

BUCHANAN COUNTY
Independence, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2017

BUCHANAN COUNTY
Independence, Iowa

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**BUCHANAN COUNTY
Independence, Iowa**

OFFICIALS

(Before January 2017)

Ellen Gaffney	Board of Supervisors.....	January 2017
Gary Gissel.....	Board of Supervisors.....	January 2019
Don Shonka	Board of Supervisors.....	January 2019

Cindy Gosse	County Auditor	January 2017
Amy Wright.....	County Treasurer.....	January 2019
Diane Curry	County Recorder	January 2019
Bill Wolfgram.....	County Sheriff.....	January 2017
Shawn Harden	County Attorney	January 2019
Brad Harms	County Assessor	Appointed

(After January 2017)

Gary Gissel.....	Board of Supervisors.....	January 2019
Don Shonka	Board of Supervisors.....	January 2019
Clayton Ohrt.....	Board of Supervisors.....	January 2021

Cindy Gosse	County Auditor	January 2021
Amy Wright.....	County Treasurer.....	January 2019
Diane Curry	County Recorder	January 2019
Bill Wolfgram.....	County Sheriff.....	January 2021
Shawn Harden	County Attorney	January 2019
Brad Harms	County Assessor	Appointed



Independent Auditor's Report

To the Officials of Buchanan County
Independence, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa 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 accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 – 11 and 55 – 62 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buchanan County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2018, on our consideration of Buchanan County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Buchanan County, Iowa's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carolyn Thomson, P.C." The signature is fluid and cursive, with "Carolyn" on the first line and "Thomson, P.C." on the second line.

Charles City, Iowa

March 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Buchanan 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. 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 increased 12.33%, or approximately \$2,087,378, from fiscal 2016 to fiscal 2017. Property tax decreased approximately \$60,630, charges for services decreased \$429,502, operating grants and contributions increased by \$409,855, and capital grants and contributions increased approximately \$2,231,857.
- Program expenses were 1.06% or approximately \$171,803, less in fiscal 2017 than in fiscal 2016. Administration expense increased \$127,714 and Roads and Transportation expense decreased \$416,404.
- The County's net position increased 7.78% or approximately \$2,966,657, 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 Buchanan 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 Buchanan County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Buchanan 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.

USING THIS ANNUAL REPORT (CONTINUED)

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The 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.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (CONTINUED)

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

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

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 and emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Buchanan County's combined net position increased from a year ago, from \$38,140,774 to \$41,107,431. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016
Current and Other Assets	\$14,865	\$17,407
Capital Assets, Net of Accumulated Depreciation/Amortization	42,302	39,862
Total Assets	57,167	57,269
Deferred Outflows of Resources	1,325	664
Long-Term Liabilities	9,499	11,244
Other Liabilities	1,017	1,400
Total Liabilities	10,516	12,644
Deferred Inflows of Resources	6,869	7,148
Net Position:		
Net Investment in Capital Assets	38,984	35,735
Restricted	5,808	7,712
Unrestricted	(3,685)	(5,306)
Total Net Position	\$41,107	\$38,141

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net position of Buchanan County's governmental activities increased 7.78% (\$41,107,431 compared to \$38,140,774). 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. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements — increased from a deficit of approximately \$5,305,613 at June 30, 2016 to a deficit of approximately \$3,685,445 at the end of this year, a substantial increase.

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

	Year Ended June 30,	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Service	\$ 1,951	\$ 2,380
Operating Grants, Contributions and Restricted Interest	5,297	4,887
Capital Grants, Contributions and Restricted Interest	3,117	885
General Revenues:		
Property Tax	6,850	6,910
Penalty and Interest on Property Tax	49	56
State Tax Credits	575	600
Local Option Sales Tax	937	891
Unrestricted Investment Earnings	67	45
Other General Revenues	179	281
Total Revenues	19,022	16,935
Program Expenses:		
Public Safety and Legal Services	3,687	3,585
Physical Health and Social Services	589	538
Mental Health	1,025	1,090
County Environment and Education	1,160	1,134
Roads and Transportation	6,309	6,725
Governmental Services to Residents	698	684
Administration	1,612	1,485
Non-Program	729	719
Interest on Long-Term Debt	247	267
Total Expenses	16,056	16,227
Change in Net Position	2,966	708
Net Position Beginning of Year	38,141	37,433
Net Position End of Year	\$41,107	\$38,141

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The results of governmental activities for the year resulted in Buchanan County's net position increasing by approximately \$2,966,657. Revenues for governmental activities increased by approximately \$2,087,378 from the prior year, with operating and capital grant revenue up from the prior year by approximately \$2,641,712.

The cost of all governmental activities this year was \$16,055,706 compared to \$16,227,509 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$5,691,203 because some of the cost was paid by those directly benefited from the programs \$(1,950,981) or by other governments and organizations which subsidized certain programs with grants and contributions \$(8,413,522). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in 2017 from approximately \$8,152,293 to \$10,364,503. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,849,811 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Buchanan County completed the year, its governmental funds reported a combined fund balance of \$7,256,445, a decrease of \$1,645,740 from last year's total of \$8,902,185. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased slightly when compared to the prior year. The ending fund balance showed a decrease of \$184,852 from the prior year to \$1,913,726.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$834,117. The Mental Health Fund balance at year end increased by approximately \$104,848 from the prior year.
- The Rural Services Fund revenues and expenditures increased slightly over the prior year. The ending fund balance showed a decrease of \$223,043 from the prior year to \$525,523.
- Secondary Roads Fund expenditures decreased by approximately \$1,695,242 over the prior year. The Secondary Roads Fund ending balance increased approximately \$1,229,914.
- The Debt Service Fund showed a decrease in fund balance of \$2,801,925 to end the fiscal year with a balance of \$172,705.

BUDGETARY HIGHLIGHTS

During the year, Buchanan County amended its budget one time. The amendment was made in April 2017. The amendment was made for additional grants received in the various departments and loan proceeds for purchasing equipment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Buchanan County had approximately \$63,786,135 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangibles. This is a net increase (including additions and deletions) of approximately \$3,988,565 or 6.67% over last year.

**Capital Assets of Governmental Activities at Year End
(Expressed in Thousands)**

	June 30,	
	2017	2016
Land	\$ 3,138	\$ 2,825
Buildings and Improvements	10,212	10,102
Equipment and Vehicles	10,072	9,767
Intangibles	122	122
Infrastructure	37,302	36,346
Construction in Progress	2,940	636
 Total	 \$63,786	 \$59,798

This year's major additions included (in thousands):

Infrastructure	\$ 956
Construction in Progress	2,304
Secondary Roads Equipment	398
Land	313
Sheriff Vehicles	86
 Total	 \$ 4,057

The County had depreciation/amortization expense of \$1,887,139 in fiscal year 2017 and total accumulated depreciation/amortization of \$21,483,685 at June 30, 2017.

The County's fiscal year 2017 capital budget included \$1,396,131 for capital projects, principally for the upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2017 Buchanan County had approximately \$4,929,174 in general obligation notes and other debt outstanding compared to approximately \$7,625,476 at June 30, 2016, as shown below:

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Outstanding Debt of Governmental Activities at Year End
(Expressed in Thousands)

	June 30,	
	2017	2016
General Obligation Notes	\$ 319	\$ 50
General Obligation Bonds	4,155	7,300
Installment Purchase	128	0
Compensated Absences	327	275
 Total	 \$4,929	 \$7,625

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Buchanan County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$99.25 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Buchanan County's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged for various county services. One of those factors is the economy. Unemployment in the county stands at 2.4% versus 3.8% a year ago. This compares with the State's unemployment rate of 2.8% and the national rate of 4.1%.

These indicators were taken into account when adopting the budget for fiscal year 2018. Again this year with the increase in valuations, the county was able to stabilize their levies. The levy for the MHDS fund was decreased to lower the fund balance.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Buchanan County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Buchanan County Auditor's Office, 210 – 5th Avenue NE, City of Independence, Iowa.

Exhibit A

**BUCHANAN COUNTY
Independence, Iowa**

STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$ 6,609,845
Receivables:	
Property Tax:	
Delinquent	5,908
Succeeding Year	6,689,119
Interest and Penalty On Property Tax	131
Accounts	290,991
Accrued Interest	3,873
Notes Receivable	242,836
Due From Other Governments	629,341
Inventories	317,315
Prepaid Insurance	74,902
Capital Assets (Net of Accumulated Depreciation/Amortization)	<u>42,302,450</u>
TOTAL ASSETS	<u>57,166,711</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	<u>1,325,430</u>
LIABILITIES	
Accounts Payable	792,567
Accrued Interest Payable	18,648
Salaries and Benefits Payable	199,857
Due To Other Governments	5,494
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	66,252
General Obligation Bonds	370,000
Installment Purchase	128,000
Compensated Absences	327,242
Portion Due Or Payable After One Year:	
General Obligation Notes	252,680
General Obligation Bonds	3,785,000
Net Pension Liability	3,732,020
Net OPEB Liability	837,824
TOTAL LIABILITIES	<u>10,515,584</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenues	6,689,119
Pension Related Deferred Inflows	<u>180,007</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,869,126</u>

See Notes To Financial Statements

Exhibit A (Continued)

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
NET POSITION	
Net Investment in Capital Assets	\$38,983,980
Restricted For:	
Supplemental Levy Purposes	377,815
Mental Health Purposes	2,623,534
Rural Services Purposes	526,197
Secondary Roads Purposes	1,760,006
Debt Service	154,486
Other Purposes	366,858
Unrestricted	<u>(3,685,445)</u>
TOTAL NET POSITION	<u>\$41,107,431</u>

See Notes To Financial Statements

Exhibit B

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

	Program Revenues				
	Operating Expenses	Service	Interest	Interest	Net Position
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	\$ 3,687,329	\$ 519,299	\$ 12,540	\$ 0	\$ (3,155,490)
Physical Health and Social Services	589,068	176,436	235,722	0	(176,910)
Mental Health	1,024,644	5,273	158,934	0	(860,437)
County Environment and Education	1,160,377	72,323	227,374	13,947	(846,733)
Roads and Transportation	6,308,883	39,384	4,649,902	3,102,759	1,483,162
Governmental Services to Residents	697,673	358,127	344	0	(339,202)
Administration	1,612,225	204,674	12,000	0	(1,395,551)
Non-Program	728,793	575,465	0	0	(153,328)
Interest on Long-Term Debt	246,714	0	0	0	(246,714)
TOTAL	\$16,055,706	\$1,950,981	\$5,296,816	\$3,116,706	(5,691,203)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					6,328,313
Debt Service					521,498
Penalty and Interest on Property Tax					49,071
State Tax Credits and Replacements					575,190
Local Option Sales Tax					937,215
Unrestricted Investment Earnings					66,798
Miscellaneous					172,877
Gain on Disposal of Capital Assets					6,898
TOTAL GENERAL REVENUES					8,657,860
CHANGE IN NET POSITION					2,966,657
NET POSITION BEGINNING OF YEAR					38,140,774
NET POSITION END OF YEAR					\$41,107,431

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Revenue Mental Health
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$1,926,228	\$2,582,346
Receivables:		
Property Tax:		
Delinquent	3,370	601
Succeeding Year	4,256,706	295,204
Interest and Penalty on Property Tax	131	0
Accounts	18,318	0
Accrued Interest	3,789	0
Notes Receivable	0	0
Due From Other Governments	70,285	47,280
Inventories	0	0
Prepaid Insurance	44,602	203
TOTAL ASSETS	\$6,323,429	\$2,925,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 51,702	\$ 333
Salaries and Benefits Payable	90,319	4,944
Due To Other Governments	5,396	0
Compensated Absences	2,278	1,416
Total Liabilities	<u>149,695</u>	<u>6,693</u>
Deferred Inflows of Resources:		
Unavailable Revenues:		
Succeeding Year Property Tax	4,256,706	295,204
Other	3,302	5,869
Total Deferred Inflows of Resources	<u>4,260,008</u>	<u>301,073</u>

See Notes To Financial Statements

Exhibit C

Special Revenue				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 490,255	\$1,090,860	\$172,698	\$330,013	\$ 6,592,400
1,501	0	436	0	5,908
1,691,128	0	446,081	0	6,689,119
0	0	0	0	131
2,256	9,673	0	452	30,699
0	0	0	84	3,873
0	242,836	0	0	242,836
82,625	429,151	0	0	629,341
0	317,315	0	0	317,315
819	29,278	0	0	74,902
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\$2,268,584	\$2,119,113	\$619,215	\$330,549	\$14,586,524
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 14,668	\$ 111,283	\$ 0	\$ 0	\$ 177,986
35,772	68,822	0	0	199,857
0	98	0	0	5,494
0	0	0	0	3,694
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
50,440	180,203	0	0	387,031
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1,691,128	0	446,081	0	6,689,119
1,493	242,836	429	0	253,929
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1,692,621	242,836	446,510	0	6,943,048

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2017

	General	Special Revenue
		Mental Health
Fund Balances:		
Nonspendable:		
Inventories	\$ 0	\$ 0
Prepaid Insurance	44,602	203
Restricted For:		
Supplemental Levy Purposes	377,287	0
Mental Health Purposes	0	2,617,665
Rural Services Purposes	0	0
Secondary Roads Purposes	0	0
Drainage Purposes	0	0
Conservation Land Acquisition Purposes	183,937	0
Debt Service	0	0
Capital Projects	0	0
Other Purposes	0	0
Assigned for Sheriff	90,489	0
Assigned for Conservation	10	0
Unassigned	1,217,401	0
Total Fund Balances	1,913,726	2,617,868
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$6,323,429	\$2,925,634

See Notes To Financial Statements

Exhibit C (Continued)

Special Revenue						
Rural Services	Secondary Roads	Debt Service	Nonmajor			Total
\$ 0	\$ 317,315	\$ 0	\$ 0			\$ 317,315
819	29,278	0	0			74,902
	0	0	0			377,287
	0	0	0			2,617,665
524,704	0	0	0			524,704
	1,349,481	0	0			1,349,481
	0	0	4,051			4,051
	0	0	0			183,937
	0	172,705	0			172,705
	0	0	222,530			222,530
	0	0	103,968			103,968
	0	0	0			90,489
	0	0	0			10
	0	0	0			1,217,401
525,523	1,696,074	172,705	330,549			7,256,445
\$2,268,584	\$2,119,113	\$619,215	\$330,549			\$14,586,524

Exhibit D

**BUCHANAN COUNTY
Independence, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**
June 30, 2017

Total Governmental Fund Balances (Page 18) \$ 7,256,445

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of the capital assets is \$63,786,135 and the accumulated depreciation/amortization is \$21,483,685.

42,302,450

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.

253,929

The Internal Service Fund is used by management to charge the costs of 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.

(336,844)

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 fund, as follows:

Deferred Outflows of Resources	\$1,325,430
Deferred Inflows of Resources	(180,007)
	<hr/>
	1,145,423

Long-term liabilities, including bonds payable, notes payable, compensated absences payable, other postemployment benefits payable, net pension liability, and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(9,513,972)

Net Position of Governmental Activities (Page 13) \$41,107,431

See Notes to Financial Statements

BUCHANAN COUNTY
Independence, Iowa

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General	Special Revenue
		Mental Health
REVENUES:		
Property and Other County Tax	\$4,009,557	\$ 715,227
Local Option Sales Tax	0	0
Interest and Penalty on Property Tax	49,071	0
Intergovernmental	1,152,443	223,711
Licenses and Permits	50	0
Charges for Service	635,603	0
Use of Money and Property	86,803	0
Miscellaneous	46,792	27
Total Revenues	<u>5,980,319</u>	<u>938,965</u>
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	2,236,545	0
Physical Health and Social Services	518,009	0
Mental Health	174,042	834,117
County Environment and Education	723,700	0
Roads and Transportation	0	0
Governmental Services to Residents	650,806	0
Administration	1,511,257	0
Non-Program	66,947	0
Debt Service	0	0
Capital Projects	212,865	0
Total Expenditures	<u>6,094,171</u>	<u>834,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(113,852)</u>	<u>104,848</u>
Other Financing Sources (Uses):		
Sale of Capital Assets	0	0
Transfers In	4,000	0
Transfers Out	(75,000)	0
General Obligation Note Issued	0	0
Total Other Financing Sources (Uses)	<u>(71,000)</u>	<u>0</u>
Change in Fund Balances	(184,852)	104,848
Fund Balances Beginning of Year	2,098,578	2,513,020
Decrease in Reserve For Inventories	0	0
Fund Balances End of Year	<u>\$1,913,726</u>	<u>\$2,617,868</u>

See Notes To Financial Statements

Exhibit E

Special Revenue				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$ 1,604,092	\$ 0	\$ 521,488	\$ 0	\$ 6,850,364
937,215	0	0	0	937,215
0	0	0	0	49,071
270,636	5,171,725	47,422	16,455	6,882,392
19,218	14,391	0	0	33,659
12,140	0	0	4,253	651,996
118,108	0	31,578	1,169	237,658
40,411	205,157	0	1,616	294,003
3,001,820	5,391,273	600,488	23,493	15,936,358
1,082,521	0	0	162	3,319,228
47,977	0	0	0	565,986
0	0	0	0	1,008,159
493,818	0	0	5,200	1,222,718
0	5,199,402	0	0	5,199,402
3,070	0	0	1,343	655,219
0	0	0	0	1,511,257
0	0	0	0	66,947
0	0	3,402,413	4,000	3,406,413
0	609,311	0	59,470	881,646
1,627,386	5,808,713	3,402,413	70,175	17,836,975
1,374,434	(417,440)	(2,801,925)	(46,682)	(1,900,617)
0	6,900	0	0	6,900
0	1,672,477	0	0	1,676,477
(1,597,477)	0	0	(4,000)	(1,676,477)
0	0	0	280,000	280,000
(1,597,477)	1,679,377	0	276,000	286,900
(223,043)	1,261,937	(2,801,925)	229,318	(1,613,717)
748,566	466,160	2,974,630	101,231	8,902,185
0	(32,023)	0	0	(32,023)
\$ 525,523	\$ 1,696,074	\$ 172,705	\$ 330,549	\$ 7,256,445

Exhibit F

BUCHANAN COUNTY
Independence, Iowa

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2017

Change in Fund Balances – Total Governmental Funds (Page 21)	\$(1,613,717)
---	---------------

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

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

Expenditures for Capital Assets	\$ 1,732,753
Capital Assets Contributed by the Iowa Department of Transportation	2,580,936
Capital Assets Contributed by Others	13,947
Depreciation/Amortization Expense	(1,887,139) 2,440,497

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

(2)

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	952
Other	(92,365) (91,413)

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	(408,000)
Repaid	3,156,723 2,748,723

Exhibit F (Continued)

**BUCHANAN COUNTY
Independence, Iowa**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2017

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.

\$ 486,003

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 governmental funds as follows:

Compensated Absences	\$ (53,431)
Other Postemployment Benefits	(71,891)
Pension Expense	(497,399)
Interest on Long-Term Debt	<u>2,976</u>
	(619,745)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net position is exhausted.

(32,023)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

(351,666)

Change in Net Position of Governmental Activities (Page 14)

\$2,966,657

See Notes to Financial Statements

Exhibit G

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF NET POSITION
PROPRIETARY FUND**
June 30, 2017

	Internal Service Employee Group Health	
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$ 17,445	
Accounts Receivable	260,292	
TOTAL ASSETS	\$ 277,737	
LIABILITIES		
Accounts Payable	614,581	
NET POSITION		
Unrestricted	\$(336,844)	

See Notes To Financial Statements

Exhibit H

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2017**

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,660,713
Reimbursements From Employees	153,382
Miscellaneous	447,423
Total Operating Revenues	<u>2,261,518</u>
OPERATING EXPENSES:	
Medical Claims	2,188,176
Insurance Premiums	419,509
Administrative Fees	5,671
Total Operating Expenses	<u>2,613,356</u>
Operating Loss	(351,838)
NON-OPERATING REVENUES:	
Interest on Investments	<u>172</u>
Net Loss	(351,666)
Net Position Beginning of Year	<u>14,822</u>
Net Position End of Year	<u><u>\$ (336,844)</u></u>

See Notes To Financial Statements

Exhibit I

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2017**

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$ 1,660,713
Cash Received From Employees and Others	627,264
Cash Payments To Suppliers For Services	<u>(2,464,938)</u>
Net Cash Used in Operating Activities	<u>(176,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	<u>172</u>
Net Decrease in Cash, Cash Equivalents and Pooled Investments	(176,789)
Cash, Cash Equivalents and Pooled Investments Beginning of Year	<u>194,234</u>
Cash, Cash Equivalents and Pooled Investments End of Year	<u>\$ 17,445</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Loss	\$ (351,838)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Decrease in Accounts Receivable	26,459
Increase in Accounts Payable	<u>148,418</u>
Net Cash Used in Operating Activities	<u><u>\$ (176,961)</u></u>

See Notes To Financial Statements

Exhibit J

**BUCHANAN COUNTY
Independence, Iowa**

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

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,398,302
Other County Officials	49,278
Receivables:	
Property Tax:	
Delinquent	413
Succeeding Year	23,001,695
Accounts	9,198
Accrued Interest	432
Due from Other Governments	37,882
TOTAL ASSETS	<u>24,497,200</u>

LIABILITIES

Accounts Payable	3,446
Salaries and Benefits Payable	6,337
Due To Other Governments	24,405,727
Trusts Payable	68,618
Compensated Absences	13,072
TOTAL LIABILITIES	<u>24,497,200</u>
NET POSITION	<u>\$ 0</u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

Two drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Buchanan County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Buchanan County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. REPORTING ENTITY (CONTINUED)

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

B. BASIS OF PRESENTATION

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

Property tax revenue recognized in these fund 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.

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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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

Asset Class	Amount
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Intangibles	25,000
Equipment and Vehicles	5,000

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-65
Building Improvements	20-50
Infrastructure	10-65
Intangibles	5-20
Equipment	2-20
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.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY (CONTINUED)

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned – All amounts not included in the preceding classifications.

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded amounts budgeted in the debt service function and disbursements in the Educational Services and Nondepartmental departments exceeded the amounts appropriated.

Note 2: Cash, 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.

The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Notes to Financial Statements (Continued)

Note 2: Cash, Cash Equivalents and Pooled Investments (Continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,915,364, pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

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

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

Credit Risk. The investment in the Iowa Public Agency Investment Trust is unrated.

Note 3: Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: REAP	\$ 4,000
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	75,000 <u>1,597,477</u>
Total		<u>\$1,676,477</u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 2,824,531	\$ 313,500	\$ 0	\$ 3,138,031
Construction in Progress	636,402	2,303,561	0	2,939,963
Total Capital Assets Not Being Depreciated/Amortized	3,460,933	2,617,061	0	6,077,994
Capital Assets Being Depreciated/Amortized:				
Buildings and Improvements	10,101,775	109,737	0	10,211,512
Machinery and Equipment	8,636,795	511,136	143,289	9,004,642
Vehicles	1,129,626	146,164	208,502	1,067,288
Intangibles	122,345	0	0	122,345
Infrastructure	36,346,096	956,258	0	37,302,354
Total Capital Assets Being Depreciated/Amortized	56,336,637	1,723,295	351,791	57,708,141
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	2,821,093	227,830	0	3,048,923
Machinery and Equipment	5,182,407	503,984	249,062	5,437,329
Vehicles	852,486	106,670	90,007	869,149
Intangibles	48,938	24,469	0	73,407
Infrastructure	11,030,691	1,024,186	0	12,054,877
Total Accumulated Depreciation/Amortization	19,935,615	1,887,139	339,069	21,483,685
Total Capital Assets Being Depreciated/Amortized, Net	36,401,022	(163,844)	12,722	36,224,456
Governmental Activities Capital Assets, Net	\$39,861,955	\$2,453,217	\$ 12,722	\$42,302,450

Depreciation/Amortization expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 310,783
Physical Health and Social Services	562
Mental Health	2,500
County Environment and Education	75,418
Roads and Transportation	1,409,450
Governmental Services to Residents	9,622
Administration	78,804
Total Depreciation/Amortization Expense – Governmental Activities	\$1,887,139

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2017 is as follows:

Fund	Description	Amount
General	Services	\$ 5,396
Special Revenue:		
Secondary Roads	Services	98
	Total for Governmental Funds	<u>\$ 5,494</u>

Agency:

Agricultural Extension Education	Collections	\$ 210,900
County Assessor		479,053
Schools		14,630,558
Community Colleges		978,334
Corporations		5,684,204
Auto License and Use Tax		528,905
All Other		<u>1,893,773</u>
	Total for Agency Funds	<u>\$24,405,727</u>

Note 6: Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017, is as follows:

	General Obligation Bonds	General Obligation Notes	Installment Purchase	Fire Equipment Notes	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance Beginning of Year	\$7,300,000	\$ 32,000	\$ 0	\$18,655	\$274,821	\$2,852,159	\$765,933	\$11,243,568
Increases	0	280,000	128,000	0	327,242	879,861	77,823	1,692,926
Decreases	3,145,000	4,000	0	7,723	274,821	0	5,932	3,437,476
Balance End of Year	<u>\$4,155,000</u>	<u>\$308,000</u>	<u>\$128,000</u>	<u>\$10,932</u>	<u>\$327,242</u>	<u>\$3,732,020</u>	<u>\$837,824</u>	<u>\$ 9,499,018</u>
Due Within One Year	<u>\$ 370,000</u>	<u>\$ 60,000</u>	<u>\$128,000</u>	<u>\$ 6,252</u>	<u>\$327,242</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 891,494</u>

Notes to Financial Statements (Continued)

Note 6: Long-Term Liabilities (Continued)

Bonds Payable

On December 1, 2008, the County issued \$4,550,000 of General Obligation County Jail Bonds, Series 2008. The bonds were issued for the purpose of providing funds to pay the cost of constructing, furnishing and equipping a County jail and public safety center, which was approved at a special election held on August 21, 2007. Interest ranges from 4.85% to 5.40% over the life of the issue. Interest payments are due semiannually on June 1 and December 1, from 2009 through June 1, 2027. Principal payments are due annually commencing June 1, 2009.

During the fiscal year ended June 30, 2012, the County issued \$4,580,000 in General Obligation E911 Equipment and Refunding Bonds, Series 2012A. The proceeds of the refunding bonds were used to finance \$1,355,000 in construction of Communication Towers and \$3,105,000 was used to crossover refund General Obligation County Jail Bonds, Series 2008, representing the 2018–2027 maturities. These maturities were called for redemption on June 1, 2017.

A summary of the County's June 30, 2017 General Obligation Bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2018	2.00%	\$ 370,000	\$101,340	\$ 471,340
2019	2.00	385,000	99,540	484,540
2020	2.00	395,000	92,140	487,140
2021	2.00	400,000	84,440	484,440
2022	2.20	410,000	76,540	486,540
2023-2027	2.30-2.90%	2,195,000	237,940	2,432,940
		<u>\$4,155,000</u>	<u>\$691,940</u>	<u>\$4,846,940</u>

General Obligation Notes

During the year ended June 30, 2017, the County issued \$280,000 of General Obligation Equipment Notes. The notes were issued to pay the costs of acquiring computer and telephone equipment. Interest on the General Obligation Equipment Notes is due semi-annually commencing on December 1, 2017 at a rate of 2.0%. Principal is due annually commencing on June 1, 2018 to June 1, 2022.

Notes to Financial Statements (Continued)

Note 6: Long-Term Liabilities (Continued)

A summary of the County's June 30, 2017 General Obligation Note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2018	2.00%	\$ 56,000	\$ 6,732	\$ 62,732
2019	2.00	56,000	4,201	60,201
2020	2.00	56,000	3,088	59,088
2021	2.00	56,000	1,961	57,961
2022	2.00	56,000	841	56,841
		<hr/>	<hr/>	<hr/>
		\$280,000	\$16,823	\$296,823

In August of 2009, the Board approved a contract for the purchase of land into which the Conservation Board entered. The contract was for \$60,000 to be paid in annual installments of \$4,000 for 15 years. The contract is free of interest. A summary of the contract payments at June 30, 2017 is as follows:

Year Ending June 30,	Principal
2018	\$ 4,000
2019	4,000
2020	4,000
2021	4,000
2022	4,000
2023-2024	<hr/> 8,000
	<hr/>
	\$28,000

Installment Purchase

During the fiscal year ended June 30, 2017, the County entered into an agreement to purchase land for conservation purchases. The County paid \$185,500 toward the purchase and will pay the additional \$128,000 during the fiscal year ended June 30, 2018 after the receipts of grant proceeds.

Notes to Financial Statements (Continued)

Note 6: Long-Term Liabilities (Continued)

Fire Equipment Notes

During the fiscal year ended June 30, 2012, the County entered into a township fire equipment note on behalf of Perry Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Perry Township. The interest rate is set at 4.38%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2019.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2018	4.38%	\$4,489	\$358	\$4,847
2019	4.38%	4,680	156	4,836
		\$9,169	\$514	\$9,683

During the fiscal year ended June 30, 2012, the County entered into a township fire equipment note on behalf of Westburg Township. The note was issued to pay a portion of the cost of the acquisition of fire equipment by Westburg Township. The interest rate is set at 4.30%. Principal and interest payments are due semiannually on January 1 and July 1 commencing on July 1, 2012 through January 1, 2018.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2018	4.30%	\$1,763	\$115	\$1,878

Note 7: Pension Plan

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

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

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 costs 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 \$486,003.

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 \$3,732,020 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 proportion was 0.0593013%, which was an increase of 0.001571% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$497,399. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences Between Expected and Actual Experience	\$ 30,423	\$81,567
Changes of Assumptions	52,519	17,098
Net Difference Between Projected and Actual Earnings on IPERS’ Investments	707,143	0

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in Proportion and Differences Between County Contributions and the County's Proportionate Share of Contributions	\$ 49,342	\$ 81,342
County Contributions Subsequent to the Measurement Date	<u>486,003</u>	0
Total	<u><u>\$1,325,430</u></u>	<u><u>\$180,007</u></u>

\$486,003 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 inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ 67,795
2019	67,795
2020	346,864
2021	187,266
2022	<u>(10,300)</u>
Total	<u><u>\$659,420</u></u>

There were no non-employer contributing entities at IPERS.

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.

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

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
US TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	100%	

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

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.50%) or 1 percent 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	\$6,690,400	\$3,732,020	\$1,237,727

Notes to Financial Statements (Continued)

Note 7: Pension Plan (Continued)

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 – All legally required County contributions and legally employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2017.

Note 8: Risk Management

Buchanan County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were \$155,263.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bonds in the amount of \$1,000,000 and \$20,000, respectively with an additional \$230,000 coverage on the Treasurer. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered by Auxiant. Claims of the employees are submitted to Auxiant who, in turn, bills the plan funds for the necessary amount. The County assumes liability for claims up to the individual stop loss limitation of \$55,000.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance Plan (Continued)

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Auxiant, as the plan administrator, makes monthly payments of service fees and claims processed from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2017 was \$1,660,713.

Amounts payable from the Employee Group Health Fund at June 30, 2017 total \$614,581, which is for incurred but not reported (IBNR) and reported but not paid 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 No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2017, the County has actual claims and expenses in excess of accumulated funds of \$336,844, which is reported as a deficit net position of the Internal Service, Employee Group Health Fund. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid Claims Beginning of Year	\$ 466,163
Incurred Claims (Including Claims Incurred But Not Reported at June 30, 2017)	2,188,176
Payments on Claims During the Fiscal Year	<u>2,039,758</u>
Unpaid Claims End of Year	<u><u>\$ 614,581</u></u>

Note 10: 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 102 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-funded medical plan administered by Auxiant. 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 benefits plan on a pay-as-you-go basis.

Notes to Financial Statements (Continued)

Note 10: Other Postemployment Benefits (OPEB) (Continued)

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	\$ 98,468
Interest on Net OPEB Obligation	19,274
Adjustment to Annual Required Contribution	<u>(39,919)</u>
Annual OPEB Cost	77,823
Contributions Made	<u>(5,932)</u>
Increase in Net OPEB Obligation	71,891
Net OPEB Obligation Beginning of the Year	<u>765,933</u>
Net OPEB Obligation End of the Year	<u><u>\$837,824</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed \$5,932 to the medical plan. Plan members receiving benefits contributed \$11,864 or 66.67% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$127,827	0.00%	\$694,881
2016	76,083	6.16	765,933
2017	77,823	7.62	837,824

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$780,239, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$780,239. The covered payroll (annual payroll of active employees covered by the plan) was \$4,835,371 and the ratio of the UAAL to covered payroll was 16.14%. As of June 30, 2017, there were no trust fund assets.

Notes to Financial Statements (Continued)

Note 10: 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP 2000 Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the scale T-9 tables.

Projected claim costs of the medical plan are \$806 per month for retirees. The UAAL is being amortized on a level dollar basis over 30 years.

Note 11: Commitments and Contingencies

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, County officials do not believe that such amounts would be significant.

Note 12: Related Party Transactions

The County had business transactions between the County and County officials during the year ended June 30, 2017.

Notes to Financial Statements (Continued)

Note 13: 28E Agreement

Buchanan County participates in an agreement with the Buchanan County Landfill Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the County and member municipalities.

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2017 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

In the event the Commission fails to perform postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance with 90 days of intent to cancel, the County will perform, or pay a third party to perform, postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

Note 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.

County Tax Abatements

For the year ended June 30, 2017, the County did not abate property tax under urban renewal and economic development projects.

Tax Abatement 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 Fairbank	Urban renewal and economic development projects	\$3,672
City of Independence	Urban renewal and economic development projects	9,065

Notes to Financial Statements (Continued)

Note 15: Buchanan County Financial Information Included in the Mental Health/Disability Services of the East Central Region

Mental Health/Disability Services of the East Central Region (MHDS–ECR), 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: Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Johnson County, Jones County and Linn County. The financial activity of Buchanan County's Special Revenue, Mental Health Fund is included in the MHDS–ECR for the year ended June 30, 2017 as follows:

Revenues:

Property and Other County Tax	\$ 715,227
Intergovernmental Revenues:	
State Tax Credits	\$ 64,777
Payments from Regional Fiscal Agent	<u>158,934</u>
Miscellaneous	27
Total Revenues	<u>938,965</u>

Expenditures:

Services to Persons With:	
Mental Illness	24,152
Intellectual Disabilities	2,452
Other Developmental Disabilities	<u>3,503</u>
General Administration	30,107
Direct Administration	126,438
Distribution to Regional Fiscal Agent	<u>676,156</u>
County Provided Case Management	1,416
Total Expenditures	<u>834,117</u>
Excess of Revenues Over Expenditures	104,848
Fund Balance Beginning of the Year	<u>2,513,020</u>
Fund Balance End of the Year	<u>\$2,617,868</u>

Note 16: Construction Commitments

The County has entered into contracts totaling \$4,132,091 for bridge construction and roadway paving. As of June 30, 2017, costs of \$2,939,963 on the projects have been incurred. The balance remaining on the contracts at June 30, 2017 will be paid as work on the projects progress.

Notes to Financial Statements (Continued)

Note 17: 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.

Note 18: Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending 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 pension, 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.

Note 19: Subsequent Events

Management evaluated subsequent events through March 29, 2018, the date the financial statements were available to be issued.

On March 5, 2018, the County approved a resolution authorizing a refunding loan agreement and debt service tax levy for the issuance of \$3,900,000 General Obligation Refunding Bonds, Series 2018 for the purpose of paying the cost of refunding the outstanding balance of the County's General Obligation County Jail Bonds, Series 2012.

BUCHANAN COUNTY
Independence, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2017

	Actual	Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 7,861,545	\$ 0	\$ 7,861,545	\$ 7,722,686	\$ 7,722,686	\$ 138,859
Interest and Penalty on Property Tax	49,060	0	49,060	55,000	55,000	(5,940)
Intergovernmental	6,762,413	0	6,762,413	6,388,454	6,611,290	151,123
Licenses and Permits	31,221	0	31,221	31,450	31,450	(229)
Charges for Service	650,775	0	650,775	566,092	570,592	80,183
Use of Money and Property	235,845	0	235,845	249,100	249,100	(13,255)
Miscellaneous	322,221	0	322,221	118,160	160,592	161,629
Total Receipts	15,913,080	0	15,913,080	15,130,942	15,400,710	512,370
DISBURSEMENTS:						
Public Safety and Legal Services	3,320,325	0	3,320,325	3,474,703	3,517,835	197,510
Physical Health and Social Services	567,661	0	567,661	636,086	658,572	90,911
Mental Health	1,006,120	0	1,006,120	1,216,575	1,216,575	210,455
County Environment and Education	1,222,951	0	1,222,951	1,157,532	1,438,347	215,396
Roads and Transportation	5,717,294	0	5,717,294	6,187,300	6,187,300	470,006
Governmental Services to Residents	654,386	0	654,386	709,157	709,157	54,771
Administration	1,503,210	0	1,503,210	1,637,691	1,655,541	152,331
Non-Program	67,666	0	67,666	90,889	90,889	23,223
Debt Service	3,406,413	0	3,406,413	640,297	640,297	(2,766,116)
Capital Projects	902,922	0	902,922	1,249,900	1,396,131	493,209
Total Disbursements	18,368,948	0	18,368,948	17,000,130	17,510,644	(858,304)
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,455,868)	0	(2,455,868)	(1,869,188)	(2,109,934)	(345,934)
Other Financing Sources, Net	286,900	0	286,900	18,500	298,500	(11,600)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(2,168,968)	0	(2,168,968)	(1,850,688)	(1,811,434)	(357,534)
Balance Beginning of Year	8,761,368	4,051	8,757,317	8,363,207	17,119,506	(8,362,189)
Balance End of Year	\$ 6,592,400	\$ 4,051	\$ 6,588,349	\$ 6,512,519	\$ 15,308,072	\$ (8,719,723)

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$15,913,080	\$ 23,278	\$15,936,358
Expenditures	18,368,948	(531,973)	17,836,975
Net	(2,455,868)	555,251	(1,900,617)
Other Financing Sources, Net	286,900	0	286,900
Beginning Fund Balances	8,761,368	140,817	8,902,185
Decrease in Reserve For Inventories	0	(32,023)	(32,023)
Ending Fund Balances	<u>\$ 6,592,400</u>	<u>\$ 664,045</u>	<u>\$ 7,256,445</u>

See Accompanying Independent Auditor's Report

BUCHANAN COUNTY
Independence, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

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, the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$510,514. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the debt service function and disbursements in the Educational Services and Nondepartmental departments exceeded the amounts appropriated.

BUCHANAN COUNTY
Independence, Iowa

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST THREE YEARS***
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015
County's Proportion of the Net Pension Liability	0.0593013%	0.0577304%	0.0541269%
County's Proportionate Share of the Net Pension Liability	\$3,732	\$2,852	\$2,147
County's Covered-Employee Payroll	\$5,311	\$5,168	\$4,985
County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	70.26%	55.19%	43.07%
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 Accompanying Independent Auditor's Report.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF COUNTY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(In Thousands)

REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014
Statutorily Required Contribution	\$ 486	\$ 474	\$ 475	\$ 458
Contributions in Relation to the Statutorily Required Contribution	(486)	(474)	(475)	(458)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
County's Covered-Employee Payroll	\$5,326	\$5,311	\$5,168	\$4,985
Contributions as a Percentage of Covered-Employee Payroll	9.12%	8.93%	9.19%	9.19%

See Accompanying Independent Auditor's Report

2013	2012	2011	2010	2009	2008
\$ 423	\$ 406	\$ 332	\$ 299	\$ 277	\$ 256
(423)	(406)	(332)	(299)	(277)	(256)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$4,697	\$4,768	\$4,420	\$4,249	\$4,128	\$4,031
9.00%	8.51%	7.52%	7.04%	6.72%	6.34%

BUCHANAN COUNTY
Independence, Iowa

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 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.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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, 2009	\$0	\$1,013	\$1,013	0%	\$4,005	24.94%
2012	July 1, 2009	0	1,013	1,013	0	4,279	23.68
2013	July 1, 2012	0	1,265	1,265	0	4,318	29.31
2014	July 1, 2012	0	1,191	1,191	0	4,544	27.85
2015	July 1, 2012	0	1,191	1,191	0	4,793	24.84
2016	July 1, 2015	0	780	780	0	4,785	16.30
2017	July 1, 2015	0	780	780	0	4,835	16.14

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

See Accompanying Independent Auditor's Report.

BUCHANAN COUNTY
Independence, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Special Revenue	
	Sheriff's	
	Federal	
	Forfeiture	
ASSETS		
Cash, Cash Equivalents and Pooled Investments	\$2,881	\$6,590
Receivables:		
Accounts	0	0
Accrued Interest	0	0
TOTAL ASSETS	\$2,881	\$6,590
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Fund Balances:		
Restricted For:		
Drainage Purposes	\$ 0	\$ 0
Capital Projects	0	0
Other Purposes	2,881	6,590
Total Fund Balances	2,881	6,590
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$2,881	\$6,590

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue				
REAP	Recorder's Records Management	Drainage	Capital Equipment	Total
\$86,110	\$7,851	\$4,051	\$222,530	\$330,013
0 77	452 7	0 0	0 0	452 84
\$86,187	\$8,310	\$4,051	\$222,530	\$330,549
\$ 0 0 86,187 86,187	\$ 0 0 8,310 8,310	\$4,051 0 0 4,051	\$ 0 222,530 0 222,530	\$ 4,051 222,530 103,968 330,549
\$86,187	\$8,310	\$4,051	\$222,530	\$330,549

BUCHANAN COUNTY
Independence, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	Special Revenue	
	Sheriff's Forfeiture	Federal Forfeiture
REVENUES:		
Intergovernmental	\$ 0	\$ 0
Charges for Service	0	0
Use of Money and Property	8	7
Miscellaneous	1,616	0
Total Revenues	1,624	7
EXPENDITURES:		
Operating:		
Public Safety and Legal Services	162	0
County Environment and Education	0	0
Governmental Services to Residents	0	0
Debt Service	0	0
Capital Projects	0	0
Total Expenditures	162	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,462	7
Other Financing Sources (Uses):		
Transfers Out	0	0
General Obligation Note Issued	0	0
Total Other Financing Sources (Uses)	0	0
Change in Fund Balances	1,462	7
Fund Balances Beginning of Year	1,419	6,583
Fund Balances End of Year	\$2,881	\$6,590

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue				
REAP	Recorder's Records Management	Drainage	Capital Equipment	Total
\$16,455	\$ 0	\$ 0	\$ 0	\$ 16,455
0	4,253	0	0	4,253
810	344	0	0	1,169
0	0	0	0	1,616
17,265	4,597	0	0	23,493
0	0	0	0	162
5,200	0	0	0	5,200
0	1,343	0	0	1,343
4,000	0	0	0	4,000
2,000	0	0	57,470	59,470
11,200	1,343	0	57,470	70,175
6,065	3,254	0	(57,470)	(46,682)
(4,000)	0	0	0	(4,000)
0	0	0	280,000	280,000
(4,000)	0	0	280,000	276,000
2,065	3,254	0	222,530	229,318
84,122	5,056	4,051	0	101,231
\$86,187	\$8,310	\$4,051	\$222,530	\$330,549

BUCHANAN COUNTY
Independence, Iowa

**COMBINING SCHEDULE OF FIDUCIARY
 ASSETS AND LIABILITIES
 AGENCY FUNDS**
 June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash, Cash Equivalents and Pooled Investments:				
County Treasurer	\$ 0	\$ 2,202	\$ 143,865	\$ 152,636
Other County Officials	49,278	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	4	5	220
Succeeding Year	0	208,694	349,061	14,477,702
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$49,278	\$210,900	\$492,931	\$14,630,558
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 193	\$ 0
Salaries and Benefits Payable	0	0	4,554	0
Due To Other Governments	980	210,900	479,053	14,630,558
Trusts Payable	48,298	0	0	0
Compensated Absences	0	0	9,131	0
TOTAL LIABILITIES	\$49,278	\$210,900	\$492,931	\$14,630,558

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 10,007 0	\$ 45,387 0	\$ 970 0	\$528,904 0	\$ 514,331 0	\$ 1,398,302 49,278
16 968,311 0 0 0	150 5,638,667 0 0 0	2 327,465 0 0 0	0 0 1 0 0	16 1,031,795 9,197 432 37,882	413 23,001,695 9,198 432 37,882
<u>\$978,334</u>	<u>\$5,684,204</u>	<u>\$328,437</u>	<u>\$528,905</u>	<u>\$1,593,653</u>	<u>\$24,497,200</u>
\$ 0 0 978,334 0 0	\$ 0 0 5,684,204 0 0	\$ 0 0 328,437 0 0	\$ 0 0 528,905 0 0	\$ 3,253 1,783 1,564,356 20,320 3,941	\$ 3,446 6,337 24,405,727 68,618 13,072
<u>\$978,334</u>	<u>\$5,684,204</u>	<u>\$328,437</u>	<u>\$528,905</u>	<u>\$1,593,653</u>	<u>\$24,497,200</u>

BUCHANAN COUNTY
Independence, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
 ASSETS AND LIABILITIES – AGENCY FUNDS**
 Year Ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances Beginning of Year	\$40,986	\$203,643	\$478,399	\$14,194,074
Additions:				
Property and Other County Tax	0	210,202	351,618	14,562,148
E911 Surcharge	0	0	0	0
State Tax Credits	0	18,347	31,139	1,292,668
Office Fees and Collections	481,626	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	232,166	0	0	0
Miscellaneous	0	0	5	0
Total Additions	<u>713,792</u>	<u>228,549</u>	<u>382,762</u>	<u>15,854,816</u>
Deductions:				
Agency Remittances:				
To Other Funds	215,663	0	0	0
To Other Governments	262,504	221,292	368,230	15,418,332
Trusts Paid Out	227,333	0	0	0
Total Deductions	<u>705,500</u>	<u>221,292</u>	<u>368,230</u>	<u>15,418,332</u>
Balances End of Year	<u>\$ 49,278</u>	<u>\$210,900</u>	<u>\$492,931</u>	<u>\$14,630,558</u>

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Totals
\$ 923,383	\$5,167,017	\$286,974	\$ 560,854	\$1,455,014	\$23,310,344
975,011	5,448,325	337,041	0	1,039,406	22,923,751
0	0	0	0	225,235	225,235
83,141	697,892	18,316	0	92,724	2,234,227
0	0	0	0	0	481,626
0	0	0	6,667,162	0	6,667,162
0	0	0	0	74,670	74,670
0	0	0	0	231,288	463,454
0	0	0	0	217,146	217,151
1,058,152	6,146,217	355,357	6,667,162	1,880,469	33,287,276
0	0	0	219,350	0	435,013
1,003,201	5,629,030	313,894	6,479,761	1,503,195	31,199,439
0	0	0	0	238,635	465,968
1,003,201	5,629,030	313,894	6,699,111	1,741,830	32,100,420
\$ 978,334	\$5,684,204	\$328,437	\$ 528,905	\$1,593,653	\$24,497,200

BUCHANAN COUNTY
Independence, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
 EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS**

For the Last Ten Years

	Modified Accrual Basis			
	2017	2016	2015	2014
Revenues:				
Property and Other County Tax	\$ 6,850,364	\$ 6,912,552	\$ 6,949,734	\$ 7,051,632
Tax Increment Financing	0	0	0	0
Local Option Sales Tax	937,215	891,064	932,247	923,518
Interest and Penalty On Property Tax	49,071	55,535	62,488	54,124
Intergovernmental	6,882,392	6,370,038	6,017,134	5,399,178
Licenses and Permits	33,659	31,022	31,707	32,760
Charges For Service	651,996	628,082	615,821	606,346
Use of Money and Property	237,658	297,532	296,766	278,858
Miscellaneous	294,003	377,684	433,836	394,156
Total	<u>\$15,936,358</u>	<u>\$15,563,509</u>	<u>\$15,339,733</u>	<u>\$14,740,572</u>
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 3,319,228	\$ 3,426,301	\$ 3,307,496	\$ 3,305,668
Physical Health and Social Services	565,986	526,038	561,467	547,384
Mental Health	1,008,159	1,075,930	1,073,173	973,130
County Environment and Education	1,222,718	1,156,071	1,049,371	1,071,924
Roads and Transportation	5,199,402	6,090,752	5,618,981	5,761,263
Governmental Services To Residents	655,219	659,430	671,672	628,534
Administration	1,511,257	1,389,784	1,413,291	1,348,626
Non-Program	66,947	69,972	76,103	53,291
Debt Service	3,406,413	562,055	606,242	612,158
Capital Projects	881,646	1,625,710	1,464,811	664,277
Total	<u>\$17,836,975</u>	<u>\$16,582,043</u>	<u>\$15,842,607</u>	<u>\$14,966,255</u>

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis					
2013	2012	2011	2010	2009	2008
\$ 7,299,423	\$ 7,031,901	\$ 7,012,352	\$ 6,928,202	\$ 6,680,379	\$ 6,207,797
0	0	0	0	0	0
895,623	873,344	956,654	835,195	853,498	788,190
63,589	59,579	61,434	66,404	63,175	62,457
5,337,022	6,490,836	6,797,756	6,164,281	7,651,861	6,377,517
39,705	21,653	23,400	14,626	19,696	15,005
656,029	649,531	587,311	506,916	528,278	484,404
257,215	205,226	177,227	202,933	297,499	325,461
313,480	282,046	313,183	175,390	248,352	224,273
\$14,862,086	\$15,614,116	\$15,929,317	\$14,893,947	\$16,342,738	\$14,485,104
\$ 2,942,256	\$ 2,896,649	\$ 2,719,842	\$ 2,275,371	\$ 2,262,534	\$ 2,493,996
542,636	508,636	451,923	383,162	303,930	280,727
1,205,798	3,273,894	2,850,981	2,845,162	2,982,372	2,874,459
1,176,417	1,213,999	1,141,745	1,095,370	1,218,764	1,228,838
4,216,840	5,011,077	4,951,494	3,970,327	5,289,483	4,025,950
621,244	641,217	606,344	460,838	469,532	462,462
1,357,158	1,338,817	1,296,098	1,995,945	2,018,487	1,896,146
61,923	320,150	67,071	46,214	69,446	53,712
750,382	513,914	386,950	474,103	455,055	104,105
1,312,431	566,064	1,175,584	3,734,032	3,203,622	169,620
\$14,187,085	\$16,284,417	\$15,648,032	\$17,280,524	\$18,273,225	\$13,590,015



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

To the Officials of Buchanan County
Independence, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Buchanan County, Iowa's basic financial statements and have issued our report thereon dated March 29, 2018.

Internal Control Over Financial Reporting

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

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

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items A and B to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buchanan County, Iowa'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*. However, we noted certain immaterial instances of noncompliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Buchanan County, Iowa's Response to Findings

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

Purpose of This Report

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

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

Garlines Thomson, P.C.

March 29, 2018
Charles City, Iowa

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2017

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

A Segregation of Duties

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.

Condition – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

Cause – Limited staff available to segregate duties.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures as suggested and plan to make improvements to internal control.

Conclusion – Response accepted.

B Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of accounts receivable and capital asset/infrastructure additions were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2017

Findings Related to the Financial Statements (Continued)

B Financial Reporting (Continued)

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should establish procedures to ensure all accounts receivable and capital asset/infrastructure additions are identified and properly reported in the County's financial statements.

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

Conclusion – Response accepted.

C Preparation of Full Disclosure Financial Statements

Criteria – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with the U.S. generally accepted accounting principles.

Condition – During the audit, we noted that Buchanan County does not have the internal resources to prepare the full disclosure financial statements required by generally accepted accounting principles.

Cause – The County does not have the internal resources to prepare the full disclosure financial statements required by generally accepted accounting principles.

Effect – Gardiner Thomsen assists in the preparation of the full disclosure financial statements. Management of Buchanan County thoroughly reviews them and accepts full responsibility for their completeness and accuracy.

Recommendation – We realize that with a limited number of employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

**BUCHANAN COUNTY
Independence, Iowa**

**SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2017**

Findings Related to the Financial Statements (Continued)

C Preparation of Full Disclosure Financial Statements (Continued)

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. **Certified Budget** – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the debt service function. Disbursements in the Educational Services and Nondepartmental departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriations.

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

Conclusion – Response accepted.

2. **Questionable Disbursements** – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2017

Other Findings Related to Required Statutory Reporting (Continued)

4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Description	Amount
Gary Gissel, Board of Supervisors Part owner of Gissel Construction	Replace siding and replace door	\$2,780
Gary Gissel, Board of Supervisors Part owner of G & G Rental and Storage	Trailer Rental	254
Gary Gissel, Board of Supervisors Marietta Gissel Spouse of Gary Gissel	Election Worker	175
Cindy Gosse, County Auditor Stephanie Witt Daughter of Cindy Gosse	Election Worker	304
Phyllis Haisch, Assessor's Office Lloyd Haisch Spouse of Phyllis Haisch	Election Worker	313
Michelle Mangrich, Recorder's Office Marianne Cayouette Mother of Michelle Mangrich	Election Worker	198
Vanessa Tisl, Deputy Auditor Andrea Tisl Daughter of Vanessa Tisl	Election Worker	28
Vanessa Tisl, Deputy Auditor Ashley Tisl Daughter of Vanessa Tisl	Election Worker	265
Diane Curry, Recorder Mary Deborah Curry Sister in Law of Diane Curry	Election Worker	510
Donald Shonka, Board of Supervisors Lorene Shonka Spouse of Donald Shonka	Election Worker	180

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2017

Other Findings Related to Required Statutory Reporting (Continued)

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with G & G Rental and Storage, Marietta Gissel, Stephanie Witt, Lloyd Haisch, Marianne Cayouette, Andrea Tisl, Ashley Tisl, Mary Deborah Curry and Lorene Shonka do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Gissel Construction do not appear to represent a conflict of interest as Gary Gissel did not participate in the acquisition of services.

5. **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa or the County's Investment Policy were noted. However, we noted one instance on non-compliance with Chapter 12C of the Code of Iowa relating to security for deposit of public funds with a credit union. We also noted that amounts on deposit with various financial institutions throughout the year exceeded the maximum approved by the Board of Supervisors in accordance with Chapter 12C.2 of the Code of Iowa.

Recommendation – The County should obtain security in an amount at least 110% of uninsured public funds on deposit with a credit union. The County should ensure that amounts on deposit with financial institutions do not exceed the maximum approved by the Board of Supervisors.

Response – This was an oversight. In the future we will secure uninsured public funds on deposits with a credit union in an amount at least 110% of the uninsured amount. We will monitor balances to ensure that maximums are not exceeded.

Conclusion – Response accepted.

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. **Economic Development** – During the year ended June 30, 2017, the County spent \$103,836 for economic development which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2017

Other Findings Related to Required Statutory Reporting (Continued)

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

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

11. **Tax Increment Financing** – For the year ended June 30, 2017, the County Auditor prepared a reconciliation for each City reconciling TIF receipts with total outstanding TIF debt.
12. **Emergency Management** – Disbursements during the year ended June 30, 2017 exceed the amount budgeted for the Emergency Management Fund.

Recommendation – The budget should have been amended in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required.

Conclusion – Response accepted.

13. **Financial Position** – The Proprietary Fund – Internal Service Employee Group Health Fund had a deficit net position balance of \$336,844 as of June 30, 2017.

Recommendation – The County should monitor these funds to keep a sound financial condition.

Response – The County is aware of the deficit balance and will monitor these funds in the future.

Conclusion – Response accepted.