



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

February 6, 2017

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$18,336,850 for the year ended June 30, 2016, which included \$1,634,186 in tax credits from the state. The County forwarded \$13,010,096 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,326,754 of the local tax revenue to finance County operations, a 6.2% increase over the prior year. Other revenues included charges for service of \$350,985, operating grants, contributions and restricted interest of \$3,599,999, capital grants, contributions and restricted interest of \$3,420,325, tax increment financing of \$1,488,399, local option sales tax of \$455,910, gain on disposition of capital assets of \$37,657, unrestricted investment earnings of \$19,764 and other general revenues of \$175,039.

Expenses for County operations for the year ended June 30, 2016 totaled \$9,904,916, a 4.1% increase over the prior year. Expenses included \$6,612,936 for roads and transportation, \$1,385,980 for public safety and legal services and \$777,191 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1610-0001-B00F>.

###



**ADAIR COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2016**

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		31-49
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		52
Budget to GAAP Reconciliation		53
Notes to Required Supplementary Information – Budgetary Reporting		54
Schedule of the County’s Proportionate Share of the Net Pension Liability		55
Schedule of County Contributions		56-57
Notes to Required Supplementary Information – Pension Liability		58
Schedule of Funding Progress for the Retiree Health Plan		59
Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	62-63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	64-65
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	66-67
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	68-69
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	70-71
Schedule of Expenditures of Federal Awards	6	73
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 <u>Government Auditing Standards</u>		75-76

Table of Contents  
(continued)

	<u>Page</u>
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	79-80
Schedule of Findings and Questioned Costs	81-86
Staff	87

**Adair County**

**Officials**

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



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Adair County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Adair County as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 52 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2017 on our consideration of Adair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Adair County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

January 17, 2017

**Adair County**

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Adair County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2016 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 33.7%, or approximately \$3,737,000 from fiscal year 2015 to fiscal year 2016. Property tax increased approximately \$192,000, capital grants, contributions and restricted interest increased approximately \$2,840,000 and tax increment financing increased approximately \$392,000.
- Program expenses of the County's governmental activities were 4.1%, or approximately \$392,000, more in fiscal year 2016 than in fiscal year 2015. Roads and transportation expenses increased approximately \$1,016,000 and county environment and education expenses decreased approximately \$493,000 due to the capitalization of the Lake Orient Safe Room project.
- The County's net position increased 22.5%, or approximately \$4,932,000, from June 30, 2015 to June 30, 2016.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency

Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Adair County's combined net position increased from approximately \$22 million to approximately \$26.9 million during the year. The analysis that follows focuses on the changes in the net position of governmental activities.

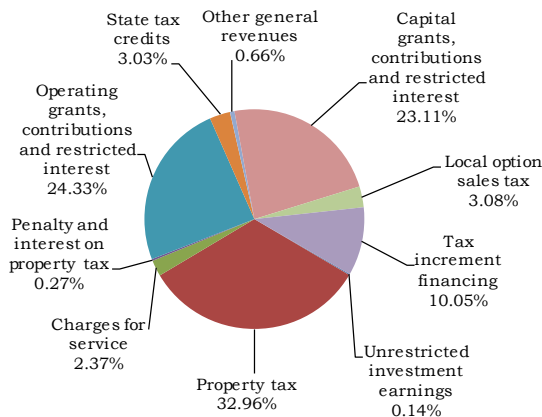
Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Current and other assets	\$ 17,734	14,390
Capital assets	30,642	25,382
Total assets	48,376	39,772
Deferred outflows of resources	359	368
Long-term liabilities	14,723	10,511
Other liabilities	579	646
Total liabilities	15,302	11,157
Deferred inflows of resources	6,549	7,031
Net position:		
Net investment in capital assets	24,159	18,469
Restricted	4,170	3,669
Unrestricted	(1,445)	(186)
Total net position	\$ 26,884	21,952

Net position of Adair County's governmental activities increased 22.5% (approximately \$26.9 million compared to approximately \$22 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$5,877,000. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net position increased approximately \$501,000, or 13.7%, from June 30, 2015 to June 30, 2016. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$(186,000) at June 30, 2015 to approximately \$(1,445,000) at the end of this year, a decrease of 676.9% primarily due to non-capitalized assets related to the issuance of general obligation bonds.

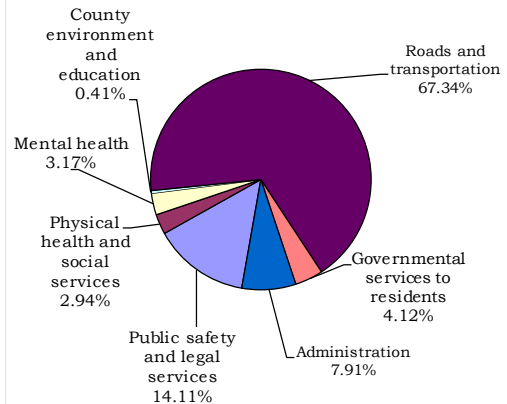
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2016	2015
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 351	453
Operating grants, contributions and restricted interest	3,600	3,336
Capital grants, contributions and restricted interest	3,420	580
<b>General revenues:</b>		
Property tax	4,879	4,687
Tax increment financing	1,488	1,096
Penalty and interest on property tax	40	37
State tax credits	448	331
Local option sales tax	456	458
Unrestricted investment earnings	20	19
Gain on disposition of capital assets	38	-
Other general revenues	97	103
<b>Total revenues</b>	<b>14,837</b>	<b>11,100</b>
<b>Program expenses:</b>		
Public safety and legal services	\$ 1,386	1,336
Physical health and social services	289	371
Mental health	311	425
County environment and education	40	533
Roads and transportation	6,613	5,597
Governmental services to residents	405	321
Administration	777	702
Nonprogram	56	-
Interest on long-term debt	28	228
<b>Total expenses</b>	<b>9,905</b>	<b>9,513</b>
<b>Change in net position</b>	<b>4,932</b>	<b>1,587</b>
<b>Net position beginning of year</b>	<b>21,952</b>	<b>20,365</b>
<b>Net position end of year</b>	<b>\$ 26,884</b>	<b>21,952</b>

**Revenues by Source**



**Expenses by Function**



Revenues for governmental activities increased approximately \$3,737,000 over the prior year, with property tax revenue for debt service up \$192,000, or 4.1%, over the prior year.

The cost of all governmental activities this year was approximately \$9.9 million compared to approximately \$9.5 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$2,534,000 because some of the cost was paid by those directly benefiting from the programs (approximately \$351,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7,020,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$4,369,000 to approximately \$7,371,000. This was primarily due to increased federal grant receipts related to road and bridge projects.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Adair County completed the year, its governmental funds reported a combined fund balance of approximately \$10.8 million, a increase of approximately \$3.5 million above last year's total of approximately \$7.3 million. The following are reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues exceeded expenditures. The ending fund balance decreased approximately \$83,000 from the prior year to approximately \$2,012,000. Property tax and other county tax and use of money and property increased and expenditures, primarily in the administration function, increased.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2016, Special Revenue, Mental Health Fund expenditures totaled approximately \$319,000, an decrease of 15.6% from the prior year, primarily due to the statewide mental health redesign and payments to the fiscal agent. The ending fund balance decreased from \$5,988 to \$5,440.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$51,000 from the prior year to approximately \$130,000.
- The Special Revenue, Secondary Roads Fund revenues increased approximately \$736,000 from the prior year, primarily due to federal grant revenue recorded in fiscal year 2016. Expenditures decreased approximately \$592,000 from the prior year due to a decrease in equipment purchases and a decrease in locally funded road and bridge projects financed by local option sales tax and tax increment financing revenues. The Special Revenue, Secondary Roads Fund balance at year end increased approximately \$252,000, or 20%, to approximately \$1,513,000.
- The Special Revenue, Urban Renewal Fund ending fund balance increased from approximately (\$20,000) at the end of the prior year to approximately \$377,000 as increased tax increment financing revenue exceeded debt service payments.
- The Capital Projects Fund ending fund balance increased approximately \$3,353,000 from the prior year to approximately \$5,711,000. This increase is primarily due proceeds from the issuance of general long-term debt.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Adair County amended its budget two times. The first amendment was made in January 2016 and increased budgeted physical health and social services, roads and transportation, government services to residents, debt service and capital project disbursements approximately \$24,000, \$393,000, \$50,000, \$101,000 and \$1,132,000, respectively. The amendment related to the payment of state and federal grants, consulting/design fees related to bridge construction, election equipment, bond interest, courthouse roof repair, Lake Orient Safe Room costs and various road construction project costs. This amendment also increased budgeted receipts approximately \$5,398,000, due primarily to a \$135,000 settlement related to litigation for the Lake Orient Safe Room and bond proceeds of \$5,000,000.

The second amendment was made in May 2016. This amendment increased budgeted receipts approximately \$448,000, due primarily to an increase in state and federal grant receipts and sale of two capital assets. The amendment also increased budgeted disbursements approximately \$1,291,000, primarily for expenses related to disbursements of state and federal grants and additional disbursements for roads.

The County's receipts were \$303,686 more than budgeted, primarily because the County did not budget for the business property tax credit of \$30,297 or a \$10,000 grant received by Veteran Affairs. Also, additional receipts related to the Lake Orient Safe Room of \$53,453 were received. The County did not expect to receive those funds in fiscal year 2016. The Secondary Roads Department also received \$179,683 more than the County budgeted for due to the timing of state and federal grant receipts.

Total disbursements were \$2,020,080 less than budgeted. Actual disbursements for the capital projects function were \$1,433,293 less than budgeted primarily due to delays of planned secondary roads projects and state and federal grant funds the County was awarded. Also, the County budgeted for the completion of the Lake Orient Safe Room Project, but work on the project was not completed during fiscal year 2016. In addition, the County made an error when budgeting for secondary roads disbursements as the County budgeted \$393,000 twice within the secondary roads function.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, Adair County had approximately \$30.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$5,260,000, or 20.7%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2016	2015
Land	\$ 713	713
Intangibles, road network	34	34
Construction in progress	1,305	679
Buildings and improvements	3,999	3,117
Improvements other than buildings	141	149
Equipment and vehicles	2,881	3,032
Intangibles	331	343
Infrastructure, road network	21,238	17,315
Total	<u>\$ 30,642</u>	<u>25,382</u>
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$ 5,496	
Purchase of Secondary Roads vehicles and equipment	1,185	
Total	<u>\$ 6,681</u>	



The County had depreciation expense of approximately \$1,458,000 in fiscal year 2016 and total accumulated depreciation of approximately \$8,910,845 at June 30, 2016. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

At June 30, 2016, Adair County had approximately \$13,128,000 of outstanding debt, which included \$13,020,000 of general obligation bonds and approximately \$108,000, of installment purchase agreement debt, compared to total outstanding debt of approximately \$9,257,000 at June 30, 2015. The increase was primarily due to the general obligation bond issuance of \$5,000,000 in fiscal year 2016.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2016	2015
General obligation bonds	\$ 13,020	9,100
Installment purchase agreements	108	157
Total	<u>\$ 13,128</u>	<u>9,257</u>

Adair County's general obligation debt carries the A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Adair County's outstanding debt is significantly below its constitutional debt limit of approximately \$57.9 million. Additional information about the County's long-term liabilities is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Adair County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various County activities. In an ongoing effort to maintain County services, the Adair County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Adair County.

The local option sales tax has generated funds to rebuild County bridges. Adair County has a large number of bridges, with many in need of repair or replacement. The County estimates it will receive \$452,743 of local option sales tax in fiscal year 2017.

Amounts available for appropriation in the operating budget are approximately \$17.2 million, a decrease of 30.7% from the final fiscal year 2016 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease to approximately \$4,950,902 by the close of fiscal year 2017.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Adair County**

## **Basic Financial Statements**

Adair County  
Statement of Net Position  
June 30, 2016

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 10,429,614
Receivables:	
Property tax:	
Delinquent	12,494
Succeeding year	4,271,000
Succeeding year tax increment financing	2,056,000
Interest and penalty on property tax	19,097
Accounts	12,878
Accrued interest	1,530
Due from other governments	419,176
Inventories	283,683
Prepaid items	224,242
Assets in excess of net OPEB obligation	4,744
Capital assets, net of accumulated depreciation/amortization	30,641,811
<b>Total assets</b>	48,376,269
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	358,875
<b>Liabilities</b>	
Accounts payable	410,455
Accrued interest payable	23,746
Salaries and benefits payable	120,213
Due to other governments	23,908
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,160,000
Installment purchase agreements	58,497
Compensated absences	125,357
Portion due or payable after one year:	
General obligation bonds	11,860,000
Installment purchase agreements	49,478
Compensated absences	95,828
Net pension liability	1,373,972
Total liabilities	15,301,454
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	4,271,000
Unavailable tax increment financing revenue	2,056,000
Pension related deferred inflows	222,366
<b>Total deferred inflows of resources</b>	6,549,366
<b>Net Position</b>	
Net investment in capital assets	24,346,118
Restricted for:	
Supplemental levy purposes	414,976
Mental health purposes	6,199
Rural services purposes	133,507
Secondary roads purposes	1,441,104
Conservation land acquisition purposes	422,955
Bridge maintenance and replacement	287,572
Debt service	670,405
Other purposes	793,182
Unrestricted	(1,631,694)
<b>Total net position</b>	\$ 26,884,324

See notes to financial statements.

Adair County  
 Statement of Activities  
 Year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,385,980	113,460	7,276	-	(1,265,244)
Physical health and social services	289,208	24,006	42,905	-	(222,297)
Mental health	311,408	-	-	-	(311,408)
County environment and education	40,130	24,521	12,991	246,778	244,160
Roads and transportation	6,612,936	21,024	3,479,306	3,173,547	60,941
Governmental services to residents	404,776	153,204	14	-	(251,558)
Administration	777,191	13,420	-	-	(763,771)
Nonprogram	55,410	1,350	56,256	-	2,196
Interest on long-term debt	27,877	-	1,251	-	(26,626)
Total	<u>\$ 9,904,916</u>	<u>350,985</u>	<u>3,599,999</u>	<u>3,420,325</u>	<u>(2,533,607)</u>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,287,080
Debt service					591,527
Tax increment financing					1,488,399
Penalty and interest on property tax					39,983
State tax credits					448,147
Local option sales tax					455,910
Unrestricted investment earnings					19,764
Gain on disposition of capital assets					37,657
Miscellaneous					97,399
Total general revenues					<u>7,465,866</u>
Change in net position					4,932,259
Net position beginning of year					<u>21,952,065</u>
Net position end of year					<u>\$ 26,884,324</u>

See notes to financial statements.

Adair County  
Balance Sheet  
Governmental Funds

June 30, 2016

	General	Special	
		Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,822,264	5,440	154,033
Receivables:			
Property tax:			
Delinquent	6,392	759	3,965
Succeeding year	2,426,000	232,000	1,498,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	19,097	-	-
Accounts	8,711	-	954
Accrued interest	1,530	-	-
Due from other funds	-	-	-
Due from other governments	54,338	-	-
Interfund advance receivable	55,295	-	-
Inventories	-	-	-
Prepaid items	145,662	-	-
<b>Total assets</b>	<b>\$ 4,539,289</b>	<b>238,199</b>	<b>1,656,952</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 15,454	-	561
Salaries and benefits payable	40,915	-	21,637
Due to other funds	3,020	-	-
Due to other governments	16,523	-	3,247
Interfund advance payable	-	-	-
Total liabilities	75,912	-	25,445
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	2,426,000	232,000	1,498,000
Succeeding year tax increment financing	-	-	-
Other	25,489	759	3,965
Total deferred inflows of resources	2,451,489	232,759	1,501,965
Fund balances:			
Nonexpendable:			
Inventories	-	-	-
Prepaid items	145,662	-	-
Restricted for:			
Supplemental levy purposes	354,503	-	-
Mental health purposes	-	5,440	-
Rural services purposes	-	-	129,542
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	422,955	-	-
Debt service	-	-	-
Capital projects	-	-	-
Bridge maintenance and replacement	-	-	-
Other purposes	-	-	-
Assigned for:			
Courthouse windows	42,000	-	-
Elevator repair/replacement	50,000	-	-
Legal fees	10,000	-	-
Unassigned	986,768	-	-
Total fund balances	2,011,888	5,440	129,542
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,539,289</b>	<b>238,199</b>	<b>1,656,952</b>

See notes to financial statements.

Revenue				
Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	Total
1,216,740	432,793	5,796,837	962,304	10,390,411
-	-	-	1,378	12,494
-	-	-	115,000	4,271,000
-	2,056,000	-	-	2,056,000
-	-	-	-	19,097
3,213	-	-	-	12,878
-	-	-	-	1,530
3,020	-	-	-	3,020
269,930	-	32,573	62,335	419,176
-	-	-	-	55,295
283,683	-	-	-	283,683
74,301	-	-	-	219,963
<b>1,850,887</b>	<b>2,488,793</b>	<b>5,829,410</b>	<b>1,141,017</b>	<b>17,744,547</b>
275,650	-	118,265	525	410,455
57,661	-	-	-	120,213
-	-	-	-	3,020
4,138	-	-	-	23,908
-	55,295	-	-	55,295
<b>337,449</b>	<b>55,295</b>	<b>118,265</b>	<b>525</b>	<b>612,891</b>
-	-	-	115,000	4,271,000
-	2,056,000	-	-	2,056,000
-	-	-	1,378	31,591
-	2,056,000	-	116,378	6,358,591
283,683	-	-	-	283,683
74,301	-	-	-	219,963
-	-	-	-	354,503
-	-	-	-	5,440
-	-	-	-	129,542
1,155,454	-	-	-	1,155,454
-	-	-	-	422,955
-	-	-	685,614	685,614
-	-	5,711,145	-	5,711,145
-	-	-	287,572	287,572
-	-	-	50,928	50,928
-	-	-	-	42,000
-	-	-	-	50,000
-	-	-	-	10,000
-	377,498	-	-	1,364,266
<b>1,513,438</b>	<b>377,498</b>	<b>5,711,145</b>	<b>1,024,114</b>	<b>10,773,065</b>
<b>1,850,887</b>	<b>2,488,793</b>	<b>5,829,410</b>	<b>1,141,017</b>	<b>17,744,547</b>

**Adair County**



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

June 30, 2016

<b>Total governmental fund balances (page 21)</b>		\$ 10,773,065
<b><i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i></b>		
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 \$39,552,656 and the accumulated depreciation is \$8,910,845.		30,641,811
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. Also, other postemployment benefit assets of \$4,744 are not available to pay current year expenditures.		36,335
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		43,482
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 358,875	
Deferred inflows of resources	<u>(222,366)</u>	136,509
Long-term liabilities, including bonds payable, installment purchase agreements payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(14,746,878)</u>
<b>Net position of governmental activities (page 18)</b>		<b><u>\$ 26,884,324</u></b>

See notes to financial statements.

Adair County

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

Year ended June 30, 2016

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 2,443,254	290,275	1,551,751
Tax increment financing	-	-	-
Local option sales tax	-	-	-
Interest and penalty on property tax	34,859	-	-
Intergovernmental	356,784	28,080	119,225
Licenses and permits	7,023	-	6,748
Charges for service	212,628	-	118
Use of money and property	37,099	-	-
Miscellaneous	17,607	-	15,450
Total revenues	3,109,254	318,355	1,693,292
Expenditures:			
Operating:			
Public safety and legal services	1,154,076	-	191,127
Physical health and social services	277,312	-	12,411
Mental health	-	318,903	-
County environment and education	392,897	-	121,533
Roads and transportation	-	-	267,200
Governmental services to residents	412,864	-	3,819
Administration	772,103	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,009,252	318,903	596,090
Excess (deficiency) of revenues over (under) expenditures	100,002	(548)	1,097,202
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(238,238)	-	(1,150,000)
Interfund advance	55,295	-	-
Sale of capital assets	-	-	1,426
Proceeds of general long term debt	-	-	-
Premium on general long term debt	-	-	-
Total other financing sources (uses)	(182,943)	-	(1,148,574)
Change in fund balances	(82,941)	(548)	(51,372)
Fund balances beginning of year	2,094,829	5,988	180,914
Fund balances end of year	\$ 2,011,888	5,440	129,542

See notes to financial statements.

Revenue				
Secondary Roads	Urban Renewal	Capital Projects	Nonmajor	Total
-	-	-	591,227	4,876,507
-	1,488,399	-	-	1,488,399
-	-	-	455,910	455,910
-	-	-	-	34,859
4,127,637	13,345	-	63,402	4,708,473
900	962	-	-	15,633
-	-	-	1,583	214,329
-	-	259,069	2,870	299,038
27,234	-	135,098	8,063	203,452
4,155,771	1,502,706	394,167	1,123,055	12,296,600
-	-	-	6,537	1,351,740
-	-	-	-	289,723
-	-	-	-	318,903
-	-	-	-	514,430
4,119,712	-	-	36,050	4,422,962
-	-	-	-	416,683
-	-	-	-	772,103
-	1,050,395	-	318,453	1,368,848
1,217,622	-	2,607,509	775,632	4,600,763
5,337,334	1,050,395	2,607,509	1,136,672	14,056,155
(1,181,563)	452,311	(2,213,342)	(13,617)	(1,759,555)
1,433,332	-	330,109	-	1,763,441
-	-	(12,291)	(362,912)	(1,763,441)
-	(55,295)	-	-	-
-	-	-	-	1,426
-	-	5,000,000	-	5,000,000
-	-	248,500	-	248,500
1,433,332	(55,295)	5,566,318	(362,912)	5,249,926
251,769	397,016	3,352,976	(376,529)	3,490,371
1,261,669	(19,518)	2,358,169	1,400,643	7,282,694
1,513,438	377,498	5,711,145	1,024,114	10,773,065

Adair County

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

Year ended June 30, 2016

**Change in fund balances - Total governmental funds (page 25)** \$ 3,490,371

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

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

Expenditures for capital assets	\$ 4,176,338	
Capital assets contributed by the Iowa Department of Transportation	2,504,476	
Depreciation expense	<u>(1,458,490)</u>	5,222,324

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 37,657

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

Property tax	2,145	
Other	<u>(61,209)</u>	(59,064)

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. (3,870,889)

Issued	5,000,000	
Repaid	<u>1,129,111</u>	

The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 253,523

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(24,008)	
Interest on long-term debt	12,471	
Pension expense	(140,340)	
Other postemployment benefits	<u>9,544</u>	(142,333)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 670

**Change in net position of governmental activities (page 19)** \$ 4,932,259

See notes to financial statements.

Adair County  
Statement of Net Position  
Proprietary Fund  
June 30, 2016

	<u>Internal Service - Employee Health Insurance</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 39,203
Prepaid items	4,279
<b>Total current assets</b>	<u>43,482</u>
<b>Liabilities</b>	
None	<u>-</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 43,482</u>

See notes to financial statements.

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

Year ended June 30, 2016

	<u>Internal Service - Employee Health Insurance</u>
Operating revenues:	
Premium reimbursements from employees and others	\$ 56,006
Operating expenses:	
Insurance premiums	<u>55,410</u>
Operating income	596
Non-operating revenues:	
Interest income	<u>74</u>
Net Income	670
Net position beginning of year	<u>42,812</u>
Net position end of year	<u><u>\$ 43,482</u></u>

See notes to financial statements.

Adair County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2016

	Internal Service - Employee Health Insurance
Cash flows from operating activities:	
Premium reimbursements from employees and others	\$ 56,006
Cash paid to governmental funds	(55,109)
Net cash provided by operating activities	897
Cash flows from investing activities:	
Interest on investments	74
Net increase in cash and cash equivalents	971
Cash and cash equivalents beginning of year	38,232
Cash and cash equivalents end of year	\$ 39,203
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 596
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Decrease in prepaid items	301
Net cash provided by operating activities	\$ 897

See notes to financial statements.

Adair County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2016

**Assets**

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 551,605
Other County officials	26,457

Receivables:

Property tax:

Delinquent	26,317
Succeeding year	11,848,000

Special assessments	44,327
---------------------	--------

Due from other governments	9,644
----------------------------	-------

Prepaid expenses	13,287
------------------	--------

<b>Total assets</b>	<u>12,519,637</u>
---------------------	-------------------

**Liabilities**

Accounts payable	1,830
------------------	-------

Salaries and benefits payable	741
-------------------------------	-----

Due to other governments	12,449,720
--------------------------	------------

Trusts payable	51,652
----------------	--------

Compensated absences	15,694
----------------------	--------

<b>Total liabilities</b>	<u>12,519,637</u>
--------------------------	-------------------

<b>Net position</b>	<u><u>\$ -</u></u>
---------------------	--------------------

See notes to financial statements.



Adair County

Notes to Financial Statements

June 30, 2016

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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

Due from and to Other Funds and Advances to and from Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Special Assessments Receivable – Special assessments receivable represent amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions by the County after the measurement date but before the end of the County’s reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 30%, not to exceed 90 days, upon retirement. Certain employees are annually paid for 20% of sick leave hours in excess of 90 days. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit

payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

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

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$90,574 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in the IPAIT is unrated.

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

**(3) Interfund Assets/Liabilities**

The detail of amounts due from and due to other funds at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	<u>\$ 3,020</u>

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

The detail of interfund receivables and payables at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Urban Renewal	<u>\$ 55,295</u>

The General Fund advanced \$55,295 to the Special Revenue, Urban Renewal Fund to pay for economic development expenses. The amounts will be repaid with tax increment financing receipts as they are collected.



**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 90,000
	Special Revenue:	
	Rural Services	1,150,000
	Local Option Sales Tax	181,041
	Capital Projects	12,291
		<u>1,433,332</u>
Capital Projects	General	148,238
	Special Revenue:	
	Resource Enhancement and Protection	132,760
	Debt Service	49,111
		<u>330,109</u>
Total		<u>\$ 1,763,441</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, 2016 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End of</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	712,767.00	-	-	712,767
Intangibles, road network	34,220	-	-	34,220
Construction in progress	679,212	5,496,416	4,870,836	1,304,792
Total capital assets not being depreciated/amortized	<u>1,426,199</u>	<u>5,496,416</u>	<u>4,870,836</u>	<u>2,051,779</u>
Capital assets being depreciated/amortized:				
Buildings	3,695,159	992,925	-	4,688,084
Improvements other than buildings	278,917	-	-	278,917
Equipment and vehicles	6,197,918	251,723	199,600	6,250,041
Intangibles	374,006	-	-	374,006
Infrastructure, road network	21,038,993	4,870,836	-	25,909,829
Total capital assets being depreciated/amortized	<u>31,584,993</u>	<u>6,115,484</u>	<u>199,600</u>	<u>37,500,877</u>
Less accumulated depreciation/amortization for:				
Buildings	577,953	111,429	-	689,382
Improvements other than buildings	130,013	7,422	-	137,435
Equipment and vehicles	3,166,282	380,021	177,007	3,369,296
Intangibles	30,751	12,050	-	42,801
Infrastructure, road network	3,724,363	947,568	-	4,671,931
Total accumulated depreciation/amortization	<u>7,629,362</u>	<u>1,458,490</u>	<u>177,007</u>	<u>8,910,845</u>
Total capital assets being depreciated/amortized, net	<u>23,955,631</u>	<u>4,656,994</u>	<u>22,593</u>	<u>28,590,032</u>
Governmental activities capital assets, net	<u>\$25,381,830</u>	<u>10,153,410</u>	<u>4,893,429</u>	<u>30,641,811</u>

Depreciation expense was charged to the following functions:

Public safety and legal services	\$ 106,463
County environment and education	23,840
Roads and transportation	1,292,821
Administration	<u>35,366</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,458,490</u></u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

Fund	Description	Amount
General	Services	\$ 16,523
Special Revenue:		
Rural Services	Services	3,247
Secondary Roads	Services	4,138
		<u>7,385</u>
Total for governmental funds		<u>\$ 23,908</u>
Agency:		
County Assessor	Collections	\$ 324,524
Schools		6,786,784
Community Colleges		417,174
Corporations		2,588,551
Townships		370,339
County Hospital		1,461,985
Auto License and Use Tax		231,561
All other		<u>268,802</u>
Total for agency funds		<u><u>\$ 12,449,720</u></u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	General Obligation Bonds	Installment Purchase Agreements	Compen- sated Absences	Net Pension Liability	Total
Balance beginning of year	\$ 9,100,000	157,086	197,177	1,051,196	10,505,459
Increases	5,000,000	-	140,623	322,776	5,463,399
Decreases	1,080,000	49,111	116,615	-	1,245,726
Balance end of year	<u>\$ 13,020,000</u>	<u>107,975</u>	<u>221,185</u>	<u>1,373,972</u>	<u>14,723,132</u>
Due within one year	<u>\$ 1,160,000</u>	<u>58,497</u>	<u>125,357</u>	<u>-</u>	<u>1,343,854</u>

A summary of the County's June 30, 2016 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Public Safety Building Issued Sept 1, 2010			Bridge, Road and Culvert Issued September 1, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2017	2.25%	\$ 130,000	74,650	1.50%	110,000	134,688
2018	2.25	135,000	71,725	2.00	125,000	133,038
2019	2.50	140,000	68,688	2.00	225,000	130,538
2020	2.50	145,000	65,189	2.25	280,000	126,038
2021	3.00	150,000	61,563	2.50	385,000	119,738
2022-2026	3.00-3.25	855,000	235,813	2.50-3.00	3,875,000	374,225
2027-2030	3.25-3.75	840,000	79,113		-	-
Total		<u>\$ 2,395,000</u>	<u>656,741</u>		<u>\$ 5,000,000</u>	<u>1,018,265</u>

Year Ending June 30,	General Obligation, Series 2014 Issued Apr 2, 2014			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2017	1.50%	\$ 920,000	90,358	1,160,000	299,696	1,459,696
2018	1.50	885,000	76,557	1,145,000	281,320	1,426,320
2019	1.50	895,000	63,283	1,260,000	262,509	1,522,509
2020	1.50	910,000	49,858	1,335,000	241,085	1,576,085
2021	1.70	930,000	36,208	1,465,000	217,509	1,682,509
2022-2026	1.85-2.10	1,085,000	24,493	5,815,000	634,531	6,449,531
2027-2030		-	-	840,000	79,113	919,113
Total		<u>\$ 5,625,000</u>	<u>340,757</u>	<u>13,020,000</u>	<u>2,015,763</u>	<u>15,035,763</u>

#### Installment Purchase Agreements

On November 12, 2013, the County entered into an interest-free installment purchase agreement to purchase aerial photography for its Geographic Information System. On December 11, 2013, the County entered into an interest-free installment purchase agreement for ShieldWare software for the County Sheriff's Office. The following is a schedule of the future minimum payments under the agreements in effect at June 30, 2016:

Year Ending June 30,	Geographic Information System	ShieldWare Software	Total
2017	\$ 29,172	29,325	58,497
2018	27,739	-	27,739
2019	21,739	-	21,739
2020	-	-	-
Total	<u>\$ 78,650</u>	<u>29,325</u>	<u>107,975</u>

#### **(8) Pension Plan**

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

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

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

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

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability

payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County both contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 10.14% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled \$253,523.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the County reported a liability of \$1,373,972 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was 0.027811%, which was a decrease of 0.001305% from its collective proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$140,340. At June 30, 2016, 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	\$ 21,039	18,987
Changes of assumptions	38,339	10,138
Net difference between projected and actual earnings on IPERS' investments		164,310
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	45,974	28,931
County contributions subsequent to the measurement date	253,523	-
Total	\$ 358,875	222,366

\$253,523 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (64,075)
2018	(64,075)
2019	(64,075)
2020	76,505
2021	(1,294)
Total	\$ (117,014)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 2,847,758	1,373,972	131,268

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

Payables to IPERS - At June 30, 2016, the County reported payables to IPERS of \$19,803 for legally required employer contributions and \$14,034 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 68 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 13,600
Interest on net OPEB obligation	200
Adjustment to annual required contribution	<u>(344)</u>
Annual OPEB cost	13,456
Contributions made	<u>23,000</u>
Decrease in net OPEB obligation	(9,544)
Net OPEB obligation beginning of year	<u>4,800</u>
(Assets in excess of) Net OPEB obligation end of year	<u>\$ (4,744)</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, 2016.

For the year ended June 30, 2016, the County contributed \$23,000 to the medical plan. Plan members eligible for benefits contributed \$31,000, or 57.4% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	(Assets in excess of) Net OPEB Obligation
2014	\$ 6,729	90.7%	\$ 6,600
2015	6,600	127.2	4,800
2016	13,456	170.9	(4,744)

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$99,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$99,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,482,000 and the ratio of the UAAL to covered payroll was 4.0%. As of June 30, 2016, there were no trust fund assets.

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

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



assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. An inflation rate of 3% is assumed for the purpose of this report.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on Scale T-4 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$11,495 annually for retirees participating in the plan. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$118,203.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. On January 1, 2016, the County discontinued the self-funding portion of its health insurance benefit plan and changed to a fully-funded plan. Prior to January 1, 2016, the plan was funded by County contributions and was administered by the County. The County assumed liability for claims up to the individual deduction limitations of \$1,000 and \$2,000 for single and family coverage, respectively.

The County made no contributions to the Employee Health Insurance Fund for the year ended June 30, 2016.

The County was not required to obtain an actuarial report for the period ended June 30, 2016 since its plan qualifies as a "mini plan." A liability is established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. There were no amounts payable from the Employee Health Insurance Fund at June 30, 2016.

**(12) County Financial Information Included in the Southern Hills Mental Health Region**

Southern Hills Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Adams County, Union County, Taylor County, and Adair County. The financial activity of Adair County's Special Revenue, Mental Health Fund is included in the Southern Hills Mental Health Region for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		\$ 290,275
Intergovernmental revenues:		
State tax credits	\$ 115	
Mental health and disability services equalization	27,965	28,080
Total revenues		<u>318,355</u>
Expenditures:		
General administration:		
Distribution to regional fiscal agent		<u>318,903</u>
Deficiency of revenues under expenditures		(548)
Fund balance beginning of the year		<u>5,988</u>
Fund balance end of the year		<u>\$ 5,440</u>

**Adair County**

**Required Supplementary Information**

Adair County

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

Required Supplementary Information

Year ended June 30, 2016

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
<b>Receipts:</b>				
Property and other county tax	\$ 6,841,571	6,892,887	6,892,887	(51,316)
Interest and penalty on property tax	34,859	27,000	27,000	7,859
Intergovernmental	5,243,705	4,003,785	4,950,864	292,841
Licenses and permits	12,863	13,700	13,700	(837)
Charges for service	228,067	170,330	193,147	34,920
Use of money and property	53,020	43,595	44,833	8,187
Miscellaneous	187,027	39,745	174,995	12,032
<b>Total receipts</b>	<b>12,601,112</b>	<b>11,191,042</b>	<b>12,297,426</b>	<b>303,686</b>
<b>Disbursements:</b>				
Public safety and legal services	1,352,345	1,467,711	1,506,728	154,383
Physical health and social services	320,981	390,086	417,884	96,903
Mental health	318,902	318,904	318,904	2
County environment and education	518,186	569,118	569,118	50,932
Roads and transportation	4,342,173	4,375,223	4,375,223	33,050
Governmental services to residents	420,026	391,353	443,523	23,497
Administration	782,745	839,186	863,186	80,441
Debt service	1,368,848	1,415,161	1,516,427	147,579
Capital projects	4,682,218	3,368,134	6,115,511	1,433,293
<b>Total disbursements</b>	<b>14,106,424</b>	<b>13,134,876</b>	<b>16,126,504</b>	<b>2,020,080</b>
Excess (deficiency) of receipts over (under) disbursements	(1,505,312)	(1,943,834)	(3,829,078)	2,323,766
Other financing sources, net	5,282,316	10,000	5,289,400	(7,084)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,777,004	(1,933,834)	1,460,322	2,316,682
Balance beginning of year	6,613,407	10,438,688	6,611,826	1,581
<b>Balance end of year</b>	<b>\$ 10,390,411</b>	<b>8,504,854</b>	<b>8,072,148</b>	<b>2,318,263</b>

See accompanying independent auditor's report.

---

Adair County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,601,112	(304,512)	12,296,600
Expenditures	14,106,424	(50,269)	14,056,155
Net	(1,505,312)	(354,781)	(1,759,555)
Other financing sources, net	5,282,316	(32,390)	5,249,926
Beginning fund balances	6,613,407	669,287	7,282,694
Ending fund balances	\$ 10,390,411	382,654	10,773,065

See accompanying independent auditor's report.

Adair County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,991,628. 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, 2016, disbursements did not exceed the amounts budgeted.



---

Adair County

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

Iowa Public Employees' Retirement System  
For the Last Two Years\*  
(In Thousands)

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability	0.027811%	0.026506%
County's proportionate share of the net pension liability	\$ 1,374	1,051
County's covered-employee payroll	\$ 2,596	2,620
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	52.93%	40.11%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

---

Adair County  
Schedule of County Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 254	245	241	221
Contributions in relation to the statutorily required contribution	(254)	(245)	(241)	(221)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 2,629	2,596	2,620	2,502
Contributions as a percentage of covered-employee payroll	9.66%	9.44%	9.20%	8.83%

See accompanying independent auditor's report.

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

---

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

Adair County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for 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.

Legislative action in 2008 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.

*Changes of assumptions:*

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

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

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

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

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

Adair County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2012	Jul 1, 2009	-	\$ 107	107	0.0%	\$ 2,361	4.5%
2013	Jul 1, 2012	-	73	73	0.0	2,502	2.9
2014	Jul 1, 2012	-	73	73	0.0	2,620	2.8
2015	Jul 1, 2012	-	73	73	0.0	2,596	2.8
2016	Jul 1, 2015	-	99	99	0.0	2,482	4.0

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

See accompanying independent auditor's report.

**Adair County**

## **Supplementary Information**

Adair County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2016

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 10	7,428	5,685
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	132	-
<b>Total assets</b>	<b>\$ 10</b>	<b>7,560</b>	<b>5,685</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Bridge maintenance and replacement	-	-	-
Other purposes	10	7,560	5,685
Total fund balances	10	7,560	5,685
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10</b>	<b>7,560</b>	<b>5,685</b>

See accompanying independent auditor's report.



Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
38,198	225,369	685,614	962,304
-	-	1,378	1,378
-	-	115,000	115,000
-	62,203	-	62,335
38,198	287,572	801,992	1,141,017
525	-	-	525
-	-	115,000	115,000
-	-	1,378	1,378
-	-	116,378	116,378
-	-	685,614	685,614
-	287,572	-	287,572
37,673	-	-	50,928
37,673	287,572	685,614	1,024,114
38,198	287,572	801,992	1,141,017

Adair County

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

Year ended June 30, 2016

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	Sheriff's Reserve
Revenues:			
Property tax	\$ -	-	-
Local option sales tax	-	-	-
Intergovernmental	12,049	-	207
Charges for services	-	1,583	-
Use of money and property	176	14	12
Miscellaneous	-	-	1,600
Total revenues	12,225	1,597	1,819
Expenditures:			
Operating:			
Public safety and legal services	-	-	626
Roads and transportation	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	-	-	626
Excess (deficiency) of revenues over (under) expenditures	12,225	1,597	1,193
Other financing uses:			
Transfers out	(132,760)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(120,535)	1,597	1,193
Fund balances beginning of year	120,545	5,963	4,492
Fund balances end of year	\$ 10	7,560	5,685

See accompanying independent auditor's report.

Special Law Enforcement	Local Option Sales Tax	Debt Service	Total
-	-	591,227	591,227
-	455,910	-	455,910
-	-	51,146	63,402
-	-	-	1,583
78	1,339	1,251	2,870
6,463	-	-	8,063
6,541	457,249	643,624	1,123,055
5,911	-	-	6,537
-	36,050	-	36,050
-	-	318,453	318,453
-	775,632	-	775,632
5,911	811,682	318,453	1,136,672
630	(354,433)	325,171	(13,617)
-	(181,041)	(49,111)	(362,912)
630	(535,474)	276,060	(376,529)
37,043	823,046	409,554	1,400,643
37,673	287,572	685,614	1,024,114

Adair County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	1,973	93,070	85,262
Other County officials	26,457	-	-	-
Receivables:				
Property tax:				
Delinquent	-	395	602	15,522
Succeeding year	-	147,000	234,000	6,686,000
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	13,287	-
<b>Total assets</b>	<b>\$ 26,457</b>	<b>149,368</b>	<b>340,959</b>	<b>6,786,784</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	741	-
Due to other governments	22,059	149,368	324,524	6,786,784
Trusts payable	4,398	-	-	-
Compensated absences	-	-	15,694	-
<b>Total liabilities</b>	<b>\$ 26,457</b>	<b>149,368</b>	<b>340,959</b>	<b>6,786,784</b>

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	County Hospital	Auto License and Use Tax	Other	Total
5,073	20,367	4,667	19,148	231,561	90,484	551,605
-	-	-	-	-	-	26,457
1,101	4,184	672	3,837	-	4	26,317
411,000	2,564,000	365,000	1,439,000	-	2,000	11,848,000
-	-	-	-	-	44,327	44,327
-	-	-	-	-	9,644	9,644
-	-	-	-	-	-	13,287
<b>417,174</b>	<b>2,588,551</b>	<b>370,339</b>	<b>1,461,985</b>	<b>231,561</b>	<b>146,459</b>	<b>12,519,637</b>
-	-	-	-	-	1,830	1,830
-	-	-	-	-	-	741
417,174	2,588,551	370,339	1,461,985	231,561	97,375	12,449,720
-	-	-	-	-	47,254	51,652
-	-	-	-	-	-	15,694
<b>417,174</b>	<b>2,588,551</b>	<b>370,339</b>	<b>1,461,985</b>	<b>231,561</b>	<b>146,459</b>	<b>12,519,637</b>

Adair County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2016

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 25,779	151,324	315,581	6,627,884
Additions:				
Property and other county tax	-	149,189	238,194	6,757,713
State tax credits	-	14,620	22,259	619,465
Office fees and collections	249,420	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	59,582	-	-	-
Miscellaneous	-	-	813	-
Total additions	309,002	163,809	261,266	7,377,178
Deductions:				
Agency remittances:				
To other funds	123,999	-	-	-
To other governments	178,700	165,765	235,888	7,218,278
Trusts paid out	5,625	-	-	-
Total deductions	308,324	165,765	235,888	7,218,278
Balances end of year	\$ 26,457	149,368	340,959	6,786,784

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	County Hospital	Auto License and Use Tax	Other	Total
391,006	2,456,556	344,081	1,465,559	243,198	133,841	12,154,809
415,711	2,431,647	366,776	1,463,164	-	1,663	11,824,057
37,342	319,501	30,819	141,872	-	161	1,186,039
-	-	-	-	-	-	249,420
-	-	-	-	-	1,583	1,583
-	-	-	-	2,850,627	-	2,850,627
-	-	-	-	-	40,022	40,022
-	-	-	-	-	138,981	198,563
-	-	-	-	-	39,639	40,452
453,053	2,751,148	397,595	1,605,036	2,850,627	222,049	16,390,763
-	-	-	-	102,381	-	226,380
426,885	2,619,153	371,337	1,608,610	2,759,883	209,431	15,793,930
-	-	-	-	-	-	5,625
426,885	2,619,153	371,337	1,608,610	2,862,264	209,431	16,025,935
417,174	2,588,551	370,339	1,461,985	231,561	146,459	12,519,637

Adair County

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

For the Last Ten Years

	2016	2015	2014	2013
<b>Revenues:</b>				
Property and other county tax	\$ 4,876,507	4,684,579	4,423,885	4,251,744
Tax increment financing	1,488,399	1,096,189	832,544	644,439
Local option sales tax	455,910	457,492	435,869	503,817
Interest and penalty on property tax	34,859	34,530	31,576	34,847
Intergovernmental	4,708,473	3,909,137	3,344,693	3,512,965
Licenses and permits	15,633	14,742	13,628	13,234
Charges for service	214,329	215,489	212,097	208,137
Use of money and property	299,038	45,327	47,802	68,027
Miscellaneous	203,452	182,542	285,658	133,964
<b>Total</b>	<b>\$ 12,296,600</b>	<b>10,640,027</b>	<b>9,627,752</b>	<b>9,371,174</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,351,740	1,321,975	1,338,217	1,166,708
Physical health and social services	289,723	370,989	312,561	285,058
Mental health	318,903	377,669	269,793	313,493
County environment and education	514,430	520,418	455,202	458,616
Roads and transportation	4,422,962	4,320,420	4,356,764	5,146,178
Governmental services to residents	416,683	330,420	326,728	306,720
Administration	772,103	684,815	785,889	744,504
Debt service	1,368,848	1,298,897	1,053,050	765,449
Capital projects	4,600,763	2,355,581	5,140,604	1,281,359
<b>Total</b>	<b>\$ 14,056,155</b>	<b>11,581,184</b>	<b>14,038,808</b>	<b>10,468,085</b>

See accompanying independent auditor's report.



Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
3,869,754	3,348,513	3,167,982	3,059,585	2,940,051	2,787,863
13,541	-	-	155,821	224,152	228,134
393,649	382,925	359,998	389,100	384,633	331,171
38,153	40,603	36,663	32,615	31,970	24,795
3,345,918	4,514,671	3,406,128	4,056,407	3,570,799	3,253,022
19,665	13,045	11,581	10,785	7,996	5,892
216,685	218,616	202,184	192,838	209,970	187,939
111,898	141,667	115,319	143,624	168,860	192,220
125,581	47,221	65,442	58,841	57,627	59,213
8,134,844	8,707,261	7,365,297	8,099,616	7,596,058	7,070,249
1,157,935	1,032,605	922,347	911,956	872,781	848,714
253,437	254,101	285,962	211,656	196,164	205,790
965,012	830,960	723,834	822,903	899,924	832,900
442,356	395,070	349,061	356,852	302,639	297,218
3,900,205	4,398,859	3,317,301	3,225,904	3,049,285	3,208,317
283,578	264,392	258,019	241,661	192,932	208,987
689,376	730,973	637,063	631,016	652,064	534,470
268,250	65,313	3,180	310,430	236,213	392,157
1,949,111	2,568,105	235,048	915,695	207,174	511,154
9,909,260	10,540,378	6,731,815	7,628,073	6,609,176	7,039,707

**Adair County**

Adair County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program			
	10.561		\$ 1,973
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction			
	20.205	BROS-C001(82)-8J-01 BROS-C001(88)-8J-01	656,780
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Hospital Preparedness Program (HPP) and Public			
Health Emergency Preparedness (PHEP) Aligned			
Cooperative Agreements			
	93.074	588BT401	608
Refugee and Entrant Assistance - State			
Temporary Assistance for Needy Families			
	93.558	ACFS 16-157	2,030
Administered Programs			
	93.566	ACFS 16-069	11,879
Child Abuse and Neglect State Grants			
	93.669	ACFS 16-151	81
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund			
	93.596		523
Foster Care - Title IV-E			
	93.658		739
Adoption Assistance			
	93.659		258
Children's Health Insurance Program			
	93.767		14
Medical Assistance Program			
	93.778		3,746
Social Services Block Grant			
	93.667		618
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and			
Emergency Management:			
Management Division:			
Disaster Grants - Public Assistance (Presidentially			
Declared Disasters)			
	97.036	DR-1977-0003-01	221,831
Emergency Management Performance Grants			
	97.042	201601 S#16	12,730
Total Indirect			\$ 913,810

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Adair County under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Adair County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Adair County.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Adair County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**Adair County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Adair County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adair County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adair County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adair County's internal control. Accordingly, we do not express an opinion on the effectiveness of Adair County's internal control.

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

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item (B) to be a significant deficiency.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### Adair County's Responses to the Findings

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

### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

January 17, 2017

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance**

**Adair County**





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Officials of Adair County:

Report on Compliance for Each Major Federal Program

We have audited Adair County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Adair County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Adair County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Adair County's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Adair County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.


### Report on Internal Control Over Compliance

The management of Adair County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Adair County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Adair County's internal control over compliance.

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

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

January 17, 2017

Adair County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2016

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Adair County did not qualify as a low-risk auditee.

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-16 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from an employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Responses –

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

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

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

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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

Conclusions – Responses accepted.

II-B-16 Salvaged Materials and Scrap Metal – Although records are maintained for materials recovered from job sites, these records are not periodically reviewed by someone independent of other duties related to the materials to ensure all material is accounted for.

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

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

Response – We will continue to improve our records of salvaged materials. Currently, all of our salvaged materials are sold at our annual auction. This is the only time we sell used materials. Our current method of documentation includes a description of the salvaged materials, approximate quantity, which job it was recovered and the date. The auctioneer works on a commission and he/she determines whether the items are sold as individual pieces or as scrap. The date of the sale is advertised and well documented in the clerk’s records. The sale is authorized by the Engineer and the Board of Supervisors. The sale amounts are compiled by the auctioneer’s clerk, checked by the Engineer and the Secondary Roads Office Manager.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amount budgeted by function. However, disbursements exceeded the amount budgeted in the capital projects function prior to the approval of the budget amendment.

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

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

Conclusion – Response accepted.

IV-B-16 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-16 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-16 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
John Schildberg, Veteran Affairs Board Commissioner, minority shareholder Schildberg, Inc	Auto Parts	\$ 327
Sandy Mitchell, Deputy Auditor, brother-in-law is owner of Don Carlos Insurance	Insurance	1,983
Pam Jensen, Deputy Assessor, brother-in-law is owner of Southwest Iowa Pest Control	Pest control	589
Kurt Mackrill, Conservation Board Member, Owner of Jacobson's	Plumbing supplies	2,028

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

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

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

Adair County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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

Conclusion – Response accepted.

IV-E-16 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-16 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-16 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.

IV-J-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

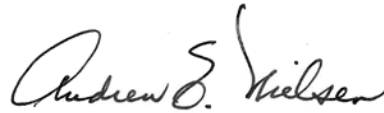


Adair County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
April D. Harbst, Staff Auditor  
Melissa A. Hastert, Staff Auditor  
Alex W. Case, Staff Auditor  
Preston R. Grygiel, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State