

HARDIN COUNTY

**Independent Auditors' Reports
Basic Financial Statements
and Supplementary Information
Schedule of Findings**

June 30, 2017

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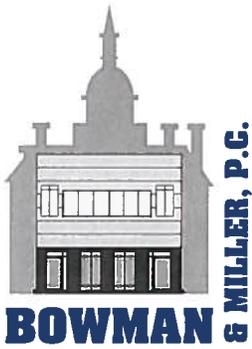
Hardin County Officials

(Before January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ronn Rickels	Board of Supervisors	January 2017
Lance Granzow	Board of Supervisors	January 2019
Renee McClellan	Board of Supervisors	January 2019
Jessica Lara	County Auditor	January 2017
Machel Eichmeier	County Treasurer	January 2019
Lori Kadner	County Recorder	January 2019
Dave McDaniel	County Sheriff	January 2017
Richard Dunn	County Attorney	January 2019
Don Knoell	County Assessor	January 2021

(After January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lance Granzow	Board of Supervisors	January 2019
Renee McClellan	Board of Supervisors	January 2019
BJ Hoffman	Board of Supervisors	January 2021
Jessica Lara	County Auditor	January 2021
Machel Eichmeier	County Treasurer	January 2019
Lori Kadner	County Recorder	January 2019
Dave McDaniel	County Sheriff	January 2021
Richard Dunn	County Attorney	January 2019
Don Knoell	County Assessor	January 2021



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Independent Auditors' Report

To the Officials of Hardin County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County as of June 30, 2017 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 52 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2017 on our consideration of Hardin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hardin County's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

December 27, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hardin 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 decreased 4.0%, or approximately \$806,000, from fiscal year 2016 to fiscal year 2017. Property tax remained virtually unchanged, operating grants, contributions and restricted interest increased approximately \$300,000, capital grants, contributions and restricted interest decreased approximately \$2.1 million and charges for service increased approximately \$961,000.
- Program expenses of the County's governmental activities were 1.9%, or approximately \$319,000, more in fiscal year 2017 than in fiscal year 2016. Public safety and legal services expenses increased approximately \$440,000, roads and transportation expenses decreased approximately \$634,000 and non-program expenses increased approximately \$276,000.
- The County's net position increased 7.3%, or approximately \$2.2 million, 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 Hardin 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 Hardin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Hardin County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary information provides detailed information about the nonmajor governmental and 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.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Hardin County's combined net position increased from approximately \$30.7 million to approximately \$33 million. 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	\$ 38,819	38,054
Capital assets	30,692	30,215
Total assets	<u>69,511</u>	<u>68,269</u>
Deferred outflows of resources	1,219	558
Long-term liabilities	27,529	28,942
Other liabilities	737	756
Total liabilities	<u>28,266</u>	<u>29,698</u>
Deferred inflows of resources		
Unavailable revenues	9,487	8,399
Net position:		
Net investment in capital assets	26,678	23,869
Restricted	6,190	6,143
Unrestricted	109	718
Total net position	<u>\$ 32,977</u>	<u>30,730</u>

Net position of Hardin County's governmental activities increased 7.3% (approximately \$33 million compared to approximately \$30.7 million). 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 – decreased from approximately \$718,000 at June 30, 2016 to approximately \$109,000 at the end of this year, a decrease of 85%.

Changes in Net Position of Governmental Activities		
	Year Ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 2,981,724	2,020,954
Operating grants, contributions and restricted interest	4,500,547	4,200,645
Capital grants, contributions and restricted interest	2,150,733	4,250,915
General revenues:		
Property tax, including tax increment financing	7,880,673	7,798,940
Interest and penalty on property tax	81,964	72,341
State tax credits	716,985	684,276
Local option sales tax	673,689	717,431
Grants not restricted to specific purposes	-	9,936
Unrestricted investment earnings	164,651	123,495
Other general revenues	58,725	136,336
Total revenues	<u>19,209,691</u>	<u>20,015,269</u>
Program expenses:		
Public safety and legal services	4,211,206	3,771,031
Physical health and social services	325,494	262,824
Mental health	390,890	448,834
County environment and education	1,039,267	988,481
Roads and transportation	6,438,853	7,072,932
Governmental services to residents	537,499	525,421
Administration	1,919,904	1,759,867
Non-program	1,332,595	1,056,818
Interest on long-term debt	767,050	757,418
Total expenses	<u>16,962,758</u>	<u>16,643,626</u>
Change in net position	2,246,933	3,371,643
Net position beginning of year	<u>30,729,667</u>	<u>27,358,024</u>
Net position end of year	<u>\$ 32,976,600</u>	<u>30,729,667</u>

Hardin County's net position of governmental activities increased approximately \$2.2 million during the year. Revenues for governmental activities increased approximately \$806,000 over the prior year, with property tax revenue remaining virtually unchanged. Capital grants, contributions and restricted interest decreased due a decrease in drainage district activity. The total cost of all programs and services increased by 1.9% or approximately \$319,000.

The cost of all governmental activities this year was approximately \$17 million compared to approximately \$16.6 million last year. However, as shown in the Statement of Activities on page 14, the amount that our taxpayers ultimately financed for these activities was approximately \$7.3 million because some of the cost was paid by those who directly benefited from the programs (approximately \$3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$6.7 million).

Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2017 from approximately \$10.5 million to approximately \$9.6 million. The County paid for the remaining "public benefit" portion of governmental activities (approximately \$7.3 million) with 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 Hardin County completed the year, its governmental funds reported a combined fund balance of approximately \$10.9 million, an increase of approximately \$517,000 over last year's total of approximately \$10.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$1.4 million over the prior year, primarily due to an increase of \$1.1 million related to charges for care of prisoners. Expenditures decreased approximately \$385,000 when compared to the prior year. The ending fund balance showed an increase of approximately \$1.6 million from the prior year to approximately \$5.4 million.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$329,000, an increase of 101% from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately \$79,000 from the prior year.
- Special Revenue, Rural Services Fund revenues increased due to the County raising the levy rate for the fund. Expenditures decreased approximately \$96,000 and transfers to the Special Revenue, Secondary Roads Fund increased approximately \$97,000 resulting in a decrease in the ending fund balance of approximately \$91,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$160,000 due to an increase in road use tax revenue received in fiscal year 2017. Expenditures increased approximately \$331,000 due principally to an increase in new equipment purchases and road maintenance expenses. Transfers in from the Special Revenue, Rural Services Fund increased approximately \$97,000. These changes resulted in an increase in the Special Revenue, Secondary Roads Fund ending balance of approximately \$893,000.
- Debt Service Fund activity decreased due to the refinancing of several general obligation bonds into one new bond issue.
- The Capital Projects Fund balance decreased approximately \$336,000. The County paid for various projects including upgrades to the County's computer systems.

BUDGETARY HIGHLIGHTS

Over the course of the year, Hardin County amended its budget two times. The first amendment was made on December 28, 2016 and resulted in an increase in budgeted disbursements related to additional disbursements in certain County departments. The second amendment was made on April 26, 2017. This amendment was made to account for the refinancing of the County's general obligation bonds and to provide for additional disbursements in certain County departments.

The County's receipts were \$3,740,046 more than budgeted, a variance of more than 22%. The most significant variance resulted from the County receiving more receipts related to care of prisoners.

Total disbursements were \$1,550,137 less than the amended budget. Actual disbursements for the roads and transportation, mental health and administration functions were \$1,501,358, \$292,384 and \$247,505, respectively, less than budgeted.

Even with the budget amendments, the County exceeded the budgeted amounts in the debt service function for the year ended June 30, 2017. The County refinanced their general obligation bonds and did not properly account for the refunding costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Hardin County had approximately \$65 million invested in a broad range of capital assets, including public safety equipment, buildings, and roads and bridges. This is a net increase (including additions and deletions) of approximately \$2.6 million or 4.2% over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2017	2016
Land	\$ 2,600	2,600
Buildings and improvements	12,278	12,173
Machinery and equipment	11,061	9,772
Infrastructure	39,390	38,169
Total	\$ 65,329	62,714
This year's major additions included (in thousands):		
Secondary road equipment	\$	1,156
County office remodeling		75
Sheriff's vehicles		81
Capital assets contributed by the Iowa Department of Transportation		1,221
Total	\$	2,533

The County had depreciation expense of \$2,138,987 in fiscal year 2017 and total accumulated depreciation of \$34,637,427 at June 30, 2017.

The County's fiscal year 2017 capital budget included \$658,647 for capital projects, principally for the roadway maintenance and construction and computer upgrades. More detailed information about the County's capital assets is presented in Note 8 to the financial statements.

Long-Term Debt

At June 30, 2017, the County had approximately \$23,138,000 in general obligation bonds and other debt outstanding compared to approximately \$25,373,000 at June 30, 2016, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2017	2016
General obligation bonds	\$ 20,555,000	24,520,000
Capital loan note	710,625	-
Capital lease purchase agreements	27,935	36,411
Drainage warrants and improvement certificates	1,844,158	816,709
Total	\$ 23,137,718	25,373,120

Debt decreased as a result of annual payments on the general obligation bonds and capital lease purchase agreements.

The County continues to carry a general obligation bond rating of A1 assigned by national rating agencies to the County's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Hardin County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$87 million. Additional information about the County's long-term debt is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In preparation for the fiscal year 2018 county budget, elected and appointed officials in Hardin County considered many factors when determining the tax rates, fee schedules, and related revenue and expense forecasts. Factors such as the economy, taxable valuation figures, population growth and age mix, state mandates, local needs, and many other items are evaluated.

The County increased tax levy rates in the general supplemental and rural services funds and lowered tax levy rates in the mental health and debt service funds for fiscal year 2018. Property tax valuations increased 3.8% over fiscal year 2017. The County has added no major new programs or initiatives to the fiscal year 2018 budget.

The County continues to seek ways to improve efficiency by sharing programs and personnel with other counties and increasing revenues through user fees, grants, and contracts rather than solely relying on property tax income. The County will also continue to use local option sales tax revenues and capital projects budgets for allowable expenses.

The County has several bridge projects scheduled for fiscal year 2018.

The County's share of total property tax collections is about 20%. The remaining 80% of property tax collections are disbursed to the school districts, community colleges, city governments, townships, extension service, and other entities within the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Hardin 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 County Auditor's Office, Hardin County Courthouse, 1215 Edgington Avenue, Eldora, Iowa, 50627.

Hardin County
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 10,831,989
Receivables:	
Property tax:	
Delinquent	10,082
Succeeding year	8,587,077
Succeeding year tax increment financing	658,376
Interest and penalty on property tax	64,459
Accounts	20,059
Accrued interest	13,613
Drainage assessments	373,056
Bond	17,280,000
Due from other governments	514,130
Inventories	465,863
Capital assets, net of accumulated depreciation	30,691,901
Total assets	69,510,605
 Deferred Outflows of Resources	
Pension related deferred outflows	1,219,152
 Liabilities	
Accounts payable	543,523
Accrued interest payable	67,333
Salaries and benefits payable	40,039
Due to other governments	86,588
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	8,881
Capital loan note	233,425
General obligation bonds	1,825,000
Compensated absences	375,415
Portion due or payable after one year:	
Capital lease purchase agreements	19,054
Capital loan note	477,200
General obligation bonds	18,730,000
Drainage warrants/drainage improvement certificates	1,844,158
Net pension liability	3,412,141
Net OPEB liability	603,653
Total liabilities	28,266,410
 Deferred Inflows of Resources	
Unavailable property tax revenue	8,587,077
Unavailable tax increment financing revenue	658,376
Pension related deferred inflows	241,294
Total deferred inflows of resources	9,486,747

Hardin County
Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities
Net Position	
Net investment in capital assets	26,678,341
Restricted for:	
Supplemental levy purposes	1,409,762
Mental health purposes	653,268
Rural services purposes	690,522
Secondary roads purposes	2,658,428
Capital projects	307,048
Other purposes	470,715
Unrestricted	108,516
Total net position	\$ 32,976,600

Hardin County
Statement of Activities
Year ended June 30, 2017

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 4,211,206	2,375,580	4,200	-
Physical health and social services	325,494	-	167,830	-
Mental health	390,890	40,902	63,808	-
County environment and education	1,039,267	83,220	54,906	66,376
Roads and transportation	6,438,853	114,026	4,209,629	1,278,380
Governmental services to residents	537,499	342,171	174	-
Administration	1,919,904	25,825	-	805,977
Non-program	1,332,595	-	-	-
Interest on long-term debt	767,050	-	-	-
Total	\$ 16,962,758	2,981,724	4,500,547	2,150,733

General Revenues:

Property and other county tax levied for:

General purposes

Debt service

Tax increment financing

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes</u> <u>in Net Position</u>
(1,831,426)
(157,664)
(286,180)
(834,765)
(836,818)
(195,154)
(1,088,102)
(1,332,595)
<u>(767,050)</u>
<u>(7,329,754)</u>
6,803,812
464,257
612,604
81,964
716,985
673,689
164,651
<u>58,725</u>
<u>9,576,687</u>
2,246,933
<u>30,729,667</u>
<u>\$ 32,976,600</u>

Hardin County
Balance Sheet
Governmental Funds
June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 5,466,583	649,099	647,926	2,147,995
Receivables:				
Property tax:				
Delinquent	6,813	809	1,427	-
Succeeding year	5,774,300	387,110	1,931,985	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	64,459	-	-	-
Accounts	20,059	-	-	-
Accrued interest	13,613	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	65,054	296	45,879	386,543
Inventories	-	-	-	465,863
Total assets	\$ 11,410,881	1,037,314	2,627,217	3,000,401
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 132,665	254	2,458	240,259
Salaries and benefits payable	12,785	-	861	26,393
Due to other governments	1,096	-	90	80,514
Total liabilities	146,546	254	3,409	347,166
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,774,300	387,110	1,931,985	-
Succeeding year tax increment financing	-	-	-	-
Other	70,786	792	1,301	-
Total deferred inflows of resources	5,845,086	387,902	1,933,286	-

Debt Service	Capital Projects	Nonmajor	Total
54,826	310,313	1,082,539	10,359,281
1,033	-	-	10,082
493,682	-	-	8,587,077
-	-	658,376	658,376
-	-	-	64,459
-	-	-	20,059
-	-	-	13,613
-	-	373,056	373,056
-	5,735	10,623	514,130
-	-	-	465,863
<u>549,541</u>	<u>316,048</u>	<u>2,124,594</u>	<u>21,065,996</u>
-	9,000	1,875	386,511
-	-	-	40,039
-	-	4,888	86,588
<u>-</u>	<u>9,000</u>	<u>6,763</u>	<u>513,138</u>
493,682	-	-	8,587,077
-	-	658,376	658,376
1,012	-	359,082	432,973
<u>494,694</u>	<u>-</u>	<u>1,017,458</u>	<u>9,678,426</u>

Hardin County
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Fund balances:				
Nonspendable:				
Inventories	\$ -	-	-	465,863
Restricted for:				
Supplemental levy purposes	1,409,762	-	-	-
Mental health purposes	-	649,158	-	-
Rural services purposes	-	-	690,522	-
Secondary road purposes	-	-	-	2,187,372
Conservation land acquisition	1,979	-	-	-
Drainage district purposes	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Cemetary levy	46,695	-	-	-
Other purposes	-	-	-	-
Assigned for conservation resources	732,380	-	-	-
Assigned for sheriff	31,076	-	-	-
Unassigned	3,197,357	-	-	-
Total fund balances	<u>5,419,249</u>	<u>649,158</u>	<u>690,522</u>	<u>2,653,235</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,410,881</u>	<u>1,037,314</u>	<u>2,627,217</u>	<u>3,000,401</u>

Debt Service	Capital Projects	Nonmajor	Total
-	-	-	465,863
-	-	-	1,409,762
-	-	-	649,158
-	-	-	690,522
-	-	-	2,187,372
-	-	-	1,979
-	-	890,737	890,737
54,847	-	-	54,847
-	307,048	-	307,048
-	-	-	46,695
-	-	209,636	209,636
-	-	-	732,380
-	-	-	31,076
-	-	-	3,197,357
54,847	307,048	1,100,373	10,874,432
549,541	316,048	2,124,594	21,065,996

Hardin County
 Reconciliation of the Balance Sheet -
 Governmental Funds to the Statement of Net Position
 June 30, 2017

Exhibit D

Total governmental fund balances (page 18) \$ 10,874,432

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 capital assets is \$65,329,328 and the accumulated depreciation is \$34,637,427. 30,691,901

Bond receivable is not due and receivable in the current year and, therefore, is not reported in the governmental funds. 17,280,000

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. 432,973

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position. 315,696

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,219,152	
Deferred inflows of resources	<u>(241,294)</u>	977,858

Long-term liabilities, including bonds payable, capital lease purchase agreements payable, capital loan note payable, compensated absences payable, accrued interest payable, other post employment benefits payable, net pension liability and drainage warrants/drainage improvement certificates payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (27,596,260)

Net position of governmental activities (page 12) \$ 32,976,600

Hardin County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year ended June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,061,056	370,158	1,535,910	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	538,951	-
Interest and penalty on property tax	48,339	-	-	-
Intergovernmental	3,079,575	36,486	100,915	4,266,477
Licenses and permits	15,650	-	-	5,875
Charges for service	525,424	-	-	-
Use of money and property	237,603	-	-	-
Miscellaneous	121,566	1,056	61	122,026
Total revenues	9,089,213	407,700	2,175,837	4,394,378
Expenditures:				
Operating:				
Public safety and legal services	3,948,030	-	108,372	-
Physical health and social services	326,141	-	-	-
Mental health	62,828	328,907	-	-
County environment and education	742,128	-	264,892	-
Roads and transportation	-	-	103,596	6,050,842
Governmental services to residents	517,715	-	1,631	-
Administration	1,704,401	-	31,105	-
Non-program	54,893	-	46,349	-
Debt service	-	-	-	-
Capital projects	46,876	-	-	111,148
Total expenditures	7,403,012	328,907	555,945	6,161,990
Excess (deficiency) of revenues over (under) expenditures	1,686,201	78,793	1,619,892	(1,767,612)
Other financing sources (uses):				
Transfers in	-	-	-	1,710,547
Transfers out	(100,000)	-	(1,710,547)	-
Bond and note proceeds	-	-	-	950,346
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(100,000)	-	(1,710,547)	2,660,893
Change in fund balances	1,586,201	78,793	(90,655)	893,281
Fund balances beginning of year	3,833,048	570,365	781,177	1,759,954
Fund balances end of year	\$ 5,419,249	649,158	690,522	2,653,235

Debt Service	Capital Projects	Nonmajor	Total
465,425	-	-	7,432,549
-	-	612,604	612,604
-	67,369	67,369	673,689
-	-	-	48,339
46,493	-	52,933	7,582,879
-	-	-	21,525
-	-	3,339	528,763
-	-	204	237,807
1,734,108	1,869	1,001,005	2,981,691
2,246,026	69,238	1,737,454	20,119,846
-	-	-	4,056,402
-	-	-	326,141
-	-	-	391,735
-	-	-	1,007,020
-	-	-	6,154,438
-	-	7,789	527,135
-	-	-	1,735,506
-	-	932,947	1,034,189
3,714,368	-	3,904,019	7,618,387
-	405,560	30,000	593,584
3,714,368	405,560	4,874,755	23,444,537
(1,468,342)	(336,322)	(3,137,301)	(3,324,691)
100,000	-	-	1,810,547
-	-	-	(1,810,547)
1,341,488	-	1,536,300	3,828,134
-	-	13,222	13,222
1,441,488	-	1,549,522	3,841,356
(26,854)	(336,322)	(1,587,779)	516,665
81,701	643,370	2,688,152	10,357,767
54,847	307,048	1,100,373	10,874,432

Hardin County

Exhibit F

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) \$ 516,665

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

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

Expenditures for capital assets	\$ 1,394,212	
Capital assets contributed by the Iowa Department of Transportation	1,221,532	
Depreciation expense	(2,138,987)	476,757
		<hr/>

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 in the governmental funds, as follows:

Property tax	(24,523)	
Other	(162,937)	(187,460)
		<hr/>

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	(4,862,795)	
Repaid	6,168,197	1,305,402
		<hr/>

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.

482,212

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

Compensated absences	34,028	
Other postemployment benefits	(22,488)	
Pension expense	(421,754)	
Interest on long-term debt	8,549	(401,665)
		<hr/>

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

55,022

Change in net position of governmental activities (page 14)

\$ 2,246,933

Hardin County
Statement of Net Position
Proprietary Fund
June 30, 2017

Exhibit G

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 472,708
Liabilities	
Accounts payable	<u>157,012</u>
Net Position	
Unrestricted	<u><u>\$ 315,696</u></u>

Hardin County
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		\$ 1,519,658
Reimbursements from employees and others		781,928
Insurance reimbursements		1,358,390
Total operating revenues		3,659,976
Operating expenses:		
Medical claims	\$ 3,018,838	
Insurance premiums	423,649	
Administrative fees	115,149	
Miscellaneous	48,738	
Operating income		53,602
Non-operating revenue:		
Interest income		1,420
Net income		55,022
Net position beginning of year		260,674
Net position end of year		\$ 315,696

Hardin County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2017

Exhibit I

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,519,658
Cash received from employees and others	2,140,318
Cash payments to suppliers for services	(3,647,528)
Net cash provided by operating activities	12,448
Cash flows from investing activities:	
Interest on investments	1,420
Net increase in cash and cash equivalents	13,868
Cash and cash equivalents beginning of year	458,840
Cash and cash equivalents end of year	\$ 472,708
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 53,602
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	(41,154)
Net cash provided by operating activities	\$ 12,448

Hardin County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Exhibit J

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 914,689
Other County officials	128,944

Receivables:

Property tax receivable:

Delinquent	62,229
Succeeding year	20,336,311

Accounts	22,815
----------	--------

Due from other governments	83,690
----------------------------	--------

Total assets	<u>21,548,678</u>
---------------------	-------------------

Liabilities

Accounts payable	43,968
------------------	--------

Salaries and benefits payable	90
-------------------------------	----

Due to other governments	21,366,220
--------------------------	------------

Trusts payable	119,974
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Compensated absences	18,426
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Total liabilities	<u>21,548,678</u>
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Net position	<u><u>\$ -</u></u>
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Hardin County
Notes to Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies

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

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

One hundred seventy-six 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 Hardin 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 Hardin County Auditor's office. Fifty-three drainage districts are under the control of another county or a drainage board elected by the general population; thus, they are not included as blended component units, but are reported in the Agency Funds of the County.

Hardin County
Notes to Financial Statements
June 30, 2017

(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 County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Joint E911 Service Board and Hardin County Emergency Management Commission. 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.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E and Chapter 256I of the Code of Iowa: Heartland Risk Pool Insurance, Hardin County Solid Waste Commission, Rural Iowa Waste Management Association, Central Iowa Community Service Region, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Region 6 Planning Commission, Central Iowa Juvenile Detention Center and Iowa River Valley Early Childhood Area.

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 and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net position consists of net position 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.

Hardin County
Notes to Financial Statements
June 30, 2017

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

B. Basis of Presentation (continued)

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Hardin County
Notes to Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Hardin County
Notes to Financial Statements
June 30, 2017

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

C. Measurement Focus and Basis of Accounting (continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to 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 which is 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.

Hardin County
Notes to Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies (continued)

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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.

Bond Receivable – Bond receivable represents amounts due from the Ellsworth Municipal Hospital for payment on the general obligation bonds issued by the County.

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

Hardin County
Notes to Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies (continued)

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. 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
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	30-50
Building improvements	20-50
Infrastructure	12-65
Equipment	5-10
Vehicles	5-10

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.

Hardin County
Notes to Financial Statements
June 30, 2017

(1) Summary of Significant Accounting Policies (continued)

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

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

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 the 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 as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

Hardin County
Notes to Financial Statements
June 30, 2017

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

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

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

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

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

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 the amounts budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated.

(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 insure there will be no loss of public funds.

Hardin County
Notes to Financial Statements
June 30, 2017

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

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.

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,709 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 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.

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

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,710,547
Debt Service	General	100,000
Total		<u>\$ 1,810,547</u>

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

Hardin County
Notes to Financial Statements
June 30, 2017

(4) 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

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 for 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 at age 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 the member receives benefits before age 65.

Hardin County
Notes to Financial Statements
June 30, 2017

(4) Pension Plan (continued)

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 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 \$482,212.

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 \$3,412,141 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 .0542185%, which was an increase of .002036% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$421,754. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Hardin County
Notes to Financial Statements
June 30, 2017

(4) Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,985	75,147
Changes of assumptions	48,310	13,660
Net difference between projected and actual earnings on IPERS' investments	659,625	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	1,020	152,487
County contributions subsequent to the measurement date	482,212	-
Total	\$ 1,219,152	241,294

\$482,212 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	\$ 15,797
2019	15,797
2020	299,681
2021	173,036
2022	(8,665)
	\$ 495,646

There were no non-employer contributing entities at IPERS.

Hardin County
Notes to Financial Statements
June 30, 2017

(4) Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28 %	1.90 %
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100 %	

Hardin County
Notes to Financial Statements
June 30, 2017

(4) Pension Plan (continued)

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 6,165,117	\$ 3,412,141	\$ 1,090,836

IPERS' Fiduciary Net Position – Detailed information about the 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 required employee contributions which had been withheld from employee wages were remitted by the County to IPERS at June 30, 2017.

(5) 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 92 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay 102% of the premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Hardin County
Notes to Financial Statements
June 30, 2017

(5) 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	\$	78,806
Interest on net OPEB obligation		26,152
Adjustment to annual required contribution		<u>(35,678)</u>
Annual OPEB cost		69,280
Contributions made		<u>(46,792)</u>
Increase in net OPEB obligation		22,488
Net OPEB obligation beginning of year		<u>581,165</u>
Net OPEB obligation end of year	\$	<u><u>603,653</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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 ending June 30, 2017, plan members eligible for benefits contributed \$46,792, or 100%, 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	\$ 122,424	22%	\$ 546,792
2016	69,844	51%	581,165
2017	69,280	68%	603,653

Hardin County
Notes to Financial Statements
June 30, 2017

(5) Other Postemployment Benefits (OPEB) (continued)

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 \$622,324, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$622,324. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,406,262 and the ratio of the UAAL to covered payroll was 14.1%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2014 Group 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-5 tables.

Projected claim costs of the medical plan are \$627 per month for retirees and \$1,195 per month for retirees and their spouses. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Hardin County
Notes to Financial Statements
June 30, 2017

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 1,096
Special Revenue:		
Rural Services	Services	90
Secondary Roads	Services	80,514
Garden Wind Farm TIF	Services	4,888
Total for governmental funds		<u>\$ 86,588</u>
Agency:		
County Assessor	Collections	\$ 329,550
Schools		12,320,024
Community Colleges		1,292,635
Corporations		6,039,006
Townships		434,426
Auto License and Use Tax		509,928
E911 Surcharge		346,314
All other		94,337
Total for agency funds		<u>\$ 21,366,220</u>

(7) Operating Leases

The County has entered into a lease for operating space used by Mental Health for operation of their clubhouse, a lease for a postage machines through Pitney Bowes and various copier leases through Bankers Leasing Company. The leases expire on various dates through February 2021. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year ending June 30,	Annual Rent Due
2018	\$ 32,864
2019	32,864
2020	28,387
2021	17,432
Total	<u>\$ 111,547</u>

The total annual lease costs for the year ended June 30, 2017 were \$32,864.

Hardin County
Notes to Financial Statements
June 30, 2017

(8) 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:				
Land	\$ 2,599,790	-	-	2,599,790
Total capital assets not being depreciated	2,599,790	-	-	2,599,790
Capital assets being depreciated:				
Buildings and improvements	12,172,841	105,340	-	12,278,181
Equipment and vehicles	9,771,960	1,288,872	-	11,060,832
Infrastructure, road network	38,168,993	1,221,532	-	39,390,525
Total capital assets being depreciated	60,113,794	2,615,744	-	62,729,538
Less accumulated depreciation for:				
Buildings and improvements	4,133,134	284,831	-	4,417,965
Equipment and vehicles	6,283,631	611,062	-	6,894,693
Infrastructure, road network	22,081,675	1,243,094	-	23,324,769
Total accumulated depreciation	32,498,440	2,138,987	-	34,637,427
Total capital assets being depreciated, net	27,615,354	476,757	-	28,092,111
Governmental activities capital assets, net	\$ 30,215,144	476,757	-	30,691,901

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 290,044
Mental health	3,343
County environment and education	53,132
Roads and transportation	1,645,999
Governmental services to residents	16,756
Administration	129,713
Total depreciation expense - governmental activities	\$ 2,138,987

Hardin County
Notes to Financial Statements
June 30, 2017

(9) Long-Term Liabilities

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

	General Obligation Bonds	Capital Loan Note	Capital Lease Purchase Agreements	Compensated Absences	Drainage Warrants/ Drainage Improvement Certificates	Net OPEB Liability	Net Pension Liability	Total
Balance beginning of year	\$ 24,520,000	-	36,411	409,443	816,709	581,165	2,578,072	28,941,800
Increases	-	950,346	-	18,180	1,027,449	22,488	834,069	2,852,532
Decreases	3,965,000	239,721	8,476	52,208	-	-	-	4,265,405
Balance end of year	\$ 20,555,000	710,625	27,935	375,415	1,844,158	603,653	3,412,141	27,528,927
Due within one year	\$ 1,825,000	233,425	8,881	375,415	-	-	-	2,442,721

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreement to lease a Case IH tractor for the conservation department with an historical cost of \$44,500. The following is a schedule of the future minimum lease payments, including interest at 4.78% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2017:

Year ending June 30,	Tractor
2018	\$ 10,216
2019	10,216
2020	10,216
Total minimum lease payments	30,648
Less amount representing interest	2,713
Present value of net minimum lease payments	\$ 27,935

Payments under capital lease purchase agreements totaled \$10,216 for the year ended June 30, 2017.

Drainage Warrants/Drainage Improvement Certificates Payable

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

Hardin County
Notes to Financial Statements
June 30, 2017

(9) Long-Term Liabilities (continued)

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

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

Bonds Payable and Capital Loan Note

A summary of the County's June 30, 2017 general obligation bonded indebtedness and capital loan note is as follows:

Year Ending June 30,	Interest Rates	General Obligation Bonds		Capital Loan Note		Total
		Principal	Interest	Principal	Interest	
2018	1.00 - 4.00 %	\$ 1,825,000	562,016	233,425	26,261	2,646,702
2019	1.15 - 2.50	1,435,000	517,816	237,720	13,186	2,203,722
2020	1.30 - 2.50	1,405,000	488,151	239,480	4,406	2,137,037
2021	1.45 - 2.50	1,445,000	457,886	-	-	1,902,886
2022	1.60 - 2.50	1,240,000	426,171	-	-	1,666,171
2023-2027	1.75 - 3.10	6,380,000	1,654,710	-	-	8,034,710
2028-2032	1.90 - 3.25	6,825,000	665,438	-	-	7,490,438
Total		\$ 20,555,000	4,772,188	710,625	43,853	26,081,666

During the year ended June 30, 2017, the County refinanced \$5,075,000 of general obligation bonds and retired \$3,965,000 of general obligation bonds.

(10) Hardin County Employee Group Health Fund

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Hardin County
Notes to Financial Statements
June 30, 2017

(10) Hardin County Employee Group Health Fund (continued)

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2017 was \$1,519,658.

Amounts payable from the Employee Group Health Fund at June 30, 2017 total \$157,012, 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. That reserve was \$315,696 at June 30, 2017 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. 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. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	198,166
Incurred claims (including claims incurred but not reported at June 30, 2017)		3,018,838
Payments:		
Payments on claims during the year		3,059,992
Unpaid claims end of year	\$	157,012

(11) Risk Management

Hardin County is a member in the Heartland Insurance Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk-sharing pool whose membership includes ten counties throughout the State of Iowa. The Pool was formed in July 1987 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, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member County is responsible for the payment of member contributions to the Pool on an annual basis. Member contributions to the Pool are recorded as expenditures from the operating fund at the time of payment to the risk pool. In the event of payment of any loss by the Pool, the Pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery.

Hardin County
Notes to Financial Statements
June 30, 2017

(11) Risk Management (continued)

The Pool is responsible for paying the reinsurance premiums on the insurance policies when due, to pay claims in accordance with the various coverages and to make other payments as required by applicable law, to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the Pool, and to pay all reasonable and necessary expenses to administer the Pool and fund.

Initial risk of loss for the self-insured coverages is retained by the Pool. The Pool obtained a reinsurance policy for the year ended June 30, 2017, which covers exposures of specific losses in excess of \$750,000, with a \$250,000 corridor deductible, per occurrence up to the statutory limits for workers compensation, and in excess of \$400,000 per occurrence, up to a maximum of \$7,000,000 per occurrence, including the retention of the pool, for general liability, police professional, errors and omissions and automobile liability.

The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses. At June 30, 2017, the Pool reported a surplus of assets over liabilities.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool by means of an assessment that would be charged to the member County in addition to the premium contributions. At June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since commencement of the risk pool.

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 \$375,775.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Hardin County commenced July 1, 1987, and is subject to renewal every three years. The County also carries commercial insurance purchased by the Pool from other insurers for coverages associated with the employee blanket bond. 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 years.

(12) County Financial Information Included in the Mental Health/Disability Services of the Central Iowa Community Service Region

Mental Health/Disability Services of the Central Iowa Community Service Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County and Warren County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Mental Health/Disability Services of the Central Iowa Community Service Region for the year ended June 30, 2017 as follows:

Hardin County
Notes to Financial Statements
June 30, 2017

(12) County Financial Information Included in the Mental Health/Disability Services of the Central Iowa Community Service Region (continued)

Revenues:		
Property and other county tax		\$ 370,158
Intergovernmental revenues:		
State tax credits	\$ 36,369	
Other intergovernmental revenues	117	36,486
Miscellaneous		1,056
Total revenues		407,700
Expenditures:		
Services to persons with:		
Mental illness	221,334	
Intellectual disabilities	25,746	
Other developmental disabilities	28,264	275,344
General administration		
Direct administration		53,563
Total expenditures		328,907
Excess of revenues over expenditures		78,793
Fund balance beginning of year		570,365
Fund balance end of year		\$ 649,158

(13) Development Agreement

The County agreed to rebate percentages of incremental property tax paid NRP of Iowa, LLC, in exchange for the costs of certain improvements to the property. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated to NRP of Iowa, LLC, for a period not to exceed 10 years, and in a cumulative amount not to exceed a total of \$300,000. The payments will be made on December 1 and June 1 of each fiscal year, beginning on December 1, 2018. In years 1-5, the rebate will be 100% of the incremental value; year 6 will be 80%, year 7 will be 60%, year 8 will be 40%, year 9 will be 20% and year 10 will be 10%.

(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 governments or the citizens of those governments.

County Tax Abatements

The county provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa.

Hardin County
Notes to Financial Statements
June 30, 2017

(14) Tax Abatements (continued)

For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2017, the County abated \$282,545 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Iowa Falls	Urban renewal and economic development projects	\$ 34,330
City of Ackley	Urban renewal and economic development projects	\$ 2,854

(15) 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.

(16) 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 pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.

(17) Subsequent Event

Management has evaluated subsequent events through December 27, 2017, the date on which the financial statements were available to be issued.

Required Supplementary Information

Hardin County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2017

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 8,779,084	-
Interest and penalty on property tax	52,143	-
Intergovernmental	9,074,224	-
Licenses and permits	21,595	-
Charges for service	563,410	-
Use of money and property	235,714	-
Miscellaneous	2,710,683	997,450
Total receipts	<u>21,436,853</u>	<u>997,450</u>
Disbursements:		
Public safety and legal services	4,112,424	-
Physical health and social services	336,030	-
Mental health	395,245	-
County environment and education	1,039,649	-
Roads and transportation	5,064,526	-
Governmental services to residents	526,506	-
Administration	1,675,382	-
Non-program	1,034,391	908,568
Debt service	7,588,763	-
Capital projects	558,966	-
Total disbursements	<u>22,331,882</u>	<u>908,568</u>
Excess (deficiency) of receipts over (under) disbursements	(895,029)	88,882
Other financing sources, net	<u>1,496,641</u>	<u>13,222</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	601,612	102,104
Balance beginning of year	<u>9,757,669</u>	<u>773,235</u>
Balance end of year	<u>\$ 10,359,281</u>	<u>875,339</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
8,779,084	8,823,841	8,823,841	(44,757)
52,143	-	-	52,143
9,074,224	5,736,068	5,736,068	3,338,156
21,595	2,000	2,000	19,595
563,410	463,405	463,405	100,005
235,714	136,675	136,675	99,039
1,713,233	1,481,803	1,537,368	175,865
20,439,403	16,643,792	16,699,357	3,740,046
4,112,424	4,056,641	4,250,141	137,717
336,030	302,279	336,924	894
395,245	687,629	687,629	292,384
1,039,649	1,004,132	1,085,289	45,640
5,064,526	6,565,884	6,565,884	1,501,358
526,506	599,751	599,751	73,245
1,675,382	1,922,887	1,922,887	247,505
125,823	310,829	327,829	202,006
7,588,763	2,509,414	6,538,470	(1,050,293)
558,966	595,300	658,647	99,681
21,423,314	18,554,746	22,973,451	1,550,137
(983,911)	(1,910,954)	(6,274,094)	5,290,183
1,483,419	-	2,835,000	(1,351,581)
499,508	(1,910,954)	(3,439,094)	3,938,602
8,984,434	7,190,327	7,190,327	1,794,107
9,483,942	5,279,373	3,751,233	5,732,709

Hardin County
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	\$ 21,436,853	(1,317,007)	20,119,846
Expenditures	22,331,882	1,112,655	23,444,537
Net	(895,029)	(2,429,662)	(3,324,691)
Other financing sources, net	1,496,641	2,344,715	3,841,356
Beginning fund balances	9,757,669	600,098	10,357,767
Ending fund balances	\$ 10,359,281	515,151	10,874,432

Hardin County
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, two budget amendments increased budgeted disbursements by \$4,418,705. The budget amendments are reflected in the final budgeted amounts.

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

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

Hardin County
Schedule of the County's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Three Years*
Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.0542185 %	0.0521826 %	0.0492177 %
County's proportionate share of the net pension liability	\$ 3,412,141	2,578,072	1,951,929
County's covered-employee payroll	\$ 4,861,315	4,794,191	4,889,832
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.19 %	53.77 %	39.92 %
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.

Hardin County
Schedule of County Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
Required Supplementary Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 482,212	445,728	441,156	451,369
Contributions in relation to the statutorily required contribution	(482,212)	(445,728)	(441,156)	(451,369)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 5,267,342	4,861,315	4,794,191	4,889,832
Contributions as a percentage of covered-employee payroll	9.15%	9.17%	9.20%	9.23%

2013	2012	2011	2010	2009	2008
439,729	408,081	357,144	327,768	306,318	267,244
(439,729)	(408,081)	(357,144)	(327,768)	(306,318)	(267,244)
-	-	-	-	-	-
4,863,880	4,768,776	4,670,416	4,587,194	4,477,860	4,268,137
9.04%	8.56%	7.65%	7.15%	6.84%	6.26%

Hardin County
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2017

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

Hardin County
Schedule of Funding Progress for the
Retiree Health Plan
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)
2010	July 1, 2009	-	\$ 1,097,804	\$ 1,097,804	0.0%	\$ 4,071,595	27.0%
2011	July 1, 2009	-	1,097,804	1,097,804	0.0	3,966,060	27.7
2012	July 1, 2009	-	1,097,804	1,097,804	0.0	4,259,583	25.8
2013	July 1, 2012	-	1,206,456	1,206,456	0.0	4,019,439	30.0
2014	July 1, 2012	-	1,206,456	1,206,456	0.0	4,115,109	29.3
2015	July 1, 2012	-	1,206,456	1,206,456	0.0	4,028,545	30.0
2016	July 1, 2015	-	622,324	622,324	0.0	3,954,000	15.7
2017	July 1, 2015	-	622,324	622,324	0.0	4,406,262	14.1

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Hardin County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
Assets			
Cash, cash equivalents and pooled investments	\$ 3,615	191	33,444
Receivables:			
Succeeding year tax increment financing	-	146,241	15,816
Due from other governments	-	4,888	-
Drainage assessments receivable	-	-	-
Total assets	\$ 3,615	151,320	49,260
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other governments	-	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	146,241	15,816
Other	-	-	-
Total deferred inflows of resources	-	146,241	15,816
Fund balances:			
Restricted for:			
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	3,615	5,079	33,444
Total fund balances	3,615	5,079	33,444
Total liabilities, deferred inflows of resources and fund balances	\$ 3,615	151,320	49,260

Special Revenue					
Garden Wind Farm TIF	State Forfeiture Funds	County Recorder's Records Management	Community Betterment/ Local Option Sales Tax	Drainage Districts	Total
39	1,408	45,749	121,330	876,763	1,082,539
496,319	-	-	-	-	658,376
-	-	-	5,735	-	10,623
-	-	-	-	373,056	373,056
496,358	1,408	45,749	127,065	1,249,819	2,124,594
-	-	-	1,875	-	1,875
4,888	-	-	-	-	4,888
4,888	-	-	1,875	-	6,763
496,319	-	-	-	-	658,376
-	-	-	-	359,082	359,082
496,319	-	-	-	359,082	1,017,458
-	-	-	-	890,737	890,737
(4,849)	1,408	45,749	125,190	-	209,636
(4,849)	1,408	45,749	125,190	890,737	1,100,373
496,358	1,408	45,749	127,065	1,249,819	2,124,594

Hardin County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2017

	Resource Enhancement and Protection	Pine Lake Corn Processors TIF	Carbo Tech TIF
Revenues:			
Tax increment financing	\$ -	132,967	11,534
Local option sales tax	-	-	-
Intergovernmental	15,353	8,809	4,727
Charges for service	-	-	-
Use of money and property	30	-	-
Miscellaneous	-	-	-
Total revenues	<u>15,383</u>	<u>141,776</u>	<u>16,261</u>
Expenditures:			
Operating:			
Governmental services to residents	-	-	-
Non-program	-	-	-
Capital projects	30,000	-	-
Debt service	-	748,229	-
Total expenditures	<u>30,000</u>	<u>748,229</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,617)</u>	<u>(606,453)</u>	<u>16,261</u>
Other financing sources:			
Bond proceeds	-	-	-
Drainage warrants/drainage improvement certificates issued	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	(14,617)	(606,453)	16,261
Fund balances beginning of year	<u>18,232</u>	<u>611,532</u>	<u>17,183</u>
Fund balances end of year	<u>\$ 3,615</u>	<u>5,079</u>	<u>33,444</u>

Special Revenue					
Garden Wind Farm TIF	State Forfeiture Funds	County Recorder's Records Management	Community Betterment/ Local Option Sales Tax	Drainage Districts	Total
468,103	-	-	-	-	612,604
-	-	-	67,369	-	67,369
24,044	-	-	-	-	52,933
-	-	3,339	-	-	3,339
-	-	174	-	-	204
-	-	-	-	1,001,005	1,001,005
492,147	-	3,513	67,369	1,001,005	1,737,454
-	-	7,789	-	-	7,789
-	-	-	24,379	908,568	932,947
-	-	-	-	-	30,000
3,155,790	-	-	-	-	3,904,019
3,155,790	-	7,789	24,379	908,568	4,874,755
(2,663,643)	-	(4,276)	42,990	92,437	(3,137,301)
1,536,300	-	-	-	-	1,536,300
-	-	-	-	13,222	13,222
1,536,300	-	-	-	13,222	1,549,522
(1,127,343)	-	(4,276)	42,990	105,659	(1,587,779)
1,122,494	1,408	50,025	82,200	785,078	2,688,152
(4,849)	1,408	45,749	125,190	890,737	1,100,373

Hardin County
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	\$ -	2,047	96,224	106,037
Other County officials	128,944	-	-	-
Receivables:				
Property tax:				
Delinquent	-	499	544	24,209
Succeeding year	-	238,730	268,156	12,189,778
Accounts	379	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 129,323	241,276	364,924	12,320,024
Liabilities				
Accounts payable	\$ -	-	21,362	-
Salaries and benefits payable	-	-	90	-
Due to other governments	15,117	241,276	329,550	12,320,024
Trusts payable	114,206	-	-	-
Compensated absences	-	-	13,922	-
Total liabilities	\$ 129,323	241,276	364,924	12,320,024

Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Local Emergency Management Services
13,762	75,914	2,817	27	11,104	509,928	182,180
-	-	-	-	-	-	-
2,687	33,897	387	6	-	-	-
1,276,186	5,929,195	431,222	3,044	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,292,635	6,039,006	434,426	3,077	11,104	509,928	182,180
-	-	-	-	-	-	222
-	-	-	-	-	-	-
1,292,635	6,039,006	434,426	3,077	11,104	509,928	177,454
-	-	-	-	-	-	-
-	-	-	-	-	-	4,504
1,292,635	6,039,006	434,426	3,077	11,104	509,928	182,180

Hardin County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2017

	E911 Surcharge	Drainage Districts	Third Party Payees	Other	Total
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ 262,572	(431,312)	8	83,381	914,689
Other County officials	-	-	-	-	128,944
Receivables:					
Property tax:					
Delinquent	-	-	-	-	62,229
Succeeding year	-	-	-	-	20,336,311
Accounts	22,436	-	-	-	22,815
Due from other governments	83,690	-	-	-	83,690
Total assets	\$ 368,698	(431,312)	8	83,381	21,548,678
Liabilities					
Accounts payable	\$ 22,384	-	-	-	43,968
Salaries and benefits payable	-	-	-	-	90
Due to other governments	346,314	(431,312)	-	77,621	21,366,220
Trusts payable	-	-	8	5,760	119,974
Compensated absences	-	-	-	-	18,426
Total liabilities	\$ 368,698	(431,312)	8	83,381	21,548,678

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 135,790	234,619	270,261	12,223,442	1,611,278
Additions:					
Property and other county tax	-	222,948	252,846	11,350,956	1,169,535
E911 surcharge	-	-	-	-	-
State tax credits	-	21,201	20,644	1,110,694	146,954
Grants	-	-	-	-	-
Interest	5	-	-	-	-
Office fees and collections	2,602,414	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	604,157	-	-	-	-
Miscellaneous	-	-	25	-	-
Total additions	3,206,576	244,149	273,515	12,461,650	1,316,489
Deductions:					
Agency remittances:					
To other funds	2,420,113	-	-	-	-
To other governments	176,395	237,492	178,852	12,365,068	1,635,132
Trusts paid out	616,535	-	-	-	-
Total deductions	3,213,043	237,492	178,852	12,365,068	1,635,132
Balances end of year	\$ 129,323	241,276	364,924	12,320,024	1,292,635

Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax	Drivers License	Local Emergency Management Services
6,075,571	430,030	2,976	4,373	490,274	-	216,668
6,285,726	410,232	2,840	-	-	-	-
-	-	-	-	-	-	-
1,063,715	25,031	269	-	-	-	-
-	-	-	-	-	-	6,718
-	-	-	-	-	-	-
-	-	-	-	6,677,500	-	-
-	-	-	-	-	60,275	-
-	-	-	56,414	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	65,075
7,349,441	435,263	3,109	56,414	6,677,500	60,275	71,793
-	-	-	-	201,961	25,704	-
7,386,006	430,867	3,008	49,683	6,455,885	34,571	106,281
-	-	-	-	-	-	-
7,386,006	430,867	3,008	49,683	6,657,846	60,275	106,281
6,039,006	434,426	3,077	11,104	509,928	-	182,180

Hardin County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year ended June 30, 2017

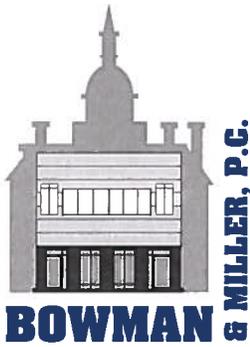
	Drainage Districts	E911 Surcharge	Tax Sale Redemption Non-County	Third Party Payees
Assets and Liabilities				
Balances beginning of year	\$ (626,103)	550,163	-	4,613
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	270,512	-	-
State tax credits	-	-	-	-
Grants	-	-	-	-
Interest	-	1,244	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Drivers license fees	-	-	-	-
Assessments	330,386	-	-	-
Trusts	-	-	260,603	16,788
Miscellaneous	-	26,247	-	-
Total additions	330,386	298,003	260,603	16,788
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	135,595	479,468	260,603	-
Trusts paid out	-	-	-	21,393
Total deductions	135,595	479,468	260,603	21,393
Balances end of year	\$ (431,312)	368,698	-	8

Other	Total
75,829	21,699,784
-	19,695,083
-	270,512
-	2,388,508
-	6,718
256	1,505
-	2,602,414
-	6,677,500
-	60,275
-	386,800
368,046	1,249,594
28,327	119,674
396,629	33,458,583
-	2,647,778
389,077	30,323,983
-	637,928
389,077	33,609,689
83,381	21,548,678

Hardin County
Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds
For the Last Ten Years

	2017	2016	2015	2014
Revenues:				
Property and other county tax	\$ 7,432,549	7,800,289	7,840,421	7,067,670
Tax increment financing	612,604	-	-	-
Local option sales tax	673,689	717,431	753,796	677,656
Interest and penalty on property tax	48,339	57,817	51,410	49,496
Intergovernmental	7,582,879	6,416,578	6,075,158	6,897,612
Licenses and permits	21,525	9,600	6,430	5,830
Charges for service	528,763	510,958	490,052	478,639
Use of money and property	237,807	203,662	182,867	201,140
Miscellaneous	2,981,691	2,411,808	1,813,945	895,551
Total	\$ 20,119,846	18,128,143	17,214,079	16,273,594
Expenditures:				
Operating:				
Public safety and legal services	\$ 4,056,402	3,599,738	3,465,424	3,556,270
Physical health and social services	326,141	259,809	260,788	274,436
Mental health	391,735	455,153	2,074,076	709,436
County environment and education	1,007,020	933,447	877,110	889,088
Roads and transportation	6,154,438	6,020,472	4,793,700	5,913,588
Governmental services to residents	527,135	545,935	500,603	514,345
Administration	1,735,506	1,560,815	1,724,248	1,702,132
Non-program	1,034,189	1,012,725	907,900	1,920,904
Debt service	7,618,387	2,497,610	2,487,167	1,621,762
Capital projects	593,584	355,645	655,987	731,101
Total	\$ 23,444,537	17,241,349	17,747,003	17,833,062

Modified Accrual Basis					
2013	2012	2011	2010	2009	2008
6,512,506	6,426,282	6,438,937	5,983,894	5,850,891	5,447,040
-	-	-	-	-	-
638,592	630,507	718,785	645,776	693,063	635,029
50,735	54,121	54,368	89,748	47,507	42,934
6,225,000	7,683,304	7,503,886	8,039,328	7,643,605	6,494,968
4,825	26,282	12,712	27,286	13,592	18,901
473,821	494,711	480,505	419,077	457,559	468,832
159,932	198,546	202,184	210,894	252,293	347,759
1,011,847	344,474	556,342	543,793	165,696	204,634
15,077,258	15,858,227	15,967,719	15,959,796	15,124,206	13,660,097
3,602,978	3,518,509	3,423,543	3,378,278	3,220,284	3,044,804
161,997	207,052	211,600	264,083	300,989	261,448
749,434	2,088,962	1,747,233	1,754,696	1,932,986	2,003,263
953,821	786,887	929,516	874,483	987,371	805,515
5,476,613	4,548,742	5,606,480	4,949,674	5,135,149	4,105,451
490,320	457,137	409,986	441,706	421,998	424,006
1,802,277	1,702,756	1,469,657	1,865,299	1,439,782	1,359,171
943,263	1,887,148	1,338,296	220,027	134,945	63,070
21,265,774	934,820	803,307	2,027,239	623,320	597,781
3,647,205	2,269,922	1,548,898	1,583,856	201,587	422,541
39,093,682	18,401,935	17,488,516	17,359,341	14,398,411	13,087,050



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Independent Auditors' 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 Hardin County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hardin County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-17 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-17 to be a significant deficiency.

Compliance and Other Matters

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

Hardin County's Responses to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hardin 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.

Bowman and Miller, P.C.

December 27, 2017

Hardin County
Schedule of Findings
Year ended June 30, 2017

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Hardin County
Schedule of Findings
Year ended June 30, 2017

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-17 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 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 – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks.	Recorder
(2) Collection and deposit preparation functions are not segregated from the recording and accounting for cash receipts.	Recorder

Cause – The County office noted above has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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 – The County Recorder should review the control activities of their office to obtain maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Response – We are currently rotating duties monthly for collecting and depositing between the two office staff.

Conclusion – Response accepted.

Hardin County
Schedule of Findings
Year ended June 30, 2017

Part II: Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-B-17 County Credit Cards

Criteria – Internal controls over safeguarding of assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies and addressing proper asset use and proper supporting documentation.

Condition – The county had credit cards for use by various employees while on County business. Per the County’s credit card policy, original receipts documenting charges are required for all purchases. For several transactions tested an original itemized receipt was not submitted.

Cause – County Staff are not consistently following the credit card policy.

Effect – The use of credit cars could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The County’s credit card policy should be followed which requires original itemized receipts be received and maintained for all credit card charges.

Response – The County has a policy regarding receipts for purchases. We will do a better job in the future of requiring receipts for all purchases before payment is made.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-17 Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the debt service function. Disbursements in certain 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.

Hardin County Schedule of Findings Year ended June 30, 2017

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

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 appropriation.

Response – We will strive to continually monitor our budget and appropriations and amend in advance of expenditures exceeding these amounts. We will continue to improve upon our evaluations and analysis of our reports. The budget over expenditure was due to the refunding and refinancing of our general obligation bonds near the end of the fiscal year.

Conclusion – Response accepted.

- III-B-17 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- III-C-17 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-17 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jody Mesch, maintenance director of the County, owner of J&C Enterprises	Cleaning services for the courthouse	\$ <u>31,200</u>

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions with Jody Mesch do not appear to represent a conflict of interest since the transactions were competitively bid.

- III-E-17 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-17 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-17 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Hardin County
Schedule of Findings
Year ended June 30, 2017

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

III-H-17 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).

III-I-17 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.

III-J-17 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Hardin County Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Partner
Nathan Minkel, CPA, Partner
Diana Swanson, Staff