

**ALLAMAKEE COUNTY
WAUKON, IOWA**

FINANCIAL REPORT

JUNE 30, 2017

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ALLAMAKEE COUNTY

OFFICIALS
JUNE 30, 2017

Before November 2016 Election

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Schellhammer	Board of Supervisors	January 2019
Dennis Koenig	Board of Supervisors	January 2017
Dan Byrnes	Board of Supervisors	January 2019
Denise Beyer	County Auditor	January 2017
Lori Hesse	County Treasurer	January 2019
Deb Winke	County Recorder	January 2019
Clark Mellick	County Sheriff	January 2017
Jill Mirich	County Attorney	January 2019
Ann Burckart	County Assessor	Appointed

After November 2016 Election

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Schellhammer	Board of Supervisors	January 2019
Dennis Koenig	Board of Supervisors	January 2021
Dan Byrnes	Board of Supervisors	January 2019
Denise Beyer	County Auditor	January 2021
Lori Hesse	County Treasurer	January 2019
Deb Winke	County Recorder	January 2019
Clark Mellick	County Sheriff	January 2021
Jill Mirich	County Attorney	January 2019
Ann Burckart	County Assessor	Appointed

**INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS**

To the Board of Supervisors
Allamakee County
Waukon, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Allamakee County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 that 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, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Allamakee County, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the 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 the county contributions and the schedule of funding progress for the retiree health plan on pages 5 through 5f and pages 41 through 47 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allamakee County's June 30, 2017 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 eight years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on the financial statements for the 2011, 2012, 2013, 2014, 2015, and 2016 fiscal years.

We expressed a qualified opinion on the governmental activities for the 2010 fiscal year due to the omission of OPEB reporting and disclosures. We expressed unmodified opinions on each major fund and the aggregate remaining fund information for the 2010 fiscal year. We expressed a qualified opinion on the governmental activities and special revenue major fund-secondary roads for the 2009 fiscal year due to the scope limitation on valuation of inventory. We expressed unmodified opinion on each major fund, except special revenue fund-secondary roads and the aggregate remaining fund information for the 2009 fiscal year.

The supplementary information included in Schedules 1 through 9, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 shown on Schedules 1 through 9, including the schedule of expenditures of federal awards 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 including the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the years ended June 30, 2009 through 2017 basic financial statements taken as a whole.

The financial statements of Allamakee County for the year ended June 30, 2008 was audited by other auditors who expressed unmodified opinions on those financial statements. Their report on the information presented on page 54 related to the 2008 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2008 financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2018, on our consideration of Allamakee 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 solely 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 effectiveness of Allamakee County's 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 Allamakee County's internal control over financial reporting and compliance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 10, 2018

**ALLAMAKEE COUNTY
WAUKON, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2017**

Allamakee 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, 2017. This information does not include the discretely presented component unit, Allamakee County Conservation Foundation. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 25.35% or approximately \$5,246,000 from fiscal year 2016 to fiscal year 2017. Capital grants decreased approximately \$6,804,000. The decrease was primarily due to less infrastructure completed during the fiscal year which were let and paid at the state level.
- Program expenses were 8.23% or approximately \$996,000 more in fiscal year 2017 than in fiscal year 2016. Roads and transportation expenses increased approximately \$860,000 and public safety and legal services expenses increased approximately \$124,000.
- The County's net position increased 6.80% or approximately \$2,350,000 from June 30, 2016 to June 30, 2017.

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 Allamakee 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 Allamakee County's operations in more detail than the government-wide financial statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Allamakee County, the general fund, the rural services-special revenue fund, the secondary roads-special revenue fund, the mental health-special revenue fund, and the Public Safety Center-capital projects fund are the most significant funds. The remaining financial statements provide information about activities for which Allamakee 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 funds, the special revenue funds, 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.

In the statement of net position and statement of activities, the County is divided into two distinct kinds of activities:

- 1) **Governmental activities:** most of the County's programs and services are reported here, including 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 other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.
- 2) **Business-type activity:** the County records their health insurance as an internal service fund.

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 funds and 4) the capital projects funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

- 2) A proprietary fund accounts for the employee group health insurance-internal service 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 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 emergency management services, the County Assessor and E911 Service Board, 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. The analysis that follows focuses on the changes in the net position of governmental activities:

Condensed Statement of Net Position (Expressed in Thousands)			
Governmental Activities			
	2017	2016	Percent Change
Current and other assets	\$ 15,132	\$ 19,294	-21.57%
Capital assets	37,168	31,082	19.58%
Total assets	52,300	50,376	3.82%
Deferred outflows of resources	1,056	520	103.08%
Current liabilities	1,500	2,076	-27.75%
Noncurrent liabilities	8,157	7,564	7.84%
Total liabilities	9,657	9,640	0.18%
Deferred inflows of resources	6,799	6,706	1.39%
Net position:			
Net investment in capital assets	32,551	30,399	7.08%
Restricted	4,386	4,670	-6.08%
Unrestricted (deficit)	(37)	(519)	92.87%
Total net position	\$ 36,900	\$ 34,550	6.80%

Allamakee County's net position increased from fiscal year 2016 to fiscal year 2017. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The County's restricted net position decreased approximately \$284,000 or 6.08%, from the prior year. The decrease was primarily due to the increase in capital projects and county environment, and education expenditures in the Mississippi River Trail capital projects fund, and resource enhancement and protection special revenue fund, respectively.

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 increased for the governmental activities approximately \$482,000 or 92.87%. The increase in unrestricted net position was primarily due to the decrease in capital projects expenditures in the general fund which resulted from the County contributing \$400,000 to the Public Safety Center project in the prior fiscal year.

The following analysis shows the changes in net position for the years ending June 30, 2017 and 2016:

	Changes in Net Position (Expressed in Thousands)		
	Governmental Activities		
	2017	2016	Percent Change
Revenues:			
Program revenue:			
Charges for service	\$ 509	\$ 405	25.68%
Operating grants	5,197	4,463	16.45%
Capital grants	1,296	8,100	-84.00%
General revenue:			
Property taxes	7,062	6,623	6.63%
Local option sales tax	513	475	8.00%
Penalty and interest on property taxes	50	46	8.70%
State tax credits	500	501	-0.20%
Rents	76	70	8.57%
Unrestricted investment earnings	104	36	188.89%
Other	144	(22)	754.55%
Total revenues	15,451	20,697	-25.35%
Program expenses:			
Public safety and legal services	2,074	1,950	6.36%
Physical health and social services	646	645	0.16%
Mental health	764	767	-0.39%
County environment and education	881	958	-8.04%
Roads and transportation	6,926	6,066	14.18%
Governmental services to residents	477	481	-0.83%
Administration	1,083	1,067	1.50%
Non-program	125	112	11.61%
Long-term debt interest	125	59	111.86%
Total expenses	13,101	12,105	8.23%
Increase in net position	2,350	8,592	-72.65%
Net position beginning of year	34,550	25,958	33.10%
Net position end of year	\$ 36,900	\$ 34,550	6.80%

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$6,418,902, approximately \$3,821,000 decrease of the 2016 fiscal year end balance of \$10,239,780.

- The general fund revenues increased 3.95% from the prior year and the expenditures decreased by 12.59% from the prior year. The ending fund balance showed an increase of 26.61% from the prior year of \$1,922,276 to \$2,433,725.
- The County participates in a 28E agreement with 21 other counties to provide mental health services at a regional level. For the year, expenditures total approximately \$756,000, a decrease of 1.81% from the prior year. The mental health fund balance at year-end decreased by \$100,287 from the prior year.
- The ending fund balance for the rural services fund decreased by \$81,060 or 8.76% from the prior year. The decrease is primarily due to an increase in public safety and legal services expenditures of 67.32% and county environment and education expenditures of 19.91%.
- Secondary roads fund revenues increased approximately \$311,000 over the prior year. The increase is primarily due to an increase in road use tax revenues and receiving FEMA and emergency relief grants. For the year, expenditures totaled \$5,997,571, a decrease of \$226,192. The secondary roads fund ending fund balance increased \$271,645 after \$1.6 million in transfers from the general fund and the rural services–special revenue fund.
- During the year ended June 30, 2017, the County completed the construction of the Public Safety Center. The construction costs were recorded in the Public Safety Center-capital projects fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except blended component units and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County's budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget three times. The amendments were made on August 15, 2016, February 21, 2017, and May 15, 2017, and resulted in an increase in public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, and administration disbursements. However, this did not require an increase in property taxes as the County received more revenue from charges for service, use of money and property and miscellaneous receipts than originally projected.

The County's total receipts were \$230,877 less than the amended budget, a variance of 1.49%. The most significant variance resulted from the County receiving less in intergovernmental revenues from the Community Attraction and Tourism (CAT) Grant for the construction of the Driftless Area Education and Visitor Center, which construction was still in progress at year-end.

Total disbursements were \$3,266,282 less than the amended budget. Actual disbursements for county environment and education, roads and transportation and capital projects were \$564,508, \$711,240, and \$1,246,129, respectively, less than budgeted. This was primarily due to budgeting for all the construction costs to complete the Driftless Area Education and Visitor Center. The project was still in progress at year-end, ongoing flood repairs and maintenance work were not completed during the fiscal year and budgeting for all the construction costs to complete the Public Safety Center. The project broke ground during the prior fiscal year.

The amendments made during the 2017 fiscal year should have no impact on the 2018 fiscal year's budget.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final amended budget for fiscal year 2017 as well as the actual receipts and disbursements for the year:

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
		Original	Final	
RECEIPTS				
Property and other County taxes	\$ 7,648	\$ 7,444	\$ 7,444	\$ 204
Interest and penalty on property taxes	50			50
Intergovernmental	6,580	7,029	7,472	(892)
Licenses and permits	22	23	23	(1)
Charges for service	372	319	320	52
Use of money and property	431	130	130	301
Miscellaneous	112	59	57	55
Total receipts	\$ 15,215	\$ 15,004	\$ 15,446	\$ (231)
DISBURSEMENTS				
Public safety and legal services	\$ 2,177	\$ 2,459	\$ 2,487	\$ 310
Physical health and social services	655	692	711	56
Mental health	823	669	884	61
County environment and education	2,793	2,302	3,358	565
Roads and transportation	6,237	6,067	6,948	711
Governmental services to residents	485	603	561	76
Administration	1,040	1,232	1,261	221
Non-program	7	12	12	5
Debt service	410	425	425	15
Capital projects	5,133	6,688	6,379	1,246
Total disbursements	\$ 19,760	\$ 21,149	\$ 23,026	\$ 3,266

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, Allamakee County had \$37,168,046 invested in a broad range of capital assets, including large road equipment, infrastructure, and construction in progress for the governmental activities.

The County had depreciation expense of \$1,704,298 for fiscal year 2017 and total accumulated depreciation of \$13,651,242 as of June 30, 2017 for the governmental activities. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Debt

At year-end, the County had \$5,602,937 of general obligation bonds and other debt compared to \$5,735,952 last year. More detail is presented in Note 7 to the financial statements.

The County's general obligation debt carries the AA-rating assigned by Standard & Poor's, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$80,189,146 limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Allamakee County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates, and the fee that will be charged for various County activities.
- The County's local option sales taxes received continue to be a significant portion of County revenues and account, in part, for property tax levy rates lower than would otherwise be possible. In August 2014, local option sales tax was approved, by vote, for another 10 years.
- Allamakee County had a very small amount of delinquent property taxes in fiscal year 2017 due to the fact that the local taxpayers pay their property taxes in a timely manner.
- In July 2014, the County entered into loan agreements with eight townships totaling \$750,000 for the township portion of a new Fire Station. The County verifies that all townships levy the correct amount to make their loan payments.
- In May 2015, citizens of Allamakee County voted to pass a bond referendum for the issue of up to \$5.1 million of GO bonds for construction of a Public Safety Center. Construction was completed in May 2017 with most expenses paid in fiscal year 2017, and a small percentage of remaining expenses paid in fiscal year 2018.
- Amounts available for appropriation in the fiscal year 2018 operating budget are \$19,595,855, a decrease of \$5,274,083 or 21% from the final fiscal year 2017 budget of \$24,869,938. Since only a small percentage of fiscal year 2016 Public Safety Center and Driftless Area Visitor and Education Center construction expenses were actually paid in fiscal year 2016, the construction expenses were budgeted again in fiscal year 2017. In fiscal year 2017, most of the construction costs for the Public Safety Center and also the Driftless Area Visitor and Education Center were paid; therefore, the fiscal year 2018 operating budget shows a significant decrease. The funds used for these construction project expenses were not property tax dollars, but funds from grants and donations (Driftless Area Visitor Center) and GO Bonds (Public Safety Center).

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers and creditors with a general overview of Allamakee County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Allamakee County, 110 Allamakee Street, Waukon, IA 52172.

ALLAMAKEE COUNTY
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Component Unit Conservation Foundation
ASSETS		
Cash and pooled investments	\$ 5,947,907	\$ 60,867
Receivables:		
Property tax:		
Delinquent	22,538	
Succeeding year	6,655,931	
Accounts	51,238	
Accrued interest	9,814	
Notes receivable, current	82,280	
Due from other governments	1,006,237	
Inventories	655,342	
Prepaid expenses	146,207	
Notes receivable	553,942	
Nondepreciable assets	6,431,892	
Capital assets, net of accumulated depreciation	30,736,154	
Total assets	<u>52,299,482</u>	<u>60,867</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	1,056,327	
Total assets and deferred outflows of resources	<u>\$ 53,355,809</u>	<u>\$ 60,867</u>
LIABILITIES		
Accounts payable	\$ 762,789	\$ 155,656
Salaries and benefits payable	79,975	
Accrued interest payable	11,973	
Unearned revenues	75,874	
Advances from grantors	35,888	
Long-term liabilities:		
Portion due within one year:		
Bonds payable	210,000	
Notes payable	67,459	
Compensated absences	255,717	
Portion due after one year:		
Drainage warrants	115,000	
Bonds payable	4,407,327	
Notes payable	547,434	
Net pension liability	2,940,245	
Net OPEB liability	147,250	
Total liabilities	<u>9,656,931</u>	<u>155,656</u>
DEFERRED INFLOWS OF RESOURCES		
Succeeding year property tax	6,655,931	
Pension related deferred inflows	142,714	
Total deferred inflows of resources	<u>6,798,645</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	32,550,569	
Restricted for:		
Mental health	185,683	
Rural services	840,633	
Secondary roads	2,924,332	
Other special revenue	297,237	
Capital projects	12,110	
Debt service	17,723	
Other purposes	108,626	
Unrestricted (deficit)	(36,680)	(94,789)
Total net position	<u>36,900,233</u>	<u>(94,789)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 53,355,809</u>	<u>\$ 60,867</u>

See Notes to Financial Statements.

ALLAMAKEE COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions and Programs	Primary Government				Net (Expense) Revenue and Changes in Net Position	Component Unit Conservation Foundation
	Expenses	Program Revenues				
		Charges for Services	Operating Grants	Capital Grants		
Governmental activities:						
Public safety and legal services	\$ 2,074,156	\$ 29,304	\$ 16,250		\$ (2,028,602)	
Physical health and social services	646,404	30,688	278,577		(337,139)	
Mental health	763,848		247,393		(516,455)	
County environment and education	880,997	21,334	236,093	\$ 1,049,842	426,272	
Roads and transportation	6,925,658	2,930	4,418,510	246,294	(2,257,924)	
Governmental services to residents	476,489	281,925			(194,564)	
Administration	1,083,079	4,405			(1,078,674)	
Non-program	125,289	138,263			12,974	
Long-term debt interest	124,472				(124,472)	
Total governmental activities	\$ 13,100,392	\$ 508,849	\$ 5,196,823	\$ 1,296,136	(6,098,584)	
Component Unit:						
Conservation Foundation	\$ 832,130			\$ 630,916		\$ (201,214)
General revenues:						
Property taxes levied for:						
General purposes					7,062,497	
Local option sales tax					513,016	
Penalty and interest on property taxes					49,546	
State tax credits					500,385	
Franchise tax					1,560	
Rents					75,914	
Unrestricted investment earnings					104,001	557
Gain on sale of capital assets					12,232	
Miscellaneous					129,968	
Total general revenues					8,449,119	557
Change in net position					2,350,535	(200,657)
Net position, beginning of year					34,549,698	105,868
Net position (deficit), end of year					\$ 36,900,233	(94,789)

See Notes to Financial Statements.

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ALLAMAKEE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Revenue Funds		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and pooled investments	\$ 2,405,676	\$ 145,487	\$ 819,902	\$ 1,791,995
Receivables:				
Property tax:				
Delinquent	18,671	705	2,670	
Succeeding year	4,106,587	398,030	1,874,271	
Accounts	8,801	42,141		
Accrued interest	7,378			
Notes receivable				
Due from other governments	36,357		38,096	738,814
Prepaid expenditures	79,070	2,152	6,024	
Inventories				655,342
Total assets	\$ 6,662,540	\$ 588,515	\$ 2,740,963	\$ 3,186,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 52,667	\$ 115	\$ 12,498	\$ 202,814
Salaries and benefits payable	43,684	2,535	7,537	25,998
Unearned revenue	7,500			
Total liabilities	103,851	2,650	20,035	228,812
Deferred inflows of resources:				
Succeeding year property tax	4,106,587	398,030	1,874,271	
Other	18,377	688	2,622	368,562
Total deferred inflows of resources	4,124,964	398,718	1,876,893	368,562
Fund balances:				
Nonspendable:				
Inventories				655,342
Prepaid expenditures	79,070	2,152	6,024	
Restricted for:				
Rural services purposes			838,011	
Secondary roads purposes				1,933,435
Mental health purposes		184,995		
Other special revenue purposes				
Capital projects				
Other purposes	21,380			
Debt service				
Unassigned (deficit)	2,333,275			
Total fund balances	2,433,725	187,147	844,035	2,588,777
Total liabilities, deferred inflows of resources and fund balances	\$ 6,662,540	\$ 588,515	\$ 2,740,963	\$ 3,186,151

See Notes to Financial Statements.

EXHIBIT C

Capital Projects Fund Public Safety Center	Nonmajor Governmental Funds	Total Governmental Funds
\$ 258,949	\$ 475,841	\$ 5,897,850
	492	22,538
	277,043	6,655,931
	296	51,238
646	1,790	9,814
	636,222	636,222
	192,970	1,006,237
		87,246
		655,342
<u>\$ 259,595</u>	<u>\$ 1,584,654</u>	<u>\$ 15,022,418</u>
\$ 247,485	\$ 236,548	\$ 752,127
	221	79,975
		7,500
<u>247,485</u>	<u>236,769</u>	<u>839,602</u>
	277,043	6,655,931
	717,734	1,107,983
<u>-</u>	<u>994,777</u>	<u>7,763,914</u>
		655,342
		87,246
		838,011
		1,933,435
		184,995
	406,715	406,715
12,110		12,110
		21,380
	17,256	17,256
	(70,863)	2,262,412
<u>12,110</u>	<u>353,108</u>	<u>6,418,902</u>
<u>\$ 259,595</u>	<u>\$ 1,584,654</u>	<u>\$ 15,022,418</u>

ALLAMAKEE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	6,418,902
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds, net of accumulated depreciation of \$13,651,242		
		37,168,046
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.		
		1,072,095
The internal service fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.		
		29,982
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	\$ 1,056,327	
Deferred inflows of resources	<u>(142,714)</u>	913,613
Other liabilities, including bonds payable and accrued interest, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable		(4,617,327)
Notes payable		(614,893)
Anticipatory warrants		(115,000)
Compensated absences		(255,717)
Accrued interest		(11,973)
Net pension liability		(2,940,245)
Net OPEB liability		<u>(147,250)</u>
Net position of governmental activities per Exhibit A	\$	<u>36,900,233</u>

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ALLAMAKEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Special Revenue Funds		
		Mental Health	Rural Services	Secondary Roads
REVENUES				
Property and other County taxes	\$ 4,311,810	\$ 378,588	\$ 2,069,769	
Local option sales tax			256,508	\$ 256,508
Interest and penalty on property taxes	49,546			
Intergovernmental	598,884	277,226	110,822	4,227,598
Licenses and permits	50		18,548	2,930
Charges for service	317,329		28,581	146
Use of money and property	138,723			13,820
Miscellaneous	67,097		228	33,459
Total revenues	5,483,439	655,814	2,484,456	4,534,461
EXPENDITURES				
Current:				
Public safety and legal services	1,848,284		286,298	
Physical health and social services	540,596		69,225	
Mental health	(85)	756,101		
County environment and education	449,101		509,155	
Roads and transportation	531,412		90,535	5,113,056
Governmental services to residents	459,847			
Administration	1,023,388			
Non-program	7,227			
Debt service				
Capital projects				884,515
Total expenditures	4,859,770	756,101	955,213	5,997,571
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	623,669	(100,287)	1,529,243	(1,463,110)
OTHER FINANCING SOURCES (USES)				
Transfers in	9,050			1,734,755
Proceeds from disposal of capital assets	12,232			
Long term debt proceeds				
Transfers out	(133,502)		(1,610,303)	
	(112,220)	-	(1,610,303)	1,734,755
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	511,449	(100,287)	(81,060)	271,645
FUND BALANCES, beginning of year	1,922,276	287,434	925,095	2,317,132
FUND BALANCES, end of year	\$ 2,433,725	\$ 187,147	\$ 844,035	\$ 2,588,777

See Notes to Financial Statements.

EXHIBIT D

Capital Projects Fund Public Safety Center	Nonmajor Governmental Funds	Total Governmental Funds
	\$ 301,221	\$ 7,061,388
		513,016
		49,546
	1,623,999	6,838,529
		21,528
	3,002	349,058
\$ 26,299	246,983	425,825
	5,743	106,527
26,299	2,180,948	15,365,417
		2,134,582
	31,041	640,862
		756,016
	1,980,787	2,939,043
		5,735,003
	3,500	463,347
		1,023,388
	1,295	8,522
	544,197	544,197
4,147,966	171,236	5,203,717
4,147,966	2,732,056	19,448,677
(4,121,667)	(551,108)	(4,083,260)
		1,743,805
		12,232
	250,150	250,150
		(1,743,805)
-	250,150	262,382
(4,121,667)	(300,958)	(3,820,878)
4,133,777	654,066	10,239,780
\$ 12,110	\$ 353,108	\$ 6,418,902

ALLAMAKEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities:		
Net change in fund balances - total governmental funds	\$	(3,820,878)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the current year, as follows:		
Depreciation	\$	(1,704,298)
Capital assets contributed by the Iowa Department of Transportation		246,294
Capital assets contributed by the Allamakee County Conservation Foundation		356,878
Capital outlays		<u>7,327,974</u>
		6,226,848
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax		1,109
Other		<u>(89,388)</u>
		(88,279)
The net effect of disposal of capital assets		(141,108)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year repayments exceeded issuances, as follows:		
Issued		(250,150)
Repaid		<u>390,992</u>
		140,842
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.		401,674
The internal service fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the internal service fund is reported with governmental activities.		29,982
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Interest on long-term debt		28,733
Compensated absences		(11,845)
Pension expense		(380,967)
Net OPEB liability		<u>(34,467)</u>
		(398,546)
Change in net position of governmental activities per Exhibit B	\$	<u><u>2,350,535</u></u>

See Notes to Financial Statements.

ALLAMAKEE COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

		Internal Service
ASSETS		
Cash and pooled investments		\$ 50,057
Prepaid expenses		58,961
Total assets		\$ 109,018
LIABILITIES AND NET POSITION		
Liabilities:		
Accounts payable		\$ 10,662
Deferred revenue		68,374
Total liabilities		79,036
Net position:		
Unrestricted		29,982
Total liabilities and net position		\$ 109,018

ALLAMAKEE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2017

	Internal Service
OPERATING REVENUES	
Charges for service	\$ 707,942
OPERATING EXPENSES	
Insurance premiums paid	632,112
Administrative fees	7,939
Insurance claims paid	78,633
Total operating expenses	718,684
Operating loss	(10,742)
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous income	40,724
Change in net position	29,982
NET POSITION, beginning of year	-
NET POSITION, end of year	\$ 29,982

ALLAMAKEE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2017

	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 776,316
Cash payments to suppliers for services	(766,983)
Net cash provided by operating activities	9,333
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from County's start-up contribution	25,000
Premium rebate and miscellaneous, net	15,724
Net cash provided by noncapital financing activities	40,724
Net increase in cash and cash equivalents	50,057
CASH and CASH EQUIVALENTS, beginning of year	-
CASH and CASH EQUIVALENTS, end of year	\$ 50,057
Reconciliation of operating (loss) to net cash provided by operating activities:	
Operating (loss)	\$ (10,742)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Increase in prepaid expenses	(58,961)
Increase in accounts payable	10,662
Increase in deferred revenue	68,374
Net cash provided by operating activities	\$ 9,333

ALLAMAKEE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2017

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 1,779,860
Other County officials	49,440
Receivables:	
Property tax:	
Delinquent	23,900
Succeeding year	12,792,654
Accounts	2,361
Due from other governments	96,649
Prepaid insurance	4,532
	<hr/>
Total assets	14,749,396
	<hr/>

LIABILITIES

Accounts payable	172,876
Salaries and benefits payable	5,475
Due to other governments	1,738,274
Unearned revenue	20,575
Trusts payable	175
Unavailable property tax revenue	12,792,654
Compensated absences	19,367
	<hr/>
Total liabilities	14,749,396
	<hr/>

NET POSITION

\$	<u>None</u>
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ALLAMAKEE COUNTY
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Allamakee 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.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Allamakee County has included all funds, organizations, account groups, 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; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units.

Discretely Presented Component Unit

The County has one component unit which meets the Governmental Accounting Standards Board (GASB) criteria. The Allamakee County Conservation Foundation (Conservation Foundation) is a nonprofit corporation which is governed by a separate Board of Officers. The Conservation Foundation's purpose is to create additional funding mechanisms to supplement traditional funding sources for the Allamakee Conservation Board, for the development and enhancement of environmental education and conservation projects. The activities of the Conservation Foundation are reported using the discrete method. Financial information of the Conservation Foundation can be obtained from the Allamakee County's Conservation office located at 1944 Columbus Road, Lansing, IA 52151.

Blended Component Units

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

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Allamakee County Board of Supervisors. The drainage district is reported as a special revenue fund. Financial information of the individual drainage district can be obtained from the Allamakee County Auditor's office.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Jointly Governed Organizations

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

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

Fund Financial Statements

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

The major funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration of public safety and legal services, physical health and social services, county environment and education, governmental services to residents and administration.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Governmental (Continued)

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are restricted or committed for expenditure for specified purposes other than debt service or capital projects. The major funds in this category are mental health, rural services and secondary roads.

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

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

The secondary roads fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the general fund and the special revenue, rural services fund and other revenues to be used for secondary roads construction and maintenance.

Capital Projects Fund

The Public Safety Center-capital projects fund is used to account for all resources used in the acquisition and construction of a new Jail and Public Safety Center.

Proprietary Fund

Internal Service 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

The agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency funds are custodial in nature, assets equal liabilities and do not involve measurement of results of operations.

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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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 are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 other funds and employees for health insurance. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 Management, Cash Equivalents and Pooled Investments

The County Treasurer maintains one primary demand deposit account through which the majority of the County's cash resources are processed.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

Cash Management, Cash Equivalents and Pooled Investments (Continued)

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.

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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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.

Grants

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

Notes Receivable

Notes receivable represent economic development loans from the County's revolving loan special revenue fund made to qualifying businesses. These loans are to be paid back with interest over a period ranging from two to three years. The interest rate on these notes receivables is 1.3%. The balance of the notes receivable at June 30, 2017 was \$21,479.

Notes receivable also represent loans from the County's Waukon Area Fire Protection District-debt service fund made to eight townships for the construction of a new Fire Station. Payments of both principal and interest on these notes is to be made semiannually, on June 1 and December 1 of each year, with a final payment of all remaining principal and interest on December 1, 2025. The interest rate on these notes receivable is 3.25%. The balance of the notes receivable at June 30, 2017 was \$614,743.

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

Due from Other Governments

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

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2017 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net position not currently available for expenditure.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

Capital Assets

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

Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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	20-50
Land improvements	20-50
Infrastructure, road networks	30-65
Equipment	2-20
Intangibles	5-20
Vehicles	3-10

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/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County's reporting period.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

Due to Other Governments

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

Trusts Payable

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

Advances from Grantors

Advances from grantors represents grant proceeds which have been received by the County but will be spent in succeeding fiscal years.

Unearned Revenues

Unearned revenues represents required annual cash deposit from lessee of County owned cropland. If lessee complies with conservation plan, the full amount of deposit will be refunded at the expiration of the lease. If the lessee does not comply with conservation plan, the amount the County must pay in order to refurbish the land will be deducted from the cash deposit.

Long-term Liabilities

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

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

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. During the year ended June 30, 2004, the County established a plan to allow employees who were retiring to convert accumulated sick leave to insurance premiums. A liability is recorded when incurred in the government-wide 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, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund, mental health, rural services and secondary roads special revenue funds. The County's approximate maximum liability for accrued vacation pay at June 30, 2017 is \$255,717.

In accordance with the Code of Iowa Chapter 509A.13, the County provides post-employment health care benefits. Employees retiring before attaining sixty-five years of age may continue participation in the plan at their own expense until the employee attains age sixty-five.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

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 mental health, rural services and secondary roads special revenue 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 the succeeding year property tax receivable as well as delinquent property tax receivables 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 receivable 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.

Unassigned - all amounts not included in the preceding classifications.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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

Net Position

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

Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position. Restricted net position is used first when an expense is incurred for purposes for both restricted and unrestricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Fund Balance Deficit

The Conservation Special Projects-special revenue fund has a deficit balance as of June 30, 2017. The County plans to eliminate this deficit through state cost-reimbursement grant funds.

3. Cash Management, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2017 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.

NOTES TO FINANCIAL STATEMENTS

3. Cash Management, Cash Equivalents and Pooled Investments (Continued)

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County had no 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.

4. Due from Other Governments

Due from other governments consist of the following at June 30, 2017:

Governmental:	
General fund, other	\$ 36,357
Rural services fund:	
Local option sales tax	38,096
Secondary roads fund:	
Road use tax	365,163
Local option sales tax	38,096
FEMA reimbursement	335,555
	738,814
Nonmajor governmental:	
Conservation special projects fund:	
Scenic Byway Grant	62,125
Community Attraction and Tourism Grant	90,352
FEMA reimbursement	604
	153,081
Drainage district:	
FEMA reimbursement	39,889
Total governmental funds	\$ 1,006,237

NOTES TO FINANCIAL STATEMENTS

5. **Capital Assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental activities:				
Land	\$ 890,097	\$ None	\$ None	\$ 890,097
Construction in progress	2,567,850	1,848,396	1,013,427	3,402,819
Infrastructure in progress	1,402,683	828,344	92,051	2,138,976
Total capital assets not being depreciated	4,860,630	2,676,740	1,105,478	6,431,892
Capital assets being depreciated:				
Buildings and improvements	1,338,437	5,027,025	None	6,365,462
Equipment	4,109,462	677,787	350,718	4,436,531
Vehicles	2,733,148	64,060	66,393	2,730,815
Infrastructure	30,263,576	591,012	None	30,854,588
Total capital assets being depreciated	38,444,623	6,359,884	417,111	44,387,396
Less accumulated depreciation:				
Buildings and improvements	773,284	81,011	None	854,295
Equipment	2,170,180	300,558	209,610	2,261,128
Vehicles	2,163,245	120,835	66,393	2,217,687
Infrastructure	7,116,238	1,201,894	None	8,318,132
Total accumulated depreciation	12,222,947	1,704,298	276,003	13,651,242
Total capital assets being depreciated, net	26,221,676	4,655,586	141,108	30,736,154
Governmental activities:				
Capital assets, net	\$ 31,082,306	\$ 7,332,326	\$ 1,246,586	\$ 37,168,046

For the year ended June 30, 2017, depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$ 103,353
Physical health and social services	5,716
County environment and education	19,875
Roads and transportation	1,550,361
Governmental services to residents	5,138
Administration	19,855
	\$ 1,704,298

NOTES TO FINANCIAL STATEMENTS

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. The agency fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection.

A summary of amounts due to other governments for the year ended June 30, 2017 is as follows:

Fund	Description	Amount
Fiduciary:		
Agency:		
County Assessor	Collections	\$ 458,099
Schools		103,879
Community Colleges		9,192
Corporations		54,010
Auto license and use tax		344,545
Other		768,549
Total agency funds		\$ 1,738,274

7. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Issued	(Paid)	Balance June 30, 2017	Amounts Due Within One Year
Bonds:					
General obligation	\$ 4,725,000	\$ None	\$ (180,000)	\$ 4,545,000	\$ 210,000
Plus unamortized premium	76,345	None	(4,018)	72,327	None
Total bonded debt	4,801,345	None	(184,018)	4,617,327	210,000
Other liabilities:					
Drainage warrants	None	250,000	(135,000)	115,000	None
Notes payable	690,735	150	(75,992)	614,893	67,459
Compensated absences	243,872	255,717	(243,872)	255,717	255,717
Total other liabilities	934,607	505,867	(454,864)	985,610	323,176
Governmental activities:					
Long-term liabilities	\$ 5,735,952	\$ 505,867	\$ (638,882)	\$ 5,602,937	\$ 533,176

7. Long-term Debt Obligations (Continued)

Bonds Payable

In March 2016, the County issued \$4,725,000 of general obligation bonds to be used to construct a new Jail and Public Safety Center and to pay costs associated with issuance of the bonds. The Series 2016A bonds are due annually in varying installments December 1, 2016 through June 1, 2035 plus interest semiannually with interest rates of the bonds varying from 2.00% to 2.80%. Bonds maturing after June 1, 2025 are callable upon terms of par plus accrued interest. The Series 2016A bonds will be paid from annual tax levied against all taxable property within the County. The bonds payable had a balance of \$4,617,327, net of unamortized premium at June 30, 2017.

Notes Payable

The County entered into notes payable agreements on behalf of eight townships for the purpose of providing funds to pay a portion of the cost of the construction of a Fire Station by the Waukon Area Fire Protection District. The notes payable are due in semiannual payments of \$43,733, including interest of 3.25%. Payments will occur on June 1 and December 1 of each year, beginning December 1, 2015 and continuing through June 1, 2025, with one final payment of all remaining principal and interest at maturity on December 1, 2025. Funds for repayment on the notes will be from taxes levied on property located within the eight townships. The notes payable had a balance of \$614,743 at June 30, 2017.

During the fiscal year ended June 30, 2017, the County entered into a \$500,150 3.50% variable rate unsecured commercial line of credit to be used to finance the remaining construction of the Driftless Area Education and Visitor Center. The line of credit is payable on demand, if no demand is made, one semiannual payment of outstanding accrued interest beginning May 23, 2017 and semiannually thereafter until November 23, 2019 when a single payment of the unpaid principal and accrued interest is due at maturity. The line of credit had a balance of \$150 at June 30, 2017.

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available. Drainage warrants are paid from the drainage district–special revenue fund from state and federal disaster assistance and the remainder from assessments against benefited properties.

Debt Limit

At June 30, 2017, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 1,603,782,918
Debt limit – 5% of total assessed valuation	\$ 80,189,146
Bonds payable	(4,545,000)
Notes payable	(614,893)
Drainage warrants	(115,000)
Legal debt margin	\$ 74,914,253

7. Long-term Debt Obligations (Continued)

Repayment

Interest costs incurred and charged to expenses was \$128,490 for the year ended June 30, 2017. A summary of the principal and interest maturities by type of debt is as follows:

Year Ending June 30,	Bonded Indebtedness					
	General Obligation		Notes Payable		Drainage Warrants	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 210,000	\$ 100,975	\$ 67,459	\$ 20,157		
2019	215,000	96,775	69,997	17,468		
2020	220,000	92,475	72,284	15,182	\$ 15,000	\$ 1,632
2021	225,000	88,075	74,723	12,743	50,000	7,320
2022	230,000	83,575	77,204	10,259	50,000	9,195
2023-2027	1,215,000	346,975	253,226	15,155		
2028-2032	1,340,000	216,795				
2033-2035	890,000	49,090				
Total	\$ 4,545,000	\$ 1,074,735	\$ 614,893	\$ 90,964	\$ 115,000	\$ 18,147

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, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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.

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

8. Pension Plan (Continued)

Pension Benefits (Continued)

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.50% 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 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 2017, 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 each contributed 9.63% of covered payroll, for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 totaled \$401,674.

NOTES TO FINANCIAL STATEMENTS

8. Pension Plan (Continued)

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

At June 30, 2017, the County reported a liability of \$2,940,245 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the County's collective proportion was 0.046720%, which was an increase of .000209% from its collective proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$380,967. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total of all Groups	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,101	\$ 61,562
Changes of assumptions	41,605	12,804
Net difference between projected and actual earnings on IPERS' investments	541,630	
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	47,317	68,348
County contributions subsequent to the measurement date	401,674	
Total	\$ 1,056,327	\$ 142,714

\$401,674 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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
2018	\$ 49,489
2019	49,489
2020	264,012
2021	152,688
2022	(3,739)
Total	\$ 511,939

There were no non-employer contributing entities to IPERS.

8. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 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, 2016 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

8. Pension Plan (Continued)

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	\$ 5,213,520	\$ 2,940,245	\$ 1,023,496

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.

Payables to IPERS

At June 30, 2017, the County had no payables to report for the defined benefit pension plan for legally required County contributions and 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 99 active and 1 COBRA members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded plan with Coventry Health Care of Iowa (an Aetna Company). 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.

9. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding 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, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	46,730
Interest on net OPEB obligation		4,511
Adjustment to annual required contribution		(4,482)
Annual OPEB cost		46,759
Contributions made		(12,292)
Increase in net OPEB obligation		34,467
Net OPEB obligation beginning of year		112,783
Net OPEB obligation end of year	\$	147,250

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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, 2017.

For the year ended June 30, 2017, the County contributed \$12,292 to the medical plan. Plan members eligible for benefits contributed \$91,917 or 11.9% 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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 35,831	33%	\$ 88,705
June 30, 2016	\$ 35,831	33%	\$ 112,783
June 30, 2017	\$ 46,759	26%	\$ 147,250

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$360,922, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$360,922. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,434,400 and the ratio of the UAAL to covered payroll was 8.1%. As of June 30, 2017, there were no trust fund assets.

9. Other Postemployment Benefits (OPEB) (Continued)

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 July 1, 2016, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the County's funding policy. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching 5% ultimate trend rate.

Mortality rates are from SOA RPH-2014 Total Dataset Headcount-weighted Mortality Table with Scale MP-2016.

10. Risk Management

The County is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance purchased from other insurers for coverage associated with these risks. During the year ended June 30, 2017, there were no significant changes in insurance coverage from prior years. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. Employee Health Insurance Plan

As of July 1, 2016, the County uses a partially self-funded health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Midwest Group Benefits. The agreement is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions to the Allamakee County health self-funding fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid by Midwest Group Benefits from the Allamakee County health insurance fund. The County records the plan assets and related liabilities of the Allamakee County health insurance funding as an internal service fund. The County's contribution to the fund for the year ended June 30, 2017 was \$676,604.

NOTES TO FINANCIAL STATEMENTS

11. Employee Health Insurance Plan (Continued)

Amounts payable from the health insurance fund at June 30, 2017 totaled \$10,662, which is for incurred but unpaid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. An analysis of claims activity in the internal service fund follows:

The County established a partially self-funded group medical plan which is on a fiscal year basis. The plan allows the County lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the County, the total would be \$216,000. As of June 30, 2017, \$67,971 in claims had been paid. As of June 30, 2017, the County had a balance of \$50,057 in their self-fund cash account held at Waukon State Bank to pay for claims.

12. Interfund Transfers

As of June 30, 2017, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Transfers In	Transfers Out
General fund:		
Secondary roads		\$ 124,452
Nonmajor governmental	\$ 9,050	9,050
	9,050	133,502
Special revenue funds:		
Rural services		1,610,303
Secondary roads	1,734,755	
	1,734,755	1,610,303
Total	\$ 1,743,805	\$ 1,743,805

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

13. Leases

As of June 30, 2017, the County is renting various County owned properties to other parties under operating leases. The leases vary in term but are typically short-term in nature.

NOTES TO FINANCIAL STATEMENTS

13. Leases (Continued)

The County has entered into an operating lease agreement for a postage machine. The agreement is for five years and requires quarterly payments until March 2021. Total lease expense for the year ended June 30, 2017 was \$1,621. Future minimum lease payments under the lease agreement are as follows:

Year Ending June 30,	Amount
2018	\$ 1,621
2019	1,621
2020	1,621
2021	<u>1,216</u>
Total	<u>\$ 6,079</u>

14. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Lansing	Urban renewal and economic development projects	\$ 6,382
City of Waukon	Urban renewal and economic development projects	12,905

15. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County is involved in various legal actions in which claims of varying amounts are being asserted against the County. The County follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of County management, these actions will not result in a significant impact of the County's financial position.

NOTES TO FINANCIAL STATEMENTS

16. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2017 amounted to \$2,338,758 and commitments to be reimbursed is \$2,364.

17. Allamakee County Financial Information Included in the County Social Services Mental Health Region

County Social Services Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth and Wright. The financial activity of Allamakee County's special revenue, mental health fund is included in the County Social Services Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other County taxes		\$ 378,588
Intergovernmental revenues:		
State tax credits	\$ 29,833	
Payments from regional fiscal agent	247,393	277,226
Total revenues		655,814
Expenditures:		
Services to persons with mental illness		17,920
General administration:		
Direct administration	73,714	
Distribution to regional fiscal agent	479,233	552,947
County provided case management		185,234
Total expenditures		756,101
(Deficiency) of revenues over expenditures		(100,287)
Fund balance, beginning of the year		287,434
Fund balance, end of the year		\$ 187,147

18. New Accounting Pronouncement

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The notes to financial statements include information about the County's tax abatements and tax abatements of other entities which impact the County.

19. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued three statements not yet implemented by the County. These statements which might impact the County are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the fiscal year ended June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the statement of net position is expected to include a significant liability for the government's other postemployment benefits.

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the fiscal year ended June 30, 2020. The Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by information reported in financial statements for assessing government accountability and stewardship.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ended June 30, 2020. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The County's management has not yet determined the effect these statements will have on the County's financial statements.

20. Subsequent Events

Management has evaluated subsequent events through February 10, 2018, the date on which the financial statements were available to be issued.

Required Supplementary Information

ALLAMAKEE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
June 30, 2017

	Actual	Less Amounts not Budgeted	Budget Basis	Budget Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
RECEIPTS						
Property and other County taxes	\$ 7,648,693		\$ 7,648,693	\$ 7,444,394	\$ 7,444,394	\$ 204,299
Interest and penalty on property taxes	49,756		49,756			49,756
Intergovernmental	6,580,179		6,580,179	7,029,523	7,471,868	(891,689)
Licenses and permits	21,528		21,528	22,799	22,799	(1,271)
Charges for service	372,365		372,365	318,580	320,180	52,185
Use of money and property	430,286	\$ 4	430,282	129,764	129,764	300,518
Miscellaneous	113,371	1,396	111,975	59,150	56,650	55,325
Total receipts	15,216,178	1,400	15,214,778	15,004,210	15,445,655	(230,877)
DISBURSEMENTS						
Public safety and legal services	2,177,453		2,177,453	2,459,078	2,487,715	310,262
Physical health and social services	655,540		655,540	691,847	711,379	55,839
Mental health	822,985		822,985	669,033	884,444	61,459
County environment and education	2,793,518		2,793,518	2,301,940	3,358,026	564,508
Roads and transportation	6,236,508		6,236,508	6,067,441	6,947,748	711,240
Governmental services to residents	484,228		484,228	602,621	560,193	75,965
Administration	1,040,120		1,040,120	1,232,445	1,260,897	220,777
Non-program	7,227		7,227	12,000	12,000	4,773
Debt service	409,670		409,670	425,000	425,000	15,330
Capital projects	5,132,964		5,132,964	6,687,857	6,379,093	1,246,129
Total disbursements	19,760,213	-	19,760,213	21,149,262	23,026,495	3,266,282
(DEFICIENCY) EXCESS OF RECEIPTS (UNDER) OVER DISBURSEMENTS	(4,544,035)	1,400	(4,545,435)	(6,145,052)	(7,580,840)	3,035,405
OTHER FINANCING SOURCES, NET	12,232	-	12,232	110,500	110,500	(98,268)
(DEFICIENCY) EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES (UNDER) OVER DISBURSEMENTS AND OTHER FINANCING USES	(4,531,803)	1,400	(4,533,203)	(6,034,552)	(7,470,340)	2,937,137
BALANCE, beginning of year	10,381,011	-	10,381,011	9,124,083	9,124,083	1,256,928
BALANCE, end of year	\$ 5,849,208	\$ 1,400	\$ 5,847,808	\$ 3,089,531	\$ 1,653,743	\$ 4,194,065

See Notes to Required Budgetary Information and Independent Auditor's Report.

ALLAMAKEE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,216,178	\$ 149,239	\$ 15,365,417
Expenditures	19,760,213	(311,536)	19,448,677
Net	(4,544,035)	460,775	(4,083,260)
Other financing sources, net	12,232	250,150	262,382
Beginning fund balance	10,381,011	(141,231)	10,239,780
Ending fund balance	<u>\$ 5,849,208</u>	<u>\$ 569,694</u>	<u>\$ 6,418,902</u>

See Notes to Required Budgetary Information and Independent Auditor's Report.

ALLAMAKEE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

Year Ended June 30, 2017

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units 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:

1. Public safety and legal services
2. Physical health and social services
3. Mental health
4. County environment and education
5. Roads and transportation
6. Governmental services to residents
7. Administration
8. Non-program
9. Debt service
10. Capital projects

Function disbursements required to be budgeted include disbursements for the general fund, the special revenue funds, the capital projects fund and the debt service fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,877,233. 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.

Included in the amounts not budgeted is the forfeiture account used by the Sheriff's department.

ALLAMAKEE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Last Three Years*
(In Thousands)

	2017	2016	2015
County's collective proportion of the net pension liability (asset)	0.046720%	0.044633%	0.044362%
County's collective proportionate share of the net pension liability (asset)	\$ 2,940	\$ 2,205	\$ 1,760
County's covered-employee payroll	\$ 4,413	\$ 3,829	\$ 3,758
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.62%	57.59%	46.83%
IPERS' net position as a percentage of the total pension liability	81.82%	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 Notes to Required Pension Liability Information and Independent Auditor's Report.

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ALLAMAKEE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
For the Last Ten Years
(In Thousands)

	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 402	\$ 364	\$ 350	\$ 343	\$ 321
Contributions in relation to the statutorily required contribution	<u>(402)</u>	<u>(364)</u>	<u>(350)</u>	<u>(343)</u>	<u>(321)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
County's covered-employee payroll	\$ 4,413	\$ 3,985	\$ 3,829	\$ 3,758	\$ 3,588
Contributions as a percentage of covered-employee payroll	9.11%	9.13%	9.14%	9.13%	8.95%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

2012	2011	2010	2009	2008
\$ 291	\$ 251	\$ 230	\$ 216	\$ 197
(291)	(251)	(230)	(216)	(197)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,453	\$ 3,383	\$ 3,295	\$ 3,255	\$ 3,155
8.43%	7.42%	6.98%	6.64%	6.24%

ALLAMAKEE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
Year Ended June 30, 2017

Changes of Benefit Terms

Legislation enacted 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 (unfunded actuarial liability) 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.

ALLAMAKEE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (In Thousands)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,335	7.3%
2012	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,388	7.2%
2013	July 1, 2010	\$ -	\$ 245	\$ 245	0.0%	\$ 3,539	6.9%
2014	July 1, 2013	\$ -	\$ 279	\$ 279	0.0%	\$ 3,647	7.7%
2015	July 1, 2013	\$ -	\$ 279	\$ 279	0.0%	\$ 3,850	7.2%
2016	July 1, 2013	\$ -	\$ 279	\$ 279	0.0%	\$ 3,961	7.0%
2017	July 1, 2016	\$ -	\$ 361	\$ 361	0.0%	\$ 4,434	8.1%

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 Independent Auditor's Report.

Other Supplementary Information

ALLAMAKEE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Special Revenue Funds	Capital Projects Fund Mississippi River Trail
ASSETS		
Cash and pooled investments	\$ 458,598	
Receivables:		
Property tax:		
Delinquent		
Succeeding year		
Accounts	296	
Accrued interest	23	
Notes receivable	21,479	
Due from other governments	192,970	
	\$ 673,366	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 236,548	
Salaries and benefits payable	221	
	236,769	\$ -
Deferred inflows of resources:		
Succeeding year property tax		
Other revenues	100,745	
	100,745	-
Fund balances:		
Restricted for:		
Debt service		
Other special revenue funds	406,715	
Unassigned (deficit)	(70,863)	
	335,852	-
Total fund balances	\$ 673,366	\$ -
Total liabilities, deferred inflows of resources and fund balances	\$ 673,366	\$ -

See Independent Auditor's Report.

SCHEDULE 1

Debt Service Funds		Total Nonmajor Governmental Funds
Waukon Area Fire Protection District	Public Safety Center	
\$ 2,593	\$ 14,650	\$ 475,841
14	478	492
	277,043	277,043
		296
1,767		1,790
614,743		636,222
		192,970
<u>\$ 619,117</u>	<u>\$ 292,171</u>	<u>\$ 1,584,654</u>
		\$ 236,548
		221
<u>\$ -</u>	<u>\$ -</u>	<u>236,769</u>
	277,043	277,043
616,522	467	717,734
<u>616,522</u>	<u>277,510</u>	<u>994,777</u>
		17,256
2,595	14,661	406,715
		(70,863)
<u>2,595</u>	<u>14,661</u>	<u>353,108</u>
<u>\$ 619,117</u>	<u>\$ 292,171</u>	<u>\$ 1,584,654</u>

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ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Fund Mississippi River Trail
REVENUES		
Property and other County taxes		
Intergovernmental	\$ 1,499,162	
Charges for service	3,002	
Use of money and property	246,983	
Miscellaneous	5,743	
Total revenues	1,754,890	\$ -
EXPENDITURES		
Operating:		
Physical health and social services	31,041	
County environment and education	1,980,787	
Governmental services to residents	3,500	
Non-program		
Debt service	135,822	
Capital projects		171,236
Total expenditures	2,151,150	171,236
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(396,260)	(171,236)
OTHER FINANCING SOURCES		
Long term debt proceeds	250,150	-
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES	(146,110)	(171,236)
FUND BALANCES, beginning of year	481,962	171,236
FUND BALANCES, end of year	\$ 335,852	\$ -

See Independent Auditor's Report.

SCHEDULE 2

Debt Service Funds		Total Nonmajor Governmental Funds
Waukon Area Fire Protection District	Public Safety Center	
\$ 100,694	\$ 301,221	\$ 301,221
	24,143	1,623,999
		3,002
		246,983
		5,743
<u>100,694</u>	<u>325,364</u>	<u>2,180,948</u>
		31,041
		1,980,787
		3,500
1,295		1,295
97,656	310,719	544,197
		171,236
<u>98,951</u>	<u>310,719</u>	<u>2,732,056</u>
1,743	14,645	(551,108)
-	-	250,150
1,743	14,645	(300,958)
852	16	654,066
<u>\$ 2,595</u>	<u>\$ 14,661</u>	<u>\$ 353,108</u>

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ALLAMAKEE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2017

	Water Testing Grant	Recorder's Records Management	Resource Enhancement and Protection	Conservation Special Projects
ASSETS				
Cash and pooled investments	\$ 91,608	\$ 19,049	\$ 27,608	\$ 51,952
Receivables:				
Accounts		296		
Accrued interest			23	
Notes receivable				
Due from other governments				153,081
Total assets	\$ 91,608	\$ 19,345	\$ 27,631	\$ 205,033
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 29			\$ 236,519
Salaries and benefits payable	221			
Total liabilities	250	\$ -	\$ -	236,519
Deferred inflows of resources:				
Other revenues				39,377
Total deferred inflows of resources	-	-	-	39,377
Fund balances:				
Restricted	91,358	19,345	27,631	
Unassigned (deficit)				(70,863)
Total fund balances (deficit)	91,358	19,345	27,631	(70,863)
Total liabilities, deferred inflows of resources and fund balances	\$ 91,608	\$ 19,345	\$ 27,631	\$ 205,033

See Independent Auditor's Report.

SCHEDULE 3

Revolving Loan Fund	Historic Preservation Fund	Drainage District Fund	Total Nonmajor Special Revenue Funds
\$ 210,225	\$ 9,514	\$ 48,642	\$ 458,598
			296
21,479			23
		39,889	21,479
			192,970
<u>\$ 231,704</u>	<u>\$ 9,514</u>	<u>\$ 88,531</u>	<u>\$ 673,366</u>
			\$ 236,548
			221
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>236,769</u>
21,479		39,889	100,745
<u>21,479</u>	<u>-</u>	<u>39,889</u>	<u>100,745</u>
210,225	9,514	48,642	406,715
			(70,863)
<u>210,225</u>	<u>9,514</u>	<u>48,642</u>	<u>335,852</u>
<u>\$ 231,704</u>	<u>\$ 9,514</u>	<u>\$ 88,531</u>	<u>\$ 673,366</u>

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ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2017

	Water Testing Grant	Recorder's Records Management	Resource Enhancement and Protection	Conservation Special Projects
REVENUES				
Intergovernmental	\$ 33,090		\$ 14,322	\$ 1,275,001
Charges for service		\$ 3,002		
Use of money and property		14	487	223,000
Miscellaneous				
Total revenues	33,090	3,016	14,809	1,498,001
EXPENDITURES				
Operating:				
Physical health and social services	31,041			
County environment and education			223,001	1,495,724
Governmental services to residents		3,500		
Debt service				
Total expenditures	31,041	3,500	223,001	1,495,724
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,049	(484)	(208,192)	2,277
OTHER FINANCING SOURCES				
Long term debt proceeds	-	-	-	150
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	2,049	(484)	(208,192)	2,427
FUND BALANCES, beginning of year (deficit)	89,309	19,829	235,823	(73,290)
FUND BALANCES, end of year (deficit)	\$ 91,358	\$ 19,345	\$ 27,631	\$ (70,863)

See Independent Auditor's Report.

SCHEDULE 4

Revolving Loan Fund	Historic Preservation Fund	Drainage District Fund	Total Nonmajor Special Revenue Funds
		\$ 176,749	\$ 1,499,162
			3,002
\$ 23,441		41	246,983
		5,743	5,743
23,441	\$ -	182,533	1,754,890
			31,041
	1,313	260,749	1,980,787
			3,500
		135,822	135,822
-	1,313	396,571	2,151,150
23,441	(1,313)	(214,038)	(396,260)
-	-	250,000	250,150
23,441	(1,313)	35,962	(146,110)
186,784	10,827	12,680	481,962
\$ 210,225	\$ 9,514	\$ 48,642	\$ 335,852

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ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments:				
County Treasurer		\$ 2,421	\$ 482,161	\$ 90,586
Other County officials	\$ 49,440			
Receivables:				
Property tax:				
Delinquent		366	589	13,293
Succeeding year		206,217	332,598	7,639,462
Accounts	2,361			
Due from other governments				
Prepaid insurance			2,957	
Total assets	<u>\$ 51,801</u>	<u>\$ 209,004</u>	<u>\$ 818,305</u>	<u>\$ 7,743,341</u>
LIABILITIES				
Accounts payable			\$ 11,666	
Salaries and benefits payable			3,764	
Due to other governments	\$ 51,626	\$ 2,787	458,099	\$ 103,879
Unearned revenue				
Trusts payable	175			
Unavailable property tax revenue		206,217	332,598	7,639,462
Accrued compensated absences			12,178	
Total liabilities	<u>\$ 51,801</u>	<u>\$ 209,004</u>	<u>\$ 818,305</u>	<u>\$ 7,743,341</u>

See Independent Auditor's Report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	E911 Surcharge	Other	Total
\$ 7,808	\$ 46,146	\$ 53,849	\$ 344,545	\$ 664,726	\$ 87,618	\$ 1,779,860 49,440
1,384	7,864	400			4	23,900
787,003	3,557,351	267,821			2,202	12,792,654
		25,850		49,498	21,301	96,649
				586	989	4,532
<u>\$ 796,195</u>	<u>\$ 3,611,361</u>	<u>\$ 347,920</u>	<u>\$ 344,545</u>	<u>\$ 714,810</u>	<u>\$ 112,114</u>	<u>\$ 14,749,396</u>
				\$ 154,958	\$ 6,252	\$ 172,876
				942	769	5,475
\$ 9,192	\$ 54,010	\$ 80,099	\$ 344,545	553,055	80,982	1,738,274
					20,575	20,575
787,003	3,557,351	267,821				175
					2,202	12,792,654
				5,855	1,334	19,367
<u>\$ 796,195</u>	<u>\$ 3,611,361</u>	<u>\$ 347,920</u>	<u>\$ 344,545</u>	<u>\$ 714,810</u>	<u>\$ 112,114</u>	<u>\$ 14,749,396</u>

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ALLAMAKEE COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
BALANCE, beginning of year	\$ 34,681	\$ 201,902	\$ 870,061	\$ 7,304,278
ADDITIONS				
Property and other County taxes		226,077	364,304	8,379,957
State tax credits		17,264	27,549	630,077
Office fees and collections	349,107		4,536	
Auto license, use tax and postage				
E911 telephone surcharges				
Miscellaneous	7,147		3,172	
Assessments				
Trusts	56,805			
Total additions	413,059	243,341	399,561	9,010,034
DEDUCTIONS				
Agency remittances:				
To other funds	133,317			
To other governments	203,837	236,239		8,570,971
Trusts paid out	51,638			
Miscellaneous	7,147		451,317	
Total deductions	395,939	236,239	451,317	8,570,971
BALANCE, end of year	\$ 51,801	\$ 209,004	\$ 818,305	\$ 7,743,341

See Independent Auditor's Report.

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>E911 Surcharge</u>	<u>Other</u>	<u>Total</u>
\$ 652,414	\$ 3,682,937	\$ 324,235	\$ 347,786	\$ 896,223	\$ 103,866	\$ 14,418,383
850,306	3,483,715	540,402			2,421	13,847,182
56,053	535,874	9,987			194	1,276,998
			4,179,122		2,959	356,602
				413,653		4,179,122
				3,780		413,653
					327,111	341,210
					71,124	71,124
						56,805
<u>906,359</u>	<u>4,019,589</u>	<u>550,389</u>	<u>4,179,122</u>	<u>417,433</u>	<u>403,809</u>	<u>20,542,696</u>
762,578	4,091,165	526,704	136,386 4,045,977	598,846	296,143	269,703 19,332,460
					99,418	51,638
						557,882
<u>762,578</u>	<u>4,091,165</u>	<u>526,704</u>	<u>4,182,363</u>	<u>598,846</u>	<u>395,561</u>	<u>20,211,683</u>
\$ 796,195	\$ 3,611,361	\$ 347,920	\$ 344,545	\$ 714,810	\$ 112,114	\$ 14,749,396

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ALLAMAKEE COUNTY
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 All GOVERNMENTAL FUNDS
 Years Ended June 30,

	Modified Accrual			
	2017	2016	2015	2014
REVENUES				
Property and other County taxes	\$ 7,061,388	\$ 6,624,505	\$ 6,407,756	\$ 6,119,076
Local option sales tax	513,016	474,806	403,085	315,188
Interest and penalty on property taxes	49,546	45,989	51,927	58,324
Intergovernmental	6,838,529	6,839,186	5,060,654	4,658,560
Licenses and permits	21,528	21,515	21,801	21,483
Charges for service	349,058	381,983	355,438	357,423
Use of money and property	425,825	166,811	136,581	164,506
Miscellaneous	106,527	131,844	124,105	117,717
Total revenues	\$ 15,365,417	\$ 14,686,639	\$ 12,561,347	\$ 11,812,277
EXPENDITURES				
Current:				
Public safety and legal services	\$ 2,134,582	\$ 1,990,094	\$ 1,663,038	\$ 1,566,820
Physical health and social services	640,862	635,964	617,973	617,848
Mental health	756,016	770,283	1,168,464	931,044
County environment and education	2,939,043	2,279,232	1,157,416	1,072,816
Roads and transportation	5,735,003	5,576,080	4,661,825	4,831,417
Governmental services to residents	463,347	491,039	467,028	542,890
Administration	1,023,388	1,062,688	1,024,787	1,041,691
Non-program	8,522	111,455	58,523	127,977
Debt service	544,197	139,192	34,251	34,251
Capital projects	5,203,717	2,786,371	1,750,248	781,192
Total expenditures	\$ 19,448,677	\$ 15,842,398	\$ 12,603,553	\$ 11,547,946

See Independent Auditor's Report.

SCHEDULE 7

Modified Accrual					
2013	2012	2011	2010	2009	2008
\$ 6,047,031	\$ 5,550,390	\$ 5,295,124	\$ 5,270,310	\$ 5,007,863	\$ 4,831,728
284,990	284,929	300,220	338,520	283,115	253,398
143,156	124,891	66,531	61,145	68,163	49,985
3,895,167	4,268,506	4,638,643	4,987,987	4,965,659	4,034,913
24,504	15,728	11,220	15,632	53,150	52,413
387,306	351,327	381,939	332,818	336,452	435,027
174,356	217,488	257,408	211,050	246,604	326,701
205,647	218,179	149,508	76,261	43,467	120,246
<u>\$ 11,162,157</u>	<u>\$ 11,031,438</u>	<u>\$ 11,100,593</u>	<u>\$ 11,293,723</u>	<u>\$ 11,004,473</u>	<u>\$ 10,104,411</u>
\$ 1,595,894	\$ 1,525,114	\$ 1,549,545	\$ 1,385,829	\$ 1,317,526	\$ 1,235,498
716,454	621,770	634,226	710,274	670,713	539,900
836,192	2,105,026	1,772,883	1,631,391	1,711,713	1,941,090
872,663	860,629	841,139	798,859	812,731	813,482
4,834,826	4,450,006	4,199,590	3,768,729	4,667,894	3,775,558
418,180	407,493	382,580	384,924	348,289	332,739
928,163	862,042	821,090	801,998	825,036	863,707
26,657	46,086	39,524	9,103	23,281	85,795
1,074,842	1,078,210	918,760	987,268	140,576	95,363
<u>\$ 11,303,871</u>	<u>\$ 11,956,376</u>	<u>\$ 11,159,337</u>	<u>\$ 10,478,375</u>	<u>\$ 10,517,759</u>	<u>\$ 9,683,132</u>

ALLAMAKEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Allamakee County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) Significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) Major program was as follows:
 - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Allamakee County did qualify as a low-risk auditee.

ALLAMAKEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2017-001 Overlapping Duties

Condition: The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Cause: The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.

Effect: This deficiency results in a reasonable possibility that the County would not be able to detect misstatements that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: The County should review the operating procedures of the County offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. While we do recognize that the County is not large enough to permit a segregation of duties for an effective internal control, we believe it is important the Board be aware that this condition does exist.

**Views of Responsible
Officials and Planned**

Correction Actions: Management is cognizant of this limitation and will implement additional controls where possible.

ALLAMAKEE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Part III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Federal Award Year: 2017
U.S. Department of Homeland Security
Passed through Iowa Homeland Security and Emergency Management Department
See 2017-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated February 10, 2018

Part V: Summary of Prior Federal Audit Findings and Questioned Costs:

Comment Reference	Comment Title	Status	Explanation
2016-001	Overlapping duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

ALLAMAKEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Grantor/Program	CFDA Number	Grant Number/Description	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Passed through Iowa Department of Human Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	LAE Reimbursement	\$ 7,938
U.S. Department of Justice:			
Passed through Iowa Department of Justice Crime Victim Assistance	16.575	VA-17-93-CJ	30,864
U.S. Department of Transportation:			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction	20.205	SB-IA-C003(053)--7T-03	173,032
Passed through Iowa Homeland Security and Emergency Management Department:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HME0-17-21	23,785
Subtotal U.S. Department of Transportation			196,817
U.S. Department of Health and Human Services:			
Passed through Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.074	5885BT403	4,654
Passed through Helping Services for Northeast Iowa, Inc.:			
Substance Abuse and Mental Health Services			
Projects of Regional and National Significance	93.243	5886IP30	25,905
	93.243	5887IP30	51,552
			77,457
Passed through Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	24
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	2,255
Foster Care - Title IV-E	93.658	LAE Reimbursement	2,946
Adoption Assistance	93.659	LAE Reimbursement	913
Social Services Block Grant	93.667	LAE Reimbursement	2,341
Children's Health Insurance Program	93.767	LAE Reimbursement	63
Medical Assistance Program	93.778	LAE Reimbursement	13,857
			22,399
Subtotal U.S. Department of Health and Human Services			104,510
U.S. Department of Homeland Security:			
Passed through Iowa Homeland Security and Emergency Management Department:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4234-IA	23,977
	97.036	FEMA DR-4281-IA	581,004
			604,981
Emergency Management Performance Grants			
	97.042	EMPG-16-PT-03	170
	97.042	EMPG-17-PT-03	20,008
			20,178
Pre-Disaster Mitigation			
	97.047	PDMC-PL-07-IA-2015-005-01	5,193
Subtotal U.S. Department of Homeland Security			630,352
Total Federal Financial Assistance			\$ 970,481

See Independent Auditor's Report.

ALLAMAKEE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Allamakee County under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Allamakee County, it is not intended to and does not present the financial position, changes in net position or cash flows of Allamakee County.

Summary of Significant Accounting Policies

- 1) Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles of 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.
- 2) Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

Allamakee County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients

There were no awards passed through to subrecipients.

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 Board of Supervisors
Allamakee County
Waukon, Iowa

We have audited, in accordance with the 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, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Allamakee County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Allamakee County's basic financial statements, and have issued our report thereon dated February 10, 2018.

Internal Control over Financial Reporting

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

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 that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Allamakee County's Response to Finding

Allamakee County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Allamakee County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 10, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Supervisors
Allamakee County
Waukon, Iowa

Report on Compliance for the Major Federal Program

We have audited Allamakee County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Allamakee County's major federal program for the year ended June 30, 2017. Allamakee County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Allamakee 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 noncompliance 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 Allamakee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that 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 Allamakee County's compliance.

Opinion on the Major Federal Program

In our opinion, Allamakee 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, 2017.

Report on Internal Control over Compliance

Management of Allamakee 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 Allamakee 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 that are 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 Allamakee 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 that 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Allamakee County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Allamakee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 10, 2018

MANAGEMENT LETTER

To the Board of Supervisors
Allamakee County
Waukon, Iowa

In planning and performing our audit of the basic financial statements of Allamakee County for the year ended June 30, 2017, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 10, 2018, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 10, 2018, on the basic financial statements of Allamakee County. Comments 11, 12, and 13 are unresolved comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. **Certified Budget**
Expenditures for the year ended June 30, 2017 did not exceed the amounts budgeted for any function.
2. **Questionable Expenditures**
We noted no expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
3. **Travel Expense**
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. **Business Transactions**
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2017.
5. **Bond Coverage**
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. **Board Minutes**
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated December 10, 1985, December 31, 1986, and May 2, 1989.

7. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

8. 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).

9. 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 through D.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

The County Extension Office received 4-H donations. These receipts were reflected in the Extension Council's accounting system and have been included in the annual budget or monthly financial reports. Disbursements from these proceeds were approved by the Extension Council prior to payment.

10. Tax Increment Financing (TIF)

For the year ended June 30, 2017, the County Auditor's office performed their duties in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa and completed reconciliations of each City's TIF receipts and TIF debt certified.

11. Fund Balance Deficit

As of June 30, 2017, the Conservation Special Projects-special revenue fund had a fund balance deficit. In accordance with Chapter 331.476 of the Code of Iowa, no official should issue a warrant, execute a contract, or allow a claim, which would result in expenditures to exceed revenue collected during the fiscal year plus any unexpended balance from prior year.

Recommendation

We recommend County expenditures not exceed the revenues collected during the fiscal year plus unexpended balances from the prior year in the individual funds. The County would then be in compliance with Chapter 331.476 of the Code of Iowa.

Response

The Conservation Special Projects-special revenue fund deficit resulted from expenditures incurred near year-end but the cost-reimbursement grant proceeds were not collected within 60 days after year-end; therefore, were recorded as deferred revenues. In the future, we will monitor fund balances closely to avoid a deficit balance.

Conclusion

Response accepted.

12. Sheriff Office's Reconciliation

During our audit, we noted the Sheriff Office's cashbook reconciliation included outstanding checks over two years old.

Recommendation

Checks outstanding for two or more years should be filed with the State Treasurer's office. See https://greatiowatreasurehunt.gov/docs/holder_manual_2016.pdf for instructions.

Response

We will comply in the future.

Conclusion

Response accepted.

13. Credit Card Policy and Use

During our audit, we noted that not all of the receipts for purchases on the County's Kwik Star gas credit cards are being submitted before payment is made. We also noted the County does not have a written credit card policy in place.

Recommendation

We recommend the County approve a written credit card policy, which includes a requirement that all receipts be submitted before payment is made.

Response

We will consider having the Board of Supervisors approve a written credit card policy that all County employees will be expected to follow.

Conclusion

Response accepted.

This report, a public record by law, is intended solely for the information and use of the Board of Supervisors, management and citizens of Allamakee County, and federal awarding agencies and pass-through entities to whom the County may report. The report is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Allamakee County during the course of our audit. If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 10, 2018