

**WORTH COUNTY
NORTHWOOD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015**

Table of Contents

Officials	1	
Independent Auditor's Report	2-3	
Management's Discussion and Analysis (MD&A)	4-10	
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	11	
Statement of Activities.....	12	
Governmental Fund Financial Statements		
Balance Sheet.....	13	
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	14	
Statement of Revenue, Expenditures and Changes in Fund Balances.....	15	
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	16	
Proprietary Fund Financial Statements		
Statement of Net Position	17	
Statement of Revenue, Expenses and Changes in Fund Net Position	18	
Statement of Cash Flows	19	
Fiduciary Fund Financial Statement		
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	20	
Notes to the Financial Statements	21-42	
Required Supplementary Information		
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds.....	43	
Schedule of Budgetary Comparison - Budget to GAAP Reconciliation	44	
Notes to Required Supplementary Information - Budgetary Reporting.....	45	
Schedule of Proportionate Share of the Net Pension Liability	46	
Schedule of Contributions.....	47	
Notes to Required Supplementary Information - Pension Liability.....	48-49	
Schedule of Funding Progress for the Retiree Health Plan	50	
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet.....	51-52	
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	53-54	
Agency Funds		
Combining Schedule of Fiduciary Assets and Liabilities.....	55	
Combining Schedule of Changes in Fiduciary Assets and Liabilities	56	
Schedule of Revenue by Source and Expenditures by Function - All Governmental Funds.....	57	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		58-59
Schedule of Findings	60-63	

Officials

Name	Title	Term Expires
(Before January, 2015)		
Board of Supervisors		
Dennis May (deceased November 15, 2014)	First District	January 1, 2015
Dave Haugen	Second District	January 1, 2017
Ken Abrams	Third District	January 1, 2015

Officials

Jacki Backhaus	County Auditor	January 1, 2017
Jake Hanson	County Treasurer	January 1, 2015
Teresa Olson	County Recorder	January 1, 2015
Jay Langenbau	County Sheriff	January 1, 2017
Jeff Greve	County Attorney	January 1, 2015
Jody Jones	County Assessor	January 1, 2016

(After January, 2015)

Board of Supervisors

Merlin Bartz	First District	January 1, 2019
Dave Haugen	Second District	January 1, 2017
Ken Abrams	Third District	January 1, 2019

Officials

Jacki Backhaus	County Auditor	January 1, 2017
Jake Hanson	County Treasurer	January 1, 2019
Teresa Olson	County Recorder	January 1, 2019
Jay Langenbau	County Sheriff	January 1, 2017
Jeff Greve	County Attorney	January 1, 2019
Jody Jones	County Assessor	January 1, 2016

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report

Board of Supervisors
Worth County
Northwood, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Worth County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Worth County as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Worth County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 10 and 43 through 50 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 the 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worth 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 three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information on pages 51 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2016 on our consideration of Worth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worth County's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
March 1, 2016

WORTH COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- Revenue of the County's governmental activities decreased 7.3%, or \$974,448, from fiscal year 2014 to fiscal year 2015. Operating grants, contributions and restricted interest decreased \$267,825 and capital grants, contributions and restricted interest decreased \$1,739,525 while charges for service increased \$527,953, state tax credits increased \$209,207 and tax increment financing increased \$385,171.
- Governmental activities program expenses decreased \$2,310,464, or 18.9%, in fiscal year 2015 from fiscal year 2014. Public safety and legal services expenses decreased \$457,294; county environment and education expenses decreased \$1,372,028, roads and transportation expenses decreased \$486,774 and interest on long-term debt decreased \$263,644 while nonprogram expenses increased \$224,319.
- Governmental activities net position increased 39.7%, or \$2,364,170, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-Wide Financial Statements consist of a statement of net position and a statement of activities. These provide information about the activities of Worth County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Worth County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds and the individual agency funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

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

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

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

The County's governmental activities are presented in the statement of net position and the statement of activities. Governmental activities include public safety and legal services; physical health and social services; mental health; county environment and education; roads and transportation; governmental services to residents; administration; interest on long-term debt and nonprogram activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The governmental funds include: (a) the General Fund and (b) the Special Revenue Funds, such as Rural Services, Secondary Roads, Highway 105 Trust and Wind Farm TIF. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

2. Proprietary funds are used to account for services for which the County charges a fee and for the County's internal service fund.

The County's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The County currently has two enterprise funds, the Wastewater and Water Funds. Internal service funds, the other type of proprietary fund, are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County currently has one internal service fund, the Employee Group Health Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for agriculture extension education, auto license and use tax and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Worth County's combined net position at the end of fiscal year 2015 totaled \$13,901,324, compared to \$13,923,742 at the end of fiscal year 2014.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business-Type Activities June 30,		Total June 30,	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)
Current and other assets	\$ 16,069,250	\$ 16,542,058	\$ 151,266	\$ 114,496	\$ 16,220,516	\$ 16,656,554
Capital assets	19,863,334	18,370,739	5,441,900	5,524,448	25,305,234	23,895,187
Total Assets	35,932,584	34,912,797	5,593,166	5,638,944	41,525,750	40,551,741
Deferred Outflows of Resources	521,598	—	—	—	521,598	—
Total Assets and Deferred Outflows of Resources	\$ 36,454,182	\$ 34,912,797	\$ 5,593,166	\$ 5,638,944	\$ 42,047,348	\$ 40,551,741
Long-term liabilities	\$ 20,366,299	\$ 19,865,112	\$ —	\$ —	\$ 20,366,299	\$ 19,865,112
Other liabilities	451,381	875,798	16,190	5,288	467,571	881,086
Total Liabilities	20,817,680	20,740,910	16,190	5,288	20,833,870	20,746,198
Deferred Inflows of Resources	7,312,154	5,881,801	—	—	7,312,154	5,881,801
Net Position						
Net investment in capital assets	4,463,334	1,765,739	5,441,900	5,524,448	9,905,234	7,290,187
Restricted	5,368,972	5,759,531	—	—	5,368,972	5,759,531
Unrestricted	(1,507,958)	764,816	135,076	109,208	(1,372,882)	874,024
Total Net Position	8,324,348	8,290,086	5,576,976	5,633,656	13,901,324	13,923,742
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 36,454,182	\$ 34,912,797	\$ 5,593,166	\$ 5,638,944	\$ 42,047,348	\$ 40,551,741

Net position of the County's governmental activities increased \$34,262, or 0.4%, from fiscal year 2014. Net position of the County's business-type activities decreased \$56,680, or 1%, from fiscal year 2014. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from \$874,024 as of June 30, 2014 to (\$1,372,882) as of June 30, 2015.

The increase in governmental activities net position is largely due to the increase in capital assets resulting from the purchase of the public health building and a significant decrease in expenses during fiscal year 2015. The decrease in business-type activities net position is largely due to the additional repairs expense required during fiscal year 2015 for the wastewater and water treatment facility.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$2,108,067 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year. Beginning net position was also restated by \$221,841 to adjust construction in progress. See Note 14 to the financial statements.

The following analysis details the changes in net position of Worth County's activities.

CHANGES IN NET POSITION OF GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

	Governmental Activities June 30,		Business-Type Activities June 30,		Total June 30,	
	2015	2014 (Not Restated)	2015	2014	2015	2014 (Not Restated)
Revenue						
Program Revenue						
Charges for service	\$ 1,193,539	\$ 665,586	\$ 252,418	\$ 254,384	\$ 1,445,957	\$ 919,970
Operating grants, contributions and restricted interest	3,017,093	3,284,918	—	—	3,017,093	3,284,918
Capital grants, contributions and restricted interest	301,062	2,040,587	—	—	301,062	2,040,587
General Revenue						
Property and other county tax	4,127,603	4,207,041	—	—	4,127,603	4,207,041
Penalties and interest on property tax	21,368	23,217	—	—	21,368	23,217
State tax credits	359,376	150,169	—	—	359,376	150,169
Local option sales tax	374,063	348,699	—	—	374,063	348,699
Tax increment financing	1,911,636	1,526,465	—	—	1,911,636	1,526,465
Hotel motel and gaming wager tax	938,709	922,981	—	—	938,709	922,981
Unrestricted investment earnings	42,012	56,449	2,876	2,114	44,888	58,563
Other general revenue	36,091	70,888	—	—	36,091	70,888
Total Revenue	12,322,552	13,297,000	255,294	256,498	12,577,846	13,553,498
Program Expenses						
Public safety and legal services	2,073,831	2,531,125	—	—	2,073,831	2,531,125
Physical health and social services	873,496	870,050	—	—	873,496	870,050
Mental health	375,689	279,074	—	—	375,689	279,074
County environment and education	754,054	2,126,082	—	—	754,054	2,126,082
Roads and transportation	3,203,333	3,690,107	—	—	3,203,333	3,690,107
Governmental services to residents	321,519	346,439	—	—	321,519	346,439
Administration	1,252,721	1,282,905	—	—	1,252,721	1,282,905
Nonprogram	502,859	278,540	—	—	502,859	278,540
Interest on long-term debt	569,970	833,614	—	—	569,970	833,614
Wastewater and water	—	—	342,884	302,533	342,884	302,533
Total Expenses	9,927,472	12,237,936	342,884	302,533	10,270,356	12,540,469

	Governmental Activities June 30,		Business-Type Activities June 30,		Total June 30,	
	2015	2014 (Not Restated)	2015	2014	2015	2014 (Not Restated)
Revenue Over (Under) Expenses	\$ 2,395,080	\$ 1,059,064	\$ (87,590)	\$ (46,035)	\$ 2,307,490	\$ 1,013,029
Transfers	(30,910)	(2,061,728)	30,910	2,061,728	—	—
Change in Net Position	2,364,170	(1,002,664)	(56,680)	2,015,693	2,307,490	1,013,029
Net Position - Beginning of Year, as restated	5,960,178	9,292,750	5,633,656	3,617,963	11,593,834	12,910,713
Net Position - End of Year	<u>\$ 8,324,348</u>	<u>\$ 8,290,086</u>	<u>\$ 5,576,976</u>	<u>\$ 5,633,656</u>	<u>\$ 13,901,324</u>	<u>\$ 13,923,742</u>

The County increased property tax rates for fiscal year 2015 by an average of 0.07%. Although rates decreased, the County's property tax revenue levied for general purposes increased approximately \$77,998 in fiscal year 2015. Property tax revenue is budgeted to decrease approximately \$1,979 next year.

The cost of all governmental activities this year was \$9,927,472 compared to \$12,237,936 last year. However, as shown in the statement of activities, the amount taxpayers ultimately financed for these activities was \$5,415,778 because some of the cost was paid by those directly benefited from the programs \$1,193,539 or by other governments and organizations which subsidized certain programs with grants and contributions \$3,318,155. Overall, the County's governmental program revenue, including intergovernmental aid and charges for service, decreased in fiscal year 2015 from \$5,991,091 to \$4,511,694.

The decrease in governmental activities revenue was primarily due to less grant money received from other governments and the WCDA. The decrease in governmental activities expenses was primarily due to the County paying for construction of the wastewater and water treatment facility in fiscal year 2014.

Worth County's net position of business-type activities decreased from \$5,633,656 as of June 30, 2014 to \$5,576,976 as of June 30, 2015. This decrease is due to additional repairs expense for the wastewater and water treatment facility. Revenue for business-type activities decreased slightly from the prior year while total expenses were \$40,351 higher than the prior fiscal year.

INDIVIDUAL MAJOR FUND ANALYSIS

Worth County's governmental funds reported a combined fund balance of \$9,282,066, which is a decrease of \$494,858 from last year's total of \$9,776,924.

The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenue and expenditures remained fairly consistent when compared to the prior year. The ending fund balance showed a decrease of \$9,643 from the prior year to \$1,808,623.
- The Special Revenue, Rural Services Fund revenue and expenditures remained fairly consistent when compared to the prior year. The ending fund balance showed a decrease of \$42,799 to \$436,658.

- The Special Revenue, Secondary Roads Fund revenue decreased \$61,939 and expenditures increased \$864,270 from the prior year. The increase in expenditures was due to the purchase of four new motor graders for \$932,900 and was partially offset by transfers in and the ending balance decreased \$641,379 to \$2,818,704.
- Special Revenue, Highway 105 Trust Fund revenue remained consistent when compared to the prior year and the ending fund balance increased slightly to \$1,704,943.
- The Special Revenue, Wind Farm TIF Fund had an increase of \$484,913 in revenue and an increase in expenditures of \$285,105 primarily due to an increase in the principal and interest payments due on the general obligation bonds. The ending fund balance was \$913,360, an increase of \$343,835 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Worth County amended its budget two times. The first amendment was made in December, 2014. The amendment increased budgeted revenue and budgeted disbursements in the public safety and legal services, roads and transportation and capital projects functions. The second amendment was made in June, 2015. This amendment increased budgeted revenue and budgeted disbursements in the public safety and legal services, physical health and social services, county environment and education and capital projects functions.

The County’s receipts were \$361,208 more than budgeted, a variance of 3%. The most significant variance resulted from receiving more intergovernmental revenue than expected. Total disbursements were \$1,976,673 less than the amended budget. The most significant variance resulted from budgeting \$750,000 for water/sewer structures which ended up costing the County less than estimated. The secondary roads department budgeted \$100,000 for bridges and \$350,000 for roads projects they did not utilize in fiscal year 2015. Also, the County had budgeted an additional \$100,000 in nondepartmental administrative services that was not utilized in fiscal year 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, Worth County had invested \$19.9 million in a broad range of capital assets for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,714,000, or 9.4%, over last year.

Capital Assets at Fiscal Year End

	<u>Governmental Activities</u>	
	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
		<u>(As Restated)</u>
Land	\$ 502,689	\$ 397,689
Buildings and improvements	1,354,375	1,356,960
Equipment and vehicles	2,747,415	1,904,007
Intangibles.....	10,585	33,838
Infrastructure	<u>15,248,270</u>	<u>14,456,404</u>
Total	<u>\$ 19,863,334</u>	<u>\$ 18,148,898</u>

The County had governmental activities depreciation/amortization expense of \$871,006 in fiscal year 2015 and total accumulated depreciation/amortization of \$6,055,638 as of June 30, 2015.

The County's fiscal year 2015 capital budget included \$2,192,793 for capital projects, principally for continued upgrading of secondary roads and bridges.

As of June 30, 2015, Worth County had invested \$5.4 million in wastewater capital assets for business-type activities. This is a net decrease (including additions and deletions) of approximately \$83,000, or 1.5%, from last year.

	Business-Type Activities	
	June 30,	
	2015	2014
Construction in progress.....	\$ —	\$ 3,291,948
Infrastructure	<u>5,441,900</u>	<u>2,232,500</u>
Total	<u>\$ 5,441,900</u>	<u>\$ 5,524,448</u>

The County had business-type activities depreciation expense of \$113,458 in fiscal year 2015 and total accumulated depreciation of \$230,958 as of June 30, 2015.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

As of June 30, 2015, Worth County had \$18,450,753 in general obligation bonds and other debt outstanding, compared to \$19,558,887 as of June 30, 2014, as shown below.

Outstanding Debt at Year End

	Governmental Activities	
	June 30,	
	2015	2014
General obligation bonds.....	\$ 18,295,000	\$ 19,515,000
Drainage warrants	122,838	—
Drainage improvement certificates	<u>32,915</u>	<u>43,887</u>
Total	<u>\$ 18,450,753</u>	<u>\$ 19,558,887</u>

The County continues to carry a general obligation bond rating of A assigned by national rating agencies to the County's debt since 2009. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Worth County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$33 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

NEXT YEAR'S BUDGET AND RATES

Amounts available for appropriation in the fiscal year 2016 operating budget are \$13,580,203, a decrease of 11% from the final 2015 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers and creditors with a general overview of Worth County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Worth County Auditor's Office, 1000 Central Avenue, Northwood, Iowa.

Basic Financial Statements

Statement of Net Position

As of June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash, cash equivalents and investments	\$ 8,341,220	\$ 95,307	\$ 8,436,527
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	2,085	—	2,085
Succeeding year	6,317,816	—	6,317,816
Accounts	152,913	42,743	195,656
Accrued interest	8,741	824	9,565
Due from other governments	766,592	—	766,592
Inventories	299,072	—	299,072
Prepaid items	180,811	12,392	193,203
Capital assets, net of accumulated depreciation/ amortization	19,863,334	5,441,900	25,305,234
Total Assets	35,932,584	5,593,166	41,525,750
Deferred Outflows of Resources			
Pension-related deferred outflows	521,598	—	521,598
Total Assets and Deferred Outflows of Resources	\$ 36,454,182	\$ 5,593,166	\$ 42,047,348
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 342,114	\$ 16,190	\$ 358,304
Accrued interest payable	46,295	—	46,295
Salaries and benefits payable	34,597	—	34,597
Due to other governments	28,375	—	28,375
Long-Term Liabilities			
Portion Due or Payable Within One Year			
General obligation bonds	1,610,000	—	1,610,000
Drainage improvement certificates	10,972	—	10,972
Compensated absences	269,658	—	269,658
Termination benefits	34,122	—	34,122
Portion Due or Payable After One Year			
General obligation bonds	16,685,000	—	16,685,000
Drainage warrants	122,838	—	122,838
Drainage improvement certificates	21,943	—	21,943
Net pension liability	1,459,889	—	1,459,889
Net OPEB liability	151,877	—	151,877
Total Liabilities	20,817,680	16,190	20,833,870
Deferred Inflows of Resources			
Unavailable property tax revenue	6,317,816	—	6,317,816
Pension-related deferred inflows	994,338	—	994,338
Total Deferred Inflows of Resources	7,312,154	—	7,312,154
Net Position			
Net investment in capital assets	4,463,334	5,441,900	9,905,234
Restricted for			
Supplemental levy purposes	501,860	—	501,860
Mental health purposes	148,994	—	148,994
Rural services purposes	407,637	—	407,637
Secondary roads purposes	2,737,435	—	2,737,435
Other purposes	1,573,046	—	1,573,046
Unrestricted	(1,507,958)	135,076	(1,372,882)
Total Net Position	8,324,348	5,576,976	13,901,324
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 36,454,182	\$ 5,593,166	\$ 42,047,348

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Public safety and legal services.....	\$ 2,073,831	\$ 68,586	\$ 326,076	\$ —	\$ (1,679,169)	\$ —	\$ (1,679,169)
Physical health and social services	873,496	141,707	391,058	—	(340,731)	—	(340,731)
Mental health.....	375,689	—	12,643	—	(363,046)	—	(363,046)
County environment and education	754,054	110,487	12,016	212,503	(419,048)	—	(419,048)
Roads and transportation	3,203,333	228,346	2,273,441	88,559	(612,987)	—	(612,987)
Governmental services to residents.....	321,519	139,272	—	—	(182,247)	—	(182,247)
Administration.....	1,252,721	18,570	1,859	—	(1,232,292)	—	(1,232,292)
Nonprogram	502,859	486,571	—	—	(16,288)	—	(16,288)
Interest on long-term debt.....	569,970	—	—	—	(569,970)	—	(569,970)
Total Governmental Activities	9,927,472	1,193,539	3,017,093	301,062	(5,415,778)	—	(5,415,778)
Business-Type Activities	342,884	252,418	—	—	—	(90,466)	(90,466)
Total	\$ 10,270,356	\$ 1,445,957	\$ 3,017,093	\$ 301,062	(5,415,778)	(90,466)	(5,506,244)
General Revenue and Transfers							
Property and other county tax levied for general purposes					4,127,603	—	4,127,603
Penalties and interest on property tax					21,368	—	21,368
State tax credits.....					359,376	—	359,376
Local option sales tax.....					374,063	—	374,063
Tax increment financing					1,911,636	—	1,911,636
Hotel motel and gaming wager tax					938,709	—	938,709
Unrestricted investment earnings					42,012	2,876	44,888
Miscellaneous.....					33,664	—	33,664
Gain on disposal of capital assets					2,427	—	2,427
Transfers					(30,910)	30,910	—
Total General Revenue and Transfers					7,779,948	33,786	7,813,734
Change in Net Position					2,364,170	(56,680)	2,307,490
Net Position - Beginning of Year, as restated (Note 14).....					5,960,178	5,633,656	11,593,834
Net Position - End of Year.....					\$ 8,324,348	\$ 5,576,976	\$ 13,901,324

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of and for the Year Ended June 30, 2015

	General	Special Revenue				Nonmajor	Total
		Rural Services	Secondary Roads	Highway 105 Trust	Wind Farm TIF		
Assets							
Cash, cash equivalents and investments.....	\$ 1,502,301	\$ 338,301	\$ 2,190,137	\$ 1,704,943	\$ 911,823	\$ 1,631,518	\$ 8,279,023
Receivables							
Property Tax, Net of Allowance							
Current year delinquent.....	1,576	316	—	—	—	193	2,085
Succeeding year	2,719,510	1,006,199	—	—	2,132,518	459,589	6,317,816
Accounts	23,447	—	6,440	—	—	123,026	152,913
Accrued interest	6,718	—	—	—	—	2,023	8,741
Due from other funds.....	—	—	—	—	1,537	—	1,537
Due from other governments.....	191,354	105,284	469,954	—	—	—	766,592
Inventories.....	—	—	299,072	—	—	—	299,072
Prepaid items	180,811	—	—	—	—	—	180,811
Total Assets	\$ 4,625,717	\$ 1,450,100	\$ 2,965,603	\$ 1,704,943	\$ 3,045,878	\$ 2,216,349	\$ 16,008,590
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 49,843	\$ 4,831	\$ 132,188	\$ —	\$ —	\$ 155,252	\$ 342,114
Salaries and benefits payable.....	18,056	2,096	14,445	—	—	—	34,597
Due to other funds.....	—	—	—	—	—	1,537	1,537
Due to other governments	28,109	—	266	—	—	—	28,375
Total Liabilities	96,008	6,927	146,899	—	—	156,789	406,623
Deferred Inflows of Resources							
Unavailable Revenue							
Succeeding year property tax.....	2,719,510	1,006,199	—	—	2,132,518	459,589	6,317,816
Other.....	1,576	316	—	—	—	193	2,085
Total Deferred Inflows of Resources	2,721,086	1,006,515	—	—	2,132,518	459,782	6,319,901
Fund Balances							
Nonspendable							
Inventories	—	—	299,072	—	—	—	299,072
Prepaid items.....	180,811	—	—	—	—	—	180,811
Restricted for							
Supplemental levy purposes	484,004	—	—	—	—	—	484,004
Mental health purposes.....	—	—	—	—	—	148,801	148,801
Rural services purposes.....	—	436,658	—	—	—	—	436,658
Secondary roads purposes	—	—	2,519,632	—	—	—	2,519,632
Drainage district purposes.....	—	—	—	—	—	129,592	129,592
Conservation land acquisition	115,156	—	—	—	—	—	115,156
Other purposes	513,570	—	—	1,704,943	913,360	1,321,385	4,453,258
Assigned for DARE and canine programs	7,486	—	—	—	—	—	7,486
Unassigned	507,596	—	—	—	—	—	507,596
Total Fund Balances	1,808,623	436,658	2,818,704	1,704,943	913,360	1,599,778	9,282,066
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,625,717	\$ 1,450,100	\$ 2,965,603	\$ 1,704,943	\$ 3,045,878	\$ 2,216,349	\$ 16,008,590

See accompanying notes to the financial statements.

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

As of June 30, 2015

Total Fund Balances for Governmental Funds (Page 13).... **\$ 9,282,066**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$25,918,972 and the accumulated depreciation/amortization is \$6,055,638 19,863,334

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..... 2,085

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position 62,197

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.....	\$ 521,598	
Deferred inflows of resources.....	<u>(994,338)</u>	(472,740)

Long-term liabilities, including bonds payable, drainage warrants payable, drainage improvement certificates payable, compensated absences payable, termination benefits payable, net pension liability, other post-employment benefits payable and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds..... (20,412,594)

Net Position of Governmental Activities (Page 11) **\$ 8,324,348**

**Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds**

Year Ended June 30, 2015

	General	Special Revenue				Nonmajor	Total
		Rural Services	Secondary Roads	Highway 105 Trust	Wind Farm TIF		
Revenue							
Property and other county tax.....	\$ 3,451,614	\$ 1,029,613	\$ —	\$ —	\$ 1,708,034	\$ 541,366	\$ 6,730,627
Local option sales tax.....	247,609	374,063	—	—	—	—	621,672
Interest and penalty on property tax	21,368	—	—	—	—	98	21,466
Intergovernmental	910,625	70,095	2,283,992	—	93,306	257,229	3,615,247
Licenses and permits.....	13,272	—	19,965	—	—	—	33,237
Charges for service	279,699	10,375	—	—	—	20,579	310,653
Use of money and property	31,548	400	—	5,302	3,905	13,400	54,555
Miscellaneous.....	143,343	—	302,538	—	—	487,171	933,052
Total Revenue.....	5,099,078	1,484,546	2,606,495	5,302	1,805,245	1,319,843	12,320,509
Expenditures							
Operating							
Public safety and legal services	1,769,535	303,024	—	—	—	23,006	2,095,565
Physical health and social services	868,609	—	—	—	—	—	868,609
Mental health	—	—	—	—	—	375,891	375,891
County environment and education.....	623,587	221,439	—	—	—	—	845,026
Roads and transportation.....	—	—	4,310,312	—	—	—	4,310,312
Governmental services to residents	321,150	299	—	—	—	—	321,449
Administration	1,244,180	289	—	—	—	—	1,244,469
Nonprogram	—	—	—	—	—	542,639	542,639
Debt service	—	—	—	—	1,460,410	340,377	1,800,787
Capital projects.....	213,052	2,625	6,861	—	1,000	351,869	575,407
Total Expenditures.....	5,040,113	527,676	4,317,173	—	1,461,410	1,633,782	12,980,154
Revenue Over (Under) Expenditures	58,965	956,870	(1,710,678)	5,302	343,835	(313,939)	(659,645)
Other Financing Sources (Uses)							
Drainage warrants issued.....	—	—	—	—	—	122,838	122,838
Sale of capital assets.....	2,427	—	—	—	—	—	2,427
Transfers in	—	—	1,069,299	—	—	1,405	1,070,704
Transfers out	(71,035)	(999,669)	—	—	—	(30,910)	(1,101,614)
Total Other Financing Sources (Uses).....	(68,608)	(999,669)	1,069,299	—	—	93,333	94,355
Change in Fund Balances.....	(9,643)	(42,799)	(641,379)	5,302	343,835	(220,606)	(565,290)
Fund Balances - Beginning of Year	1,818,266	479,457	3,389,651	1,699,641	569,525	1,820,384	9,776,924
Increase in reserve for inventories.....	—	—	70,432	—	—	—	70,432
Fund Balances - End of Year	\$ 1,808,623	\$ 436,658	\$ 2,818,704	\$ 1,704,943	\$ 913,360	\$ 1,599,778	\$ 9,282,066

See accompanying notes to the financial statements.

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

Year Ended June 30, 2015

Change in Fund Balances - Total Governmental Funds (Page 15) \$ (565,290)

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

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

Expenditures for capital assets.....	\$ 1,338,815	
Capital assets contributed by the Iowa Department of Transportation	1,246,627	
Depreciation/amortization expense	<u>(871,006)</u>	1,714,436

Because some property tax revenue will not be collected for several months after the County's year end, it is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (384)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year repayments and issuances were as follows:

Issued	\$ (122,838)	
Repaid	<u>1,230,972</u>	1,108,134

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position. 322,842

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:

Interest on long-term debt	\$ 10,817	
Compensated absences.....	(91,555)	
Termination benefits.....	14,442	
Pension expense.....	(147,404)	
Other postemployment benefits.....	<u>(72,319)</u>	(286,019)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding asset is exhausted..... 70,432

The Internal Service Fund is used by management to charge the costs of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities 19

Change in Net Position of Governmental Activities (Page 12) \$ 2,364,170

Statement of Net Position - Proprietary Funds

As of June 30, 2015

	Wastewater	Enterprise Nonmajor Water	Total	Internal Service Employee Group Health
Assets				
Current Assets				
Cash, cash equivalents and investments.....	\$ 91,519	\$ 3,788	\$ 95,307	\$ 62,197
Receivables				
Accounts	27,287	15,456	42,743	—
Accrued interest	412	412	824	—
Interfund loan	17,396	—	17,396	—
Prepaid items	6,196	6,196	12,392	—
Total Current Assets	<u>142,810</u>	<u>25,852</u>	<u>168,662</u>	<u>62,197</u>
Capital Assets, Net of Accumulated Depreciation ...	<u>5,441,900</u>	<u>—</u>	<u>5,441,900</u>	<u>—</u>
Total Assets	<u>\$ 5,584,710</u>	<u>\$ 25,852</u>	<u>\$ 5,610,562</u>	<u>\$ 62,197</u>
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 14,208	\$ 1,982	\$ 16,190	\$ —
Interfund loan	—	17,396	17,396	—
Total Current Liabilities	<u>14,208</u>	<u>19,378</u>	<u>33,586</u>	<u>—</u>
Net Position				
Investment in capital assets.....	5,441,900	—	5,441,900	—
Unrestricted	128,602	6,474	135,076	62,197
Total Net Position.....	<u>5,570,502</u>	<u>6,474</u>	<u>5,576,976</u>	<u>62,197</u>
Total Liabilities and Net Position	<u>\$ 5,584,710</u>	<u>\$ 25,852</u>	<u>\$ 5,610,562</u>	<u>\$ 62,197</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2015

	<u>Wastewater</u>	<u>Enterprise Nonmajor Water</u>	<u>Total</u>	<u>Internal Service Employee Group Health</u>
Operating Revenue				
Reimbursements from operating funds.....	\$ —	\$ —	\$ —	\$ 548,209
Reimbursements from employees and others.....	—	—	—	151,381
Charges for service	<u>163,067</u>	<u>89,351</u>	<u>252,418</u>	<u>—</u>
Total Operating Revenue...	<u>163,067</u>	<u>89,351</u>	<u>252,418</u>	<u>699,590</u>
Operating Expenses				
Cost of sales and service.....	138,644	90,782	229,426	—
Depreciation	113,458	—	113,458	—
Insurance premiums	<u>—</u>	<u>—</u>	<u>—</u>	<u>699,590</u>
Total Operating Expenses .	<u>252,102</u>	<u>90,782</u>	<u>342,884</u>	<u>699,590</u>
Loss From Operations	<u>(89,035)</u>	<u>(1,431)</u>	<u>(90,466)</u>	<u>—</u>
Nonoperating Revenue				
Interest on investments	<u>1,438</u>	<u>1,438</u>	<u>2,876</u>	<u>19</u>
Income (Loss) Before Transfers	<u>(87,597)</u>	<u>7</u>	<u>(87,590)</u>	<u>19</u>
Transfers In.....	<u>30,910</u>	<u>—</u>	<u>30,910</u>	<u>—</u>
Net Income (Loss)	<u>(56,687)</u>	<u>7</u>	<u>(56,680)</u>	<u>19</u>
Net Position - Beginning of Year	<u>5,627,189</u>	<u>6,467</u>	<u>5,633,656</u>	<u>62,178</u>
Net Position - End of Year.....	<u>\$ 5,570,502</u>	<u>\$ 6,474</u>	<u>\$ 5,576,976</u>	<u>\$ 62,197</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

	Wastewater	Enterprise Nonmajor Water	Total	Internal Service Employee Group Health
Cash Flows From Operating Activities				
Cash received from customers and users	\$ 162,853	\$ 89,147	\$ 252,000	\$ —
Cash received from operating fund reimbursements	—	—	—	548,209
Cash received from employees and others	—	—	—	151,381
Cash paid to suppliers for services	(128,221)	(90,461)	(218,682)	—
Cash paid for insurance premiums	—	—	—	(699,590)
Net Cash Provided by (Used in) Operating Activities.....	34,632	(1,314)	33,318	—
Cash Flows From Investing Activities				
Interest on investments	1,303	1,304	2,607	19
Cash received (paid) to other funds.....	309	(309)	—	—
Net Cash Provided by Investing Activities.....	1,612	995	2,607	19
Cash Flows From Capital and Related Financing Activities				
Transfers in.....	30,910	—	30,910	—
Acquisition of capital assets.....	(30,910)	—	(30,910)	—
Net Cash Used in Capital and Related Financing Activities.....	—	—	—	—
Net Increase (Decrease) in Cash, Cash Equivalents and Investments	36,244	(319)	35,925	19
Cash, Cash Equivalents and Investments at Beginning of Year	55,275	4,107	59,382	62,178
Cash, Cash Equivalents and Investments at End of Year.....	\$ 91,519	\$ 3,788	\$ 95,307	\$ 62,197
Reconciliation of Loss From Operations to Net Cash Provided by (Used in) Operating Activities				
Loss from operations	\$ (89,035)	\$ (1,431)	\$ (90,466)	\$ —
Adjustments to Reconcile Loss From Operations to Net Cash Provided by (Used in) Operating Activities				
Depreciation	113,458	—	113,458	—
Changes in Assets and Liabilities				
Increase in receivables	(214)	(204)	(418)	—
Increase in prepaid items.....	(79)	(79)	(158)	—
Increase in accounts payable	10,502	400	10,902	—
Net Cash Provided by (Used in) Operating Activities.....	\$ 34,632	\$ (1,314)	\$ 33,318	\$ —

See accompanying notes to the financial statements.

Statement of Fiduciary Assets and Liabilities - Agency Funds

As of June 30, 2015

Assets

Cash, Cash Equivalents and Investments	
County Treasurer.....	\$ 1,155,994
Other county officials	12,822
Receivables	
Property Tax, Net of Allowance	
Current year delinquent	6,421
Succeeding year	8,588,748
Accounts.....	881
Due from other governments	27,221
Prepaid items	<u>10,458</u>
Total Assets	<u>\$ 9,802,545</u>

Liabilities

Accounts payable	\$ 11,053
Salaries and benefits payable.....	2,194
Due to other governments	9,758,795
Trusts payable.....	23,891
Compensated absences.....	<u>6,612</u>
Total Liabilities	<u>\$ 9,802,545</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Worth 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

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

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

Blended Component Units

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

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

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Worth County Assessor's Conference Board, Worth County Emergency Management Commission and Worth County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the agency funds of the County.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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 revenue and other nonexchange transactions.

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or 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 that does not meet the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

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

The County reports the following major governmental funds:

The *General Fund* is the general operating fund of the County. All general tax revenue and other revenue is 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, fixed charges and capital improvement costs that are not paid from other funds.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Special Revenue

The *Rural Services Fund* is used to account for property tax and other revenue 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 Special Revenue, Rural Services Funds and other revenue to be used for secondary road construction and maintenance.

The *Highway 105 Trust Fund* is used to account for the secondary road construction and maintenance.

The *Wind Farm TIF Fund* is used to account for road improvements.

Additionally, the County reports the following proprietary funds:

Enterprise Funds are utilized to account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

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

The following fiduciary funds are also reported:

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.

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. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenue to be available if it is collected within 60 days after year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Property tax, intergovernmental revenue (shared revenue, 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 recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of the grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. 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 revenue.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the County's Enterprise Funds is charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

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

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

Cash, Cash Equivalents and Investments

Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for nonnegotiable certificates of deposit which are stated at cost.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Property Tax Receivable

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

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

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

Due From and Due to Other Funds

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

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

Inventories are stated at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

Capital Assets

Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County) are reported in the governmental activities column in the government-wide statement of net position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

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

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

Asset Class	Estimated Useful Lives
Buildings and improvements	20 - 50 Years
Equipment and vehicles	2 - 20 Years
Intangibles.....	5 - 20 Years
Infrastructure.....	30 - 50 Years

Deferred Outflows of Resources

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

Due to Other Governments

Due to other governments represents taxes and other revenue collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

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

Compensated Absences

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

(1) Summary of Significant Accounting Policies and Other Matters

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.

Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position.

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Net Position

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

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 amounts budgeted; however, disbursements in certain departments exceeded the amounts budgeted.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash, Cash Equivalents and Investments

The County's deposits in banks as of 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 that 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.

Interest Rate Risk

The County's investment policy limits the investment of funds to instruments that mature within the anticipated needs for funds based upon cash flow projections prepared at regular intervals and consistent with the needs and use of the County.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue Wind Farm TIF	Special Revenue Hartland Township TIF	<u>\$ 1,537</u>

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

Notes to the Financial Statements

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Special Revenue Secondary Roads	General Special Revenue Rural Services	\$ 69,630 <u>999,669</u> <u>1,069,299</u>
Emergency Medical Services	General	<u>1,405</u>
Enterprise Wastewater	Special Revenue Hartland Township TIF	<u>30,910</u>
		<u>\$ 1,101,614</u>

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

(5) Capital Assets

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

	Balance - Beginning of Year (as Restated)	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated/ Amortized				
Land.....	\$ 397,689	\$ 105,000	\$ —	\$ 502,689
Capital Assets Being Depreciated/ Amortized				
Buildings and improvements	1,865,075	49,301	—	1,914,376
Equipment.....	3,533,883	1,072,309	167,500	4,438,692
Vehicles	851,362	112,205	8,000	955,567
Intangibles.....	130,850	—	—	130,850
Infrastructure.....	<u>16,730,171</u>	<u>1,246,627</u>	<u>—</u>	<u>17,976,798</u>
Total Capital Assets Being Depreciated/Amortized	<u>23,111,341</u>	<u>2,480,442</u>	<u>175,500</u>	<u>25,416,283</u>
Less Accumulated Depreciation/ Amortization for				
Buildings and improvements	508,115	51,886	—	560,001
Equipment.....	1,852,620	242,914	167,500	1,928,034
Vehicles	628,618	98,192	8,000	718,810
Intangibles.....	97,012	23,253	—	120,265
Infrastructure.....	<u>2,273,767</u>	<u>454,761</u>	<u>—</u>	<u>2,728,528</u>
Total Accumulated Depreciation/Amortization ...	<u>5,360,132</u>	<u>871,006</u>	<u>175,500</u>	<u>6,055,638</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>17,751,209</u>	<u>1,609,436</u>	<u>—</u>	<u>19,360,645</u>
Governmental Activities Capital Assets, Net.....	<u>\$ 18,148,898</u>	<u>\$ 1,714,436</u>	<u>\$ —</u>	<u>\$ 19,863,334</u>

Notes to the Financial Statements

(5) Capital Assets

	Balance - Beginning of Year (as Restated)	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Capital Assets Not Being Depreciated				
Construction in progress	<u>\$ 3,291,948</u>	<u>\$ 30,910</u>	<u>\$ 3,322,858</u>	<u>\$ —</u>
Capital Assets Being Depreciated				
Buildings and improvements	—	3,322,858	—	3,322,858
Infrastructure	<u>2,350,000</u>	<u>—</u>	<u>—</u>	<u>2,350,000</u>
Total Capital Assets Being Depreciated	<u>2,350,000</u>	<u>3,322,858</u>	<u>—</u>	<u>5,672,858</u>
Less Accumulated Depreciation for				
Buildings and improvements	—	66,458	—	66,458
Infrastructure	<u>117,500</u>	<u>47,000</u>	<u>—</u>	<u>164,500</u>
Total Accumulated Depreciation	<u>117,500</u>	<u>113,458</u>	<u>—</u>	<u>230,958</u>
Net Total Capital Assets Being Depreciated, Net	<u>2,232,500</u>	<u>3,209,400</u>	<u>—</u>	<u>5,441,900</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,524,448</u>	<u>\$ 3,240,310</u>	<u>\$ 3,322,858</u>	<u>\$ 5,441,900</u>

Depreciation/amortization expense was charged to the following functions:

Governmental Activities

Public safety and legal services	\$ 132,075
Physical health and social services	18,579
County environment and education	55,285
Roads and transportation	590,160
Governmental services to residents	3,037
Administration	56,797
Nonprogram	<u>15,073</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 871,006</u>

Business-Type Activities

Wastewater	<u>\$ 113,458</u>
------------------	--------------------------

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 28,109
Special Revenue		
Secondary roads		<u>266</u>
Total Governmental Funds		<u>\$ 28,375</u>

Notes to the Financial Statements

(6) Due to Other Governments

Fund	Description	Amount
Agency		
Agricultural Extension Education	Collections	\$ 160,272
County Assessor		638,588
Schools		6,132,278
Community Colleges		365,311
Corporations		1,634,084
Auto license and use tax		202,783
All other		625,479
Total Agency Funds		<u>\$ 9,758,795</u>

(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.....	\$ 19,515,000	\$ —	\$ 1,220,000	\$ 18,295,000	\$ 1,610,000
Drainage warrants	—	122,838	—	122,838	—
Drainage improvement					
certificates.....	43,887	—	10,972	32,915	10,972
Compensated absences	178,103	269,658	178,103	269,658	269,658
Termination benefits.....	48,564	2,058	16,500	34,122	34,122
Net pension liability.....	2,451,989	—	992,100	1,459,889	—
Net OPEB liability	79,558	75,889	3,570	151,877	—
	<u>\$ 22,317,101</u>	<u>\$ 470,443</u>	<u>\$ 2,421,245</u>	<u>\$ 20,366,299</u>	<u>\$ 1,924,752</u>
Business-Type Activities					
Interfund loan	<u>\$ 17,705</u>	<u>\$ —</u>	<u>\$ 309</u>	<u>\$ 17,396</u>	<u>\$ 17,396</u>

General Obligation Bonds

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

Year Ending June 30,	Urban Renewal County Road Improvement Bonds					
	Issued June 15, 2009			Issued December 15, 2010		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2016	2.75%	\$ 870,000	\$ 236,625	1.90%	\$ 265,000	\$ 93,500
2017		—	—	2.20	270,000	88,465
2018		—	—	2.50	280,000	82,525
2019		—	—	2.80	290,000	75,525
2020		—	—	3.05	295,000	67,405
2021-2025		—	—	3.25 - 3.80	1,645,000	184,248
2026-2029		—	—		—	—
Total		<u>\$ 870,000</u>	<u>\$ 236,625</u>		<u>\$ 3,045,000</u>	<u>\$ 591,668</u>

Notes to the Financial Statements

(7) Long-Term Liabilities

Year Ending June 30,	Urban Renewal Economic Development Bonds			Urban Renewal Bonds		
	Issued June 9, 2011			Issued November 20, 2012		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2016	2.50%	\$ 430,000	\$ 162,063	0.80%	\$ 45,000	\$ 60,100
2017	2.75	435,000	151,312	0.80	115,000	59,740
2018	2.75	445,000	139,350	2.00	205,000	58,820
2019	2.75	455,000	127,112	2.00	205,000	54,720
2020	2.75	470,000	114,600	2.00	210,000	50,620
2021-2025	2.70 - 3.55	2,590,000	364,155	2.00 - 2.10	1,125,000	188,100
2026-2029	3.65	575,000	20,988	2.30 - 2.60	990,000	61,300
Total		<u>\$ 5,400,000</u>	<u>\$ 1,079,580</u>		<u>\$ 2,895,000</u>	<u>\$ 533,400</u>

Year Ending June 30,	Refunding Bonds			Total		
	Issued May 28, 2014					Total
	Interest Rate	Principal	Interest	Principal	Interest	Total
2016	1.50%	\$ —	\$ 100,673	\$ 1,610,000	\$ 652,961	\$ 2,262,961
2017	1.50	980,000	100,673	1,800,000	400,190	2,200,190
2018	1.50	995,000	85,973	1,925,000	366,668	2,291,668
2019	1.50	1,005,000	71,047	1,955,000	328,404	2,283,404
2020	1.50	1,020,000	55,972	1,995,000	288,597	2,283,597
2021-2025	1.85 - 2.05	2,085,000	62,197	7,445,000	798,700	8,243,700
2026-2029		—	—	1,565,000	82,288	1,647,288
Total		<u>\$ 6,085,000</u>	<u>\$ 476,535</u>	<u>\$ 18,295,000</u>	<u>\$ 2,917,808</u>	<u>\$ 21,212,808</u>

The County was in compliance with all bond resolutions.

Refunded Bonds

On May 28, 2014, the County approved a refunding trust agreement with its refunding trustee. The agreement required the County to authorize the issuance of \$6,085,000 General Obligation Refunding Bonds, Series 2014. The trustee agreed to accept the bond proceeds, invest the funds and call and retire debt principal plus interest. At closing, \$6,023,156 of Series 2014 bond proceeds were wire transferred directly to the refunding trust to purchase certain direct obligations of the United States Government which will mature at such times and in such amounts, including investment income therefrom, as will be sufficient to pay all of the principal and interest on the refunded bonds maturing after June 1, 2016, which are callable for redemption on June 1, 2016, and to pay the interest due on the Series 2014 bonds through and including the 2016 redemption date. The County will make scheduled principal and interest payments on Series 2009 bonds maturing prior to and including June 1, 2016, from County funds. Remaining bonds are callable at the dates and in the amounts noted below:

	June 1, 2016	June 1, 2016 (Refunded)
General Obligation Urban Renewal County Road Improvement Bonds, 6-15-09.....	<u>\$ 870,000</u>	<u>\$ 5,865,000</u>

Notes to the Financial Statements

(7) Long-Term Liabilities

The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding resulted in the County saving \$201,516. The economic loss resulting from the refunding was immaterial.

In addition, in accordance with the terms of the refunding trust agreement, trust assets and interest earned on trust assets will also be used to pay interest on the Series 2014 refunding bonds through June 1, 2016. Interest paid from the refunding trust totaled \$105,147 for the year ended June 30, 2015. Total interest expected to be paid from the refunding trust during the year ending June 30, 2016 is \$100,673. Interest earned on trust assets and used to pay interest expense was \$24,007 during the year ended June 30, 2015.

Drainage Warrants/Drainage Improvement Certificates Payable

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

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing the assessments or installments due from the landowner are sold for cash as interest-bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest is paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

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

Termination Benefits

As an early retirement incentive, the County will provide single premium health insurance equal to the dollar value of the fiscal year approved premium with no annuity until age 65. To qualify, the employee must be 55 years of age with 30 years of IPERS eligible service. The program was suspended as of July 1, 2009. Retirees already receiving the benefit or retiring prior to July 1, 2009 will continue to receive the benefit. During the year ended June 30, 2015, the County's expense for two employees was \$16,500. Only one employee is eligible to receive the benefit after June 30, 2015. The liability to the County (at current rates) is \$34,122.

(8) Pension and Retirement Benefits

Plan Description

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

(8) Pension and Retirement Benefits

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 any time after reaching age 50 with 22 or more years of covered employment.

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

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

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

Notes to the Financial Statements

(8) Pension and Retirement Benefits

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 one 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% of pay and the County contributed 8.93% for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$322,842.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the County reported a liability of \$1,459,889 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the County's collective proportion was 0.0368110% which was a decrease of 0.005894% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$147,404. As of June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,328	\$ 34,171
Changes of assumptions	70,364	29,492
Net difference between projected and actual earnings on pension plan investments	—	930,675
Changes in proportion and differences between County contributions and proportionate share of contributions	111,064	—
County contributions subsequent to the measurement date	<u>322,842</u>	<u>—</u>
Total	<u>\$ 521,598</u>	<u>\$ 994,338</u>

Notes to the Financial Statements

(8) Pension and Retirement Benefits

\$322,842 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	\$ (201,105)
2017	(201,105)
2018	(201,105)
2019	(201,105)
2020	8,838
Total	\$ (795,582)

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%
Salary increases (effective June 30, 2014)	4% to 17%, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

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

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

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

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>	

Notes to the Financial Statements

(8) Pension and Retirement Benefits

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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%, 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 one percentage point lower (6.5%) or one percentage point higher (8.5%) 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	\$3,568,663	\$1,459,889	(\$317,824)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

As of June 30, 2015, the County reported payables to the defined benefit pension plan of \$2,722 for legally required employer contributions and \$2,098 for legally required employee contributions which had been or will be withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 67 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit 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.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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	\$ 46,179
Interest on net OPEB obligation.....	2,826
Adjustment to annual required contribution.....	<u>26,884</u>
Annual OPEB Cost	75,889
Contributions made	<u>(3,570)</u>
Increase in Net OPEB Obligation	72,319
Net OPEB Obligation - Beginning of Year.....	<u>79,558</u>
Net OPEB Obligation - End of Year	<u>\$ 151,877</u>

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

For the year ended June 30, 2015, the County contributed \$3,570 to the medical plan and plan members eligible for benefits contributed \$984, or 21.6%, of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 32,417	41.2%	\$ 60,897
June 30, 2014	32,005	41.7	79,558
June 30, 2015	75,889	4.7	151,877

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$238,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$238,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,244,000 and the ratio of the UAAL to the covered payroll was 7.3%. As of June 30, 2015, there were no trust fund assets.

Notes to the Financial Statements

(9) Other Postemployment Benefits (OPEB)

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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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 frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate of return and an annual healthcare cost trend rate of 6% per year. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the 2006 Society of Actuaries Study and other estimated rates.

Projected claim costs of the medical plan are approximately \$667 per month per retiree. The UAAL is being amortized as a level percentage of projected payroll expense on a closed basis over 30 years.

(10) Risk Management

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

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

Notes to the Financial Statements

(10) Risk Management

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$86,414.

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 casualty claims, property loss or series of claims or losses, exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$50,000, 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.

Notes to the Financial Statements

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund, was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield (Wellmark).

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2015 was \$548,209.

(12) Operating Leases

The County leases two buildings where the County Attorney and Veteran Affairs Commission conduct their operations. In addition, the County leases two storage facilities and three vehicles. The lease arrangements are on a month-to-month basis and total rent paid was \$10,852 for the year ended June 30, 2015.

The County also leases the building where the Public Health Department conducts its operations. This building is under an operating lease which expired July 1, 2015, at which time the County purchased the building for \$326,000. The County paid rent plus a portion of property taxes and snow removal. Total rent paid was \$12,000 for the year ended June 30, 2015.

Rental expense for all operating leases was \$22,852 for the year ended June 30, 2015.

(13) Worth County Financial Information Included in the County Social Services Region

County Social Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright counties. The financial activity of Worth County's Special Revenue, Mental Health Fund is included in the County Social Services Region for the year ended June 30, 2015, as follows:

Revenue	
Property and other county tax.....	\$ 337,861
Intergovernmental Revenue	
State tax credits	22,732
Other intergovernmental revenue.....	9,013
Total Revenue	<u>369,606</u>
Expenditures	
Services to Persons with	
Mental illness	17,747
Intellectual disability	1,598
General Administration	
Direct administration	1,048
Distribution to regional fiscal agent.....	355,498
Total Expenditures	<u>375,891</u>
Revenue Under Expenditures	(6,285)
Fund Balance - Beginning of Year	<u>155,086</u>
Fund Balance - End of Year	<u>\$ 148,801</u>

Notes to the Financial Statements

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for 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.

Additionally, beginning net position for governmental activities was restated to remove bridge repair costs from construction in progress. These costs were not required to be capitalized.

The effect of the restatements on beginning net position was as follows:

	Governmental Activities
Net position - June 30, 2014, as previously reported	\$ 8,290,086
Net pension liability as of June 30, 2014.....	(2,451,989)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date.....	343,922
Expense bridge repairs.....	(221,841)
Net Position - July 1, 2014, as Restated.....	<u>\$ 5,960,178</u>

(15) Construction Commitment

The County has entered into contracts totaling approximately \$768,000 for the purchase of various equipment, a public health building and repairs to a drainage district. As of June 30, 2015, approximately \$580,000 remained on the contracts. The project and purchases will be completed during the fiscal year ending June 30, 2016.

(16) Subsequent Events

Management has evaluated subsequent events through March 1, 2016, the date which the financial statements were available to be issued.

The County issued \$6,555,000 of General Obligation County Refunding Bonds, Series 2015A in October, 2015. The bonds will be used to pay callable principal amounts of the County's General Obligation Urban Renewal County Road Improvement Bonds, Series 2010A and General Obligation Urban Renewal Economic Development Bonds, Series 2011A.

Subsequent to June 30, 2015, the County entered into contracts totaling approximately \$600,000 for remodeling and renovation of the public health building and for the purchase of water treatment equipment.

Required Supplementary Information

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

Year Ended June 30, 2015

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Over (Under) Budget
				Original	Final	
Receipts						
Property and other						
county tax	\$ 7,536,862	\$ —	\$ 7,536,862	\$ 7,331,093	\$ 7,331,093	\$ 205,769
Interest and penalty						
on property tax.....	22,504	—	22,504	25,891	25,891	(3,387)
Intergovernmental	3,940,976	—	3,940,976	3,333,643	3,458,643	482,333
Licenses and permits ..	30,203	—	30,203	13,865	13,865	16,338
Charges for service	335,868	—	335,868	309,400	309,400	26,468
Use of money and						
property	58,896	—	58,896	273,319	273,319	(214,423)
Miscellaneous	876,345	486,571	389,774	428,342	541,664	(151,890)
Total Receipts	<u>12,801,654</u>	<u>486,571</u>	<u>12,315,083</u>	<u>11,715,553</u>	<u>11,953,875</u>	<u>361,208</u>
Disbursements						
Public safety and						
legal services.....	2,126,062	—	2,126,062	2,202,344	2,231,244	(105,182)
Physical health and						
social services	1,037,575	—	1,037,575	1,113,893	1,128,893	(91,318)
Mental health.....	374,325	—	374,325	388,498	388,498	(14,173)
County environment						
and education.....	837,116	—	837,116	1,007,132	1,037,132	(200,016)
Roads and trans-						
portation.....	4,276,635	—	4,276,635	3,835,000	4,535,000	(258,365)
Governmental						
services to residents..	321,512	—	321,512	402,763	402,763	(81,251)
Administration	1,266,797	—	1,266,797	1,427,823	1,427,823	(161,026)
Nonprogram	441,725	441,725	—	—	—	—
Debt service	1,823,058	—	1,823,058	1,985,788	1,985,788	(162,730)
Capital projects	1,290,181	—	1,290,181	2,067,793	2,192,793	(902,612)
Total Disbursements	<u>13,794,986</u>	<u>441,725</u>	<u>13,353,261</u>	<u>14,431,034</u>	<u>15,329,934</u>	<u>(1,976,673)</u>
Receipts Over (Under)						
Disbursements.....	(993,332)	44,846	(1,038,178)	(2,715,481)	(3,376,059)	2,337,881
Other Financing						
Sources, Net.....	<u>(17,572)</u>	<u>—</u>	<u>(17,572)</u>	<u>10,000</u>	<u>10,000</u>	<u>(27,572)</u>
Receipts and Other						
Financing Sources						
Over (Under)						
Disbursements and						
Other Financing Uses	(1,010,904)	44,846	(1,055,750)	(2,705,481)	(3,366,059)	2,310,309
Balance - Beginning						
of Year	<u>9,289,927</u>	<u>104,703</u>	<u>9,185,224</u>	<u>5,728,966</u>	<u>5,728,966</u>	<u>3,456,258</u>
Balance - End of Year	<u>\$ 8,279,023</u>	<u>\$ 149,549</u>	<u>\$ 8,129,474</u>	<u>\$ 3,023,485</u>	<u>\$ 2,362,907</u>	<u>\$ 5,766,567</u>

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2015

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenue.....	\$ 12,315,083	\$ 5,426	\$ 12,320,509
Expenditures	<u>13,353,261</u>	<u>(373,107)</u>	<u>12,980,154</u>
Net.....	(1,038,178)	378,533	(659,645)
Other financing sources (uses), net.....	(17,572)	111,927	94,355
Beginning fund balances	9,185,224	591,700	9,776,924
Increase in reserve for inventories.....	<u>—</u>	<u>70,432</u>	<u>70,432</u>
Ending Fund Balances.....	<u>\$ 8,129,474</u>	<u>\$ 1,152,592</u>	<u>\$ 9,282,066</u>

Notes to Required Supplementary Information - Budgetary Reporting ————

Year Ended June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services; physical health and social services; mental health; county environment and education; roads and transportation; governmental services to residents; administration; nonprogram; debt service; and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and Special Revenue 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 \$898,900. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted by function; however, disbursements in certain departments exceeded the amounts appropriated.

Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
County's collective proportion of the net pension liability (asset).....	0.0868110%
County's collective proportionate share of the net pension liability (asset).....	\$1,459,889
County's covered-employee payroll.....	\$3,572,000
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.87%
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.

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 322,842	\$ 343,924	\$ 301,224	\$ 279,565	\$ 238,330	\$ 217,299	\$ 199,007	\$ 176,299	\$ 166,201	\$ 155,782
Contributions in relation to the statutorily required contributions.....	<u>(322,842)</u>	<u>(343,924)</u>	<u>(301,224)</u>	<u>(279,565)</u>	<u>(238,330)</u>	<u>(217,299)</u>	<u>(199,007)</u>	<u>(176,299)</u>	<u>(166,201)</u>	<u>(155,782)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>									
County's covered-employee payroll.....	\$ 3,371,000	\$ 3,572,000	\$ 3,219,000	\$ 3,157,000	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	9.58%	9.63%	9.36%	8.86%	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information not available.

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

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

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

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

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

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

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

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

Schedule of Funding Progress for the Retiree Health Plan ---

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	7-1-09	\$ —	\$ 305,000	\$ 305,000	0%	\$ 2,711,000	11.3%
2011	7-1-09	—	305,000	305,000	0	2,814,000	10.8
2012	7-1-11	—	255,000	255,000	0	2,997,000	8.5
2013	7-1-11	—	255,000	255,000	0	3,022,690	8.5
2014	7-1-11	—	255,000	255,000	0	3,424,000	7.5
2015	7-1-12	—	238,000	238,000	0	3,244,000	7.3

See Note 9 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

Year Ended June 30, 2015

	Special Revenue						
	Mental Health	REAP	Recorder Records Management	Emergency Medical Services	County Disposal Care	Board and Room	Probation Fees
Assets							
Cash, cash equivalents and investments.....	\$ 150,405	\$ 102,878	\$ 8,892	\$ 592	\$ 4,111	\$ 96,838	\$ 60,247
Receivables							
Property Tax, Net of Allowance							
Current year delinquent.....	193	—	—	—	—	—	—
Succeeding year	258,160	—	—	—	—	—	—
Accounts	—	—	148	—	—	—	40
Accrued interest	—	—	—	—	—	—	—
Total Assets	<u>\$ 408,758</u>	<u>\$ 102,878</u>	<u>\$ 9,040</u>	<u>\$ 592</u>	<u>\$ 4,111</u>	<u>\$ 96,838</u>	<u>\$ 60,287</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 1,604	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other funds	—	—	—	—	—	—	—
Total Liabilities	<u>1,604</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred Inflows of Resources							
Unavailable Revenue							
Succeeding year property tax.....	258,160	—	—	—	—	—	—
Other.....	193	—	—	—	—	—	—
Total Deferred Inflows of Resources	<u>258,353</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund Balances							
Restricted for							
Mental health purposes.....	148,801	—	—	—	—	—	—
Drainage district purposes.....	—	—	—	—	—	—	—
Other purposes	—	102,878	9,040	592	4,111	96,838	60,287
Total Fund Balances	<u>148,801</u>	<u>102,878</u>	<u>9,040</u>	<u>592</u>	<u>4,111</u>	<u>96,838</u>	<u>60,287</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 408,758</u>	<u>\$ 102,878</u>	<u>\$ 9,040</u>	<u>\$ 592</u>	<u>\$ 4,111</u>	<u>\$ 96,838</u>	<u>\$ 60,287</u>

Combining Balance Sheet - Nonmajor Governmental Funds

Year Ended June 30, 2015

	Special Revenue						Total
	Iowa Ethanol Bond	Hartland Township TIF	Commissary	Forfeiture	Rail Port Grant TIF	Drainage Districts	
Assets							
Cash, cash equivalents and investments.....	\$ 23,324	\$ 1,010,162	\$ 3,614	\$ 4,851	\$ 16,055	\$ 149,549	\$ 1,631,518
Receivables							
Property Tax, Net of Allowance							
Current year delinquent.....	—	—	—	—	—	—	193
Succeeding year	—	169,408	—	—	32,021	—	459,589
Accounts	—	—	—	—	—	122,838	123,026
Accrued interest	9	1,751	—	—	263	—	2,023
Total Assets	\$ 23,333	\$ 1,181,321	\$ 3,614	\$ 4,851	\$ 48,339	\$ 272,387	\$ 2,216,349
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ —	\$ 10,853	\$ —	\$ —	\$ —	\$ 142,795	\$ 155,252
Due to other funds	—	1,537	—	—	—	—	1,537
Total Liabilities	—	12,390	—	—	—	142,795	156,789
Deferred Inflows of Resources							
Unavailable Revenue							
Succeeding year property tax.....	—	169,408	—	—	32,021	—	459,589
Other.....	—	—	—	—	—	—	193
Total Deferred Inflows of Resources	—	169,408	—	—	32,021	—	459,782
Fund Balances							
Restricted for							
Mental health purposes.....	—	—	—	—	—	—	148,801
Drainage district purposes.....	—	—	—	—	—	129,592	129,592
Other purposes	23,333	999,523	3,614	4,851	16,318	—	1,321,385
Total Fund Balances	23,333	999,523	3,614	4,851	16,318	129,592	1,599,778
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,333	\$ 1,181,321	\$ 3,614	\$ 4,851	\$ 48,339	\$ 272,387	\$ 2,216,349

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

Year Ended June 30, 2015

	Special Revenue						
	Mental Health	REAP	Recorder Records Management	Emergency Medical Services	County Disposal Care	Board and Room	Probation Fees
Revenue							
Property and other county tax.....	\$ 337,763	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest and penalty on property tax	98	—	—	—	—	—	—
Intergovernmental	31,745	12,016	—	—	—	—	—
Charges for service	—	—	1,578	—	—	14,196	4,805
Use of money and property	—	181	14	—	—	—	—
Miscellaneous.....	—	—	—	—	—	—	—
Total Revenue.....	<u>369,606</u>	<u>12,197</u>	<u>1,592</u>	<u>—</u>	<u>—</u>	<u>14,196</u>	<u>4,805</u>
Expenditures							
Operating							
Public safety and legal services	—	—	—	1,404	—	18,282	266
Mental health	375,891	—	—	—	—	—	—
Nonprogram	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Capital projects.....	—	—	—	—	—	—	—
Total Expenditures.....	<u>375,891</u>	<u>—</u>	<u>—</u>	<u>1,404</u>	<u>—</u>	<u>18,282</u>	<u>266</u>
Revenue Over (Under) Expenditures	<u>(6,285)</u>	<u>12,197</u>	<u>1,592</u>	<u>(1,404)</u>	<u>—</u>	<u>(4,086)</u>	<u>4,539</u>
Other Financing Sources (Uses)							
Drainage warrants issued.....	—	—	—	—	—	—	—
Transfers in	—	—	—	1,405	—	—	—
Transfers out	—	—	—	—	—	—	—
Total Other Finance Sources (Uses).....	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,405</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in Fund Balances.....	<u>(6,285)</u>	<u>12,197</u>	<u>1,592</u>	<u>1</u>	<u>—</u>	<u>(4,086)</u>	<u>4,539</u>
Fund Balances - Beginning of Year	155,086	90,681	7,448	591	4,111	100,924	55,748
Fund Balances - End of Year	<u>\$ 148,801</u>	<u>\$ 102,878</u>	<u>\$ 9,040</u>	<u>\$ 592</u>	<u>\$ 4,111</u>	<u>\$ 96,838</u>	<u>\$ 60,287</u>

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

Year Ended June 30, 2015

	Special Revenue						Total
	Iowa Ethanol Bond	Hartland Township TIF	Commissary	Forfeiture	Rail Port Grant TIF	Drainage Districts	
Revenue							
Property and other county tax.....	\$ —	\$ 202,959	\$ —	\$ —	\$ 644	\$ —	\$ 541,366
Interest and penalty on property tax	—	—	—	—	—	—	98
Intergovernmental	—	903	—	—	212,565	—	257,229
Charges for service	—	—	—	—	—	—	20,579
Use of money and property	47	7,096	5,000	—	1,062	—	13,400
Miscellaneous.....	—	600	—	—	—	486,571	487,171
Total Revenue.....	47	211,558	5,000	—	214,271	486,571	1,319,843
Expenditures							
Operating							
Public safety and legal services	—	—	3,054	—	—	—	23,006
Mental health	—	—	—	—	—	—	375,891
Nonprogram	—	—	—	—	—	542,639	542,639
Debt service	—	340,377	—	—	—	—	340,377
Capital projects.....	—	33,115	—	—	318,754	—	351,869
Total Expenditures.....	—	373,492	3,054	—	318,754	542,639	1,633,782
Revenue Over (Under) Expenditures	47	(161,934)	1,946	—	(104,483)	(56,068)	(313,939)
Other Financing Sources (Uses)							
Drainage warrants issued.....	—	—	—	—	—	122,838	122,838
Transfers in	—	—	—	—	—	—	1,405
Transfers out	—	(30,910)	—	—	—	—	(30,910)
Total Other Financing Sources (Uses).....	—	(30,910)	—	—	—	122,838	93,333
Change in Fund Balances.....	47	(192,844)	1,946	—	(104,483)	66,770	(220,606)
Fund Balances - Beginning of Year	23,286	1,192,367	1,668	4,851	120,801	62,822	1,820,384
Fund Balances - End of Year	\$ 23,333	\$ 999,523	\$ 3,614	\$ 4,851	\$ 16,318	\$ 129,592	\$ 1,599,778

Combining Schedule of Fiduciary Assets and Liabilities - Agency Funds

Year Ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
Assets											
Cash, Cash Equivalents and Investments											
County Treasurer.....	\$ —	\$ 765	\$ 405,522	\$ 30,314	\$ 1,633	\$ 20,927	\$ 547	\$ 1,449	\$ 202,783	\$ 492,054	\$ 1,155,994
Other county officials	12,822	—	—	—	—	—	—	—	—	—	12,822
Receivables											
Property Tax, Net of Allowance											
Current year delinquent	—	88	105	3,498	189	2,485	55	—	—	1	6,421
Succeeding year	—	159,419	236,516	6,098,466	363,489	1,610,672	118,509	—	—	1,677	8,588,748
Accounts.....	—	—	—	—	—	—	—	—	—	881	881
Due from other governments.....	—	—	—	—	—	—	—	—	—	27,221	27,221
Prepaid items	—	—	—	—	—	—	—	—	—	10,458	10,458
Total Assets	\$ 12,822	\$ 160,272	\$ 642,143	\$ 6,132,278	\$ 365,311	\$ 1,634,084	\$ 119,111	\$ 1,449	\$ 202,783	\$ 532,292	\$ 9,802,545
Liabilities											
Accounts payable	\$ —	\$ —	\$ 504	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,549	\$ 11,053
Salaries and benefits payable.....	—	—	—	—	—	—	—	—	—	2,194	2,194
Due to other governments	7,908	160,272	638,588	6,132,278	365,311	1,634,084	119,111	1,449	202,783	497,011	9,758,795
Trusts payable.....	4,914	—	—	—	—	—	—	—	—	18,977	23,891
Compensated absences.....	—	—	3,051	—	—	—	—	—	—	3,561	6,612
Total Liabilities	\$ 12,822	\$ 160,272	\$ 642,143	\$ 6,132,278	\$ 365,311	\$ 1,634,084	\$ 119,111	\$ 1,449	\$ 202,783	\$ 532,292	\$ 9,802,545

See accompanying notes to the financial statements.

**Combining Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Funds**

Year Ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
Assets and Liabilities											
Balances - Beginning of Year	<u>\$ 21,788</u>	<u>\$ 150,396</u>	<u>\$ 567,783</u>	<u>\$ 6,128,223</u>	<u>\$ 321,198</u>	<u>\$ 1,589,568</u>	<u>\$ 116,478</u>	<u>\$ 7,621</u>	<u>\$ 186,229</u>	<u>\$ 495,622</u>	<u>\$ 9,584,906</u>
Additions											
Property and other county tax.....	—	165,192	243,355	6,325,737	375,809	1,638,860	123,887	—	—	3,638	8,876,478
E911 surcharge	—	—	—	—	—	—	—	—	—	147,526	147,526
State tax credits.....	—	10,431	12,385	422,630	22,346	191,205	6,706	—	—	115	665,818
Office fees and collections.....	190,854	—	—	—	—	—	—	—	—	1,578	192,432
Auto licenses, use tax and postage	—	—	—	—	—	—	—	—	2,496,405	—	2,496,405
Assessments	—	—	—	—	—	—	—	8,509	—	—	8,509
Trusts	93,527	—	—	—	—	—	—	—	—	111,225	204,752
Miscellaneous.....	5,747	—	—	—	—	—	—	—	—	126,783	132,530
Total Additions	<u>290,128</u>	<u>175,623</u>	<u>255,740</u>	<u>6,748,367</u>	<u>398,155</u>	<u>1,830,065</u>	<u>130,593</u>	<u>8,509</u>	<u>2,496,405</u>	<u>390,865</u>	<u>12,724,450</u>
Deductions											
Agency Remittances											
To other funds	103,658	—	—	—	—	—	—	—	75,576	—	179,234
To other governments.....	112,878	165,747	181,380	6,744,312	354,042	1,785,549	127,960	14,681	2,404,275	218,823	12,109,647
Trusts paid out.....	82,558	—	—	—	—	—	—	—	—	135,372	217,930
Total Deductions.....	<u>299,094</u>	<u>165,747</u>	<u>181,380</u>	<u>6,744,312</u>	<u>354,042</u>	<u>1,785,549</u>	<u>127,960</u>	<u>14,681</u>	<u>2,479,851</u>	<u>354,195</u>	<u>12,506,811</u>
Balances - End of Year.....	<u>\$ 12,822</u>	<u>\$ 160,272</u>	<u>\$ 642,143</u>	<u>\$ 6,132,278</u>	<u>\$ 365,311</u>	<u>\$ 1,634,084</u>	<u>\$ 119,111</u>	<u>\$ 1,449</u>	<u>\$ 202,783</u>	<u>\$ 532,292</u>	<u>\$ 9,802,545</u>

See accompanying notes to the financial statements.

**Schedule of Revenue by Source and Expenditures by Function
All Governmental Funds**

Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue										
Property and other county tax.....	\$ 7,352,299	\$ 7,003,259	\$ 7,531,561	\$ 5,923,942	\$ 5,671,567	\$ 4,987,227	\$ 4,706,289	\$ 4,660,501	\$ 4,817,961	\$ 3,786,710
Interest and penalty on property tax	21,466	23,217	25,914	23,635	24,323	26,506	23,738	23,306	22,208	26,313
Intergovernmental	3,615,247	4,486,333	3,912,826	4,668,953	3,264,010	2,951,595	2,854,887	3,126,322	3,109,154	3,162,052
Licenses and permits.....	33,237	27,020	13,895	18,819	20,665	16,972	28,226	13,393	6,791	7,753
Charges for service	310,653	287,886	304,346	292,826	278,992	319,045	270,134	280,340	269,487	262,579
Use of money and property	54,555	78,883	85,733	88,645	206,083	242,562	213,271	279,526	298,995	212,418
Miscellaneous.....	933,052	1,481,628	797,127	472,137	552,144	471,382	793,595	601,495	530,999	446,046
Total Revenue	\$ 12,320,509	\$ 13,388,226	\$ 12,671,402	\$ 11,488,957	\$ 10,017,784	\$ 9,015,289	\$ 8,890,140	\$ 8,984,883	\$ 9,055,595	\$ 7,903,871
Expenditures										
Operating										
Public safety and legal services	\$ 2,095,565	\$ 2,546,765	\$ 2,087,278	\$ 1,942,278	\$ 1,743,066	\$ 1,544,558	\$ 1,479,750	\$ 1,353,072	\$ 1,361,097	\$ 1,141,572
Physical health and social services	868,609	847,575	855,672	913,467	942,364	926,164	885,577	929,359	983,323	951,470
Mental health	375,891	279,074	586,020	933,217	762,167	723,653	809,141	876,387	885,789	881,146
County environment and education.....	845,026	791,661	735,599	782,149	759,665	726,114	1,177,175	1,043,541	573,119	511,767
Roads and transportation	4,310,312	3,231,062	2,342,770	3,065,856	2,918,561	3,421,626	2,295,692	2,495,760	2,968,455	2,191,910
Governmental services to residents	321,449	341,498	349,489	326,019	312,780	306,064	311,396	265,543	266,808	261,798
Administration	1,244,469	1,323,906	1,198,691	1,082,024	1,180,213	921,540	1,035,640	831,601	800,019	664,192
Nonprogram	542,639	290,614	149,420	147,213	145,709	79,278	65,758	85,217	106,584	110,602
Debt service	1,800,787	1,560,095	1,262,699	1,184,042	797,891	714,712	604,313	473,991	344,496	207,523
Capital projects.....	575,407	1,701,470	2,177,157	3,086,172	3,575,434	4,908,343	2,471,810	526,122	589,045	242,341
Total Expenditures	\$ 12,980,154	\$ 12,913,720	\$ 11,744,795	\$ 13,462,437	\$ 13,137,850	\$ 14,272,052	\$ 11,136,252	\$ 8,880,593	\$ 8,878,735	\$ 7,164,321

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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

Board of Supervisors
Worth County
Northwood, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Worth County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Worth County's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Worth County's internal control. Accordingly, we do not express an opinion on the effectiveness of Worth County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings as items 15-I-R-1, 15-I-R-2, 15-I-R-3 and 15-1-R-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Worth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying schedule of findings.

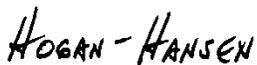
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all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

Worth County's Responses to Findings

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

Purpose of This Report

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



HOGAN - HANSEN

Mason City, Iowa
March 1, 2016

Schedule of Findings

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies

15-I-R-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated. For example, we noted various functions are done by the same person at the Auditor, Treasurer, Recorder and Sheriff offices. The potential effect of this material weakness is that a material misstatement or fraud could occur and not be prevented or detected and corrected in a timely manner.

We recognize that with a limited number of office employees, segregation of duties is difficult. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel and utilize administrative personnel and elected officials to provide additional control through review of financial transactions and reports.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - We have reviewed the procedures as suggested. We are in the process of cross training employees to further segregate duties.

Auditor's Conclusion - Response accepted.

15-I-R-2 Financial Reporting

Prior Year Finding and Recommendation - During the audit, we identified material amounts of accounts receivable, accounts payable, bond transactions and capital asset additions not recorded or incorrectly recorded in the County's financial statements. Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 and included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 and included in the accounts payable listing. Capital asset additions, including infrastructure and construction in process, were not always included in the capital asset listing at the proper acquisition value.

The effect of this material weakness is that material errors could occur within the conversion from the cash basis to accrual basis of accounting. The County should implement procedures to ensure all receivables, payables, bond transactions capital asset additions, infrastructure and related depreciation are identified and included in the County's financial statements.

Schedule of Findings

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - We will adjust our financial statements to properly include those amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Auditor's Conclusion - Response accepted.

15-I-R-3 Financial Statement Preparation

Prior Year Finding and Recommendation - The County does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many organizations of this size, the County has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures. The potential effect of this material weakness is financial statements and related disclosures may not be prepared in accordance with generally accepted accounting principles. We recommend that management consider ways in which to add to their knowledge of the requirements of generally accepted accounting principles through reading professional literature or attending education courses.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

County's Response - The County will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion - Response accepted.

15-I-R-4 Property Tax Valuations

Finding - We noted during testing of property tax valuations there was one taxing district whose valuation was entered incorrectly and the valuations for two taxing districts did not agree with the valuations per the Iowa Department of Management. The potential effect of this material weakness is incorrect tax assessments.

Auditor's Recommendation - We recommend that all valuations be reviewed by an independent person prior to generating the abstract.

County's Response - Valuations will be reviewed by an independent person prior to generating the abstract.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Instances of Noncompliance

There were no instances of noncompliance reported.

Part II: Other Findings Related to Statutory Reporting

15-II-A Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted; however, the second budget amendment was not adopted by May 31 as required by Chapter 24.9 of the Code of Iowa.

Auditor's Recommendation - All budget amendments should be adopted by May 31 in accordance with Chapter 24.9 of the Code of Iowa.

County's Response - We will amend the budget by May 31 as required.

Auditor's Conclusion - Response accepted.

15-II-B Questionable Expenditures - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

15-II-D Business Transactions - Business transactions between the County and County officials and employees which may be conflicts of interest are as follows:

Name, Title and Business Connection	Transaction Description	Amount
Abrams Drainage, owned by son of Ken Abrams of the Board of Supervisors	Drainage tiling and repair	\$ 78,600
Greve Law Office, owned by Jeff Greve, County Attorney	Rental of office space	4,250

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Abrams Drainage and County Attorney Jeff Greve do not appear to represent conflicts of interest since services provided were competitively bid or were for space to provide county services.

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

15-II-F Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

15-II-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

15-II-H 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).

Schedule of Findings

15-II-I Economic Development - During the year ended June 30, 2015, the County expended \$173,541 for economic development purposes, which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

15-II-J 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 the statements of net position or activities.

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

15-II-K Separately Maintained Accounts

Finding - We noted accounts for the Sheriff's Department, including Reserve Officers, were not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

Auditor's Recommendation - These accounts should be turned over to the Treasurer and special revenue funds should be established for these accounts. These funds should be included in the County's budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

County's Response - We will consider doing this.

Auditor's Conclusion - Response accepted.

15-II-L Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1, and no exceptions were noted.

15-II-M Emergency Management Commission Budget - The disbursements in the Emergency Management Commission Fund exceeded the amounts budgeted.

Auditor's Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before the disbursements were allowed to exceed the budget.

County's Response - We will amend the Emergency Management Commission's budget when required.

Auditor's Conclusion - Response accepted.

15-II-N E911 Service Board Budget - The disbursements in the E911 Service Board Fund exceeded the amounts budgeted.

Auditor's Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before the disbursements were allowed to exceed the budget.

County's Response - We will amend the E911 Service Board Fund when required.

Auditor's Conclusion - Response accepted.