3,220,362</u>	<u>156,822</u>	<u>7,112</u>	<u>955,644</u>	<u>1,204</u>
\$ <u>5,464,755</u>	\$ <u>272,566</u>	\$ <u>2,983,425</u>	\$ <u>155,900</u>	\$ <u>4,201</u>	\$ <u>891,073</u>	\$ <u>1,019</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2015

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 201,627	\$ 106,870	\$ -	\$ 41,868
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,523,121	-	-	-
Trusts	-	129,666	141,593	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	124,536
Total additions	<u>2,523,121</u>	<u>129,666</u>	<u>141,593</u>	<u>124,536</u>
Deductions:				
Agency remittances:				
To other funds	98,252	-	-	-
To other governments	2,444,370	-	-	89,346
Trusts paid out	-	136,484	141,593	-
Total deductions	<u>2,542,622</u>	<u>136,484</u>	<u>141,593</u>	<u>89,346</u>
Balances end of year	<u>\$ 182,126</u>	<u>\$ 100,052</u>	<u>\$ -</u>	<u>\$ 77,058</u>

See accompanying independent auditor's report.

<u>County Recorder's Electronic Transaction Fee</u>	<u>Kids First Communities Early Childhood Iowa</u>	<u>Total</u>
\$ 137	\$ 82,237	\$ 10,807,622
-	-	9,935,979
-	-	771,925
1,614	-	242,256
-	-	2,523,121
-	-	383,617
-	-	9,567
-	364,129	489,365
<u>1,614</u>	<u>364,129</u>	<u>14,355,830</u>
-	-	257,621
1,594	368,842	13,770,790
-	-	391,846
<u>1,594</u>	<u>368,842</u>	<u>14,420,257</u>
<u>\$ 157</u>	<u>\$ 77,524</u>	<u>\$ 10,743,195</u>

CLARKE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Property and other County tax	\$ 4,684,660	\$ 4,264,117	\$ 4,347,655	\$ 4,367,553
Interest and penalty on property tax	41,159	38,464	39,364	48,041
Intergovernmental	5,589,165	2,824,583	2,755,828	3,261,308
Licenses and permits	12,770	13,235	14,080	9,665
Charges for service	295,645	288,194	283,249	318,606
Use of money and property	28,128	27,089	28,916	35,505
Miscellaneous	260,795	303,143	305,349	572,158
Total	\$ 10,912,322	\$ 7,758,825	\$ 7,774,441	\$ 8,612,836
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,778,510	\$ 1,603,045	\$ 1,567,693	\$ 1,533,021
Physical health and social services	824,853	932,346	977,023	959,190
Mental health	142,411	293,145	323,786	1,269,129
County environment and education	303,251	302,113	247,370	263,238
Roads and transportation	4,660,089	3,096,303	2,772,365	2,844,674
Government services to residents	524,262	390,461	399,255	381,017
Administration	938,953	915,738	869,792	887,858
Debt service	402,120	398,916	397,160	354,282
Capital projects	25,483	12,129	2,539	589,287
Total	\$ 9,599,932	\$ 7,944,196	\$ 7,556,983	\$ 9,081,696

See accompanying independent auditor's report.

	2011	2010	2009	2008	2007	2006
\$	4,043,156	\$ 3,764,427	\$ 3,459,732	\$ 3,560,557	\$ 4,197,991	\$ 3,728,172
	50,237	56,151	48,568	40,112	36,111	37,986
	3,469,211	3,299,875	4,379,483	3,798,207	3,345,660	3,031,600
	8,125	10,160	10,980	10,650	9,235	8,890
	273,915	312,757	267,554	260,905	262,821	268,264
	40,524	41,009	69,711	143,553	285,982	192,814
	543,635	440,911	274,302	369,071	254,497	323,628
	<u>\$ 8,428,803</u>	<u>\$ 7,925,290</u>	<u>\$ 8,510,330</u>	<u>\$ 8,183,055</u>	<u>\$ 8,392,297</u>	<u>\$ 7,591,354</u>
\$	1,496,550	\$ 1,741,935	\$ 1,557,140	\$ 1,440,885	\$ 1,457,547	\$ 1,369,187
	987,117	1,055,582	1,006,047	1,005,010	919,485	897,918
	1,057,201	938,643	1,021,859	1,140,658	1,032,628	1,021,097
	226,106	255,954	276,902	261,894	250,582	248,329
	2,544,789	2,482,289	3,480,704	2,967,938	2,224,277	2,149,188
	379,080	360,455	350,826	334,031	304,375	388,646
	850,472	815,736	756,184	762,990	697,713	729,359
	208,579	272,849	836,251	3,004,237	528,691	543,682
	792,253	63,952	908,928	938,234	383,320	123,988
	<u>\$ 8,542,147</u>	<u>\$ 7,987,395</u>	<u>\$ 10,194,841</u>	<u>\$ 11,855,877</u>	<u>\$ 7,798,618</u>	<u>\$ 7,471,394</u>

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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 Clarke 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 Clarke 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 24, 2016.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, as described in Part I of the accompanying Schedule of Findings, that we consider to be a significant deficiency.

Compliance

As part of obtaining reasonable assurance about whether Clarke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 II of the accompanying Schedule of Findings.

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

Clarke County's Responses to the Findings

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Clarke 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 Clarke 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 24, 2016

CLARKE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2015

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-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.	Recorder
(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.	Recorder
(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.	Recorder

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.

Response –

County Recorder – We have established a set of checks and balances to review each individual’s work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

Conclusion – Response accepted.

CLARKE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted in any County function and disbursements did not exceed departmental appropriations.
- II-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.
- II-C-15 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-15 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Cindy West, Secondary Roads Office Manager Spouse owns Mike’s Landscape and Construction	Lawn care	\$1,905

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transaction does not represent a conflict of interest since the employee was not directly involved in the procurement or preparation of any part of the contract.

- II-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.
- II-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-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 and the County’s investment policy were noted.
- II-H-15 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-15 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2015

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

- II-J-15 Early Childhood Iowa Area Board – Clarke County is the fiscal agent for the Kids First Communities Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as an Agency Fund because of the County’s fiduciary relationship with the organization.

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

- II-K-15 Debt Service Payments – We noted that the payments of principal and interest for the County’s Secondary Roads capital lease purchase agreements and bank loans were made through the roads and transportation function rather than the debt service function.

Recommendation – All payments on long-term debt such as capital lease purchase agreements and bank loans should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditures totals.

Response – We do not feel a change is necessary at this time. The expenditures are budgeted and paid out of the roads and transportation function in order to comply with Department of Transportation reporting requirements.

Conclusion – Response acknowledged, however, the expenditures would be more accurately classified if our recommendation is followed.

- II-L-15 Child Care Center Revenue Notes – We noted that not all of the required monthly payments from The Village, Ltd. to the Child Care Center Reserve Fund for funded depreciation were made during the year ended June 30, 2015.

Recommendation – The County should work with The Village, Ltd. to ensure that the monthly payments for the reserve fund are made as required by the child care center revenue notes resolution.

Response – We will continue to work with The Village, Ltd. to try to ensure that they make the required monthly payments to the reserve fund in the future.

Conclusion – Response accepted.

- II-M-15 Homemakers Health Payroll – The County previously had entered into an agreement with the Clarke County Home Care Aide Service, Inc. (Home Care) to provide payroll services. Home Care was to reimburse the County for payroll expenses, which were recorded in an Agency Fund of the County. At June 30, 2015 Home Care owed the County \$37,947 for payroll expenses. Home Care closed and merged into the County’s Public Health department in March 2010.

Recommendation – The County should continue working to eliminate the deficit in this fund.

Response – We have approved a ten year repayment plan that started in fiscal year 2013 to eliminate the deficit from this fund.

Conclusion – Response accepted.