MARION COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2018

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MARION COUNTY

Officials

Name	Title		Term Expires
Craig Agan	Board of Supervisors		Jan. 2019
Mark Raymie	Board of Supervisors		Jan. 2021
Steve McCombs	Board of Supervisors		Jan. 2021
Jake Grandia	County Auditor		Jan. 2021
Denise Emal	County Treasurer		Jan. 2019
Karen Schwanebeck	County Recorder		Jan. 2019
Jason Sandholdt	County Sheriff		Jan. 2021
Ed Bull	County Attorney		Jan. 2019
Neil Morgan	County Assessor	(Resigned December 2017)	
Kelli Kingrey	County Assessor	(Appointed January 2018)	Jan. 2022

DOUGLAS T. HUNT, CPA
DONALD D. KAIN
CHUCK C. CONVERSE, CPA
RUSSELL S. TERPSTRA, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Officials of Marion 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 Marion County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marion County as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 18 to the financial statements, Marion County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other

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 Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 7 through 15 and 64 through 71 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 Marion 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, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2019 on our consideration of Marion County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 Marion County's internal control over financial reporting and compliance.

Hunt + Associates, P.C.

Oskaloosa, Iowa
March 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Marion County, Iowa provides this Management's Discussion and Analysis of Marion County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by $132,655 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

County governmental funds revenue increased 0.7% or $147,368 from 2017 to 2018. Property and other county taxes increased approximately $488,504.

County governmental funds program expenditures increased approximately 5.8% or $1,319,719 from 2017 to 2018. Expenditures for public safety and legal services decreased by $163,054. Expenditures for capital projects decreased by $199,191 while roads and transportation expenditures increased by $701,230. Physical Health and Social Services expenditures increased $427,070.

The County's governmental activities net position increased 4.9%, or $2,177,235 (after restatement) during the year ended June 30, 2018.

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 government'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 Marion 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 Marion County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marion County acts solely as an agent or custodian for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Required supplementary information provides a comparison of actual receipts and disbursements to amounts budgeted. It also shows the County's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of changes in the County's total OPEB liability, related ratios and notes.

Supplementary Information provides detailed information about the nonmajor special revenue and the individual internal service and fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the County.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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 about the County as a whole and about its activities in a way that 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 all of the County's assets, liabilities, and deferred outflows and inflows of resources with the difference between them 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 event or 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 periods.

The County's governmental activities are displayed 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, government services to residents, administration and interest on long-term debt. 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. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, and 3) Non major including the Debt Service 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 statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one 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. Proprietary funds include the County's employee group health insurance internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

   The required financial statements for proprietary funds include a statement of fund 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 trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

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

   A summary reconciliation between government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position.

The County's combined net position increased by $2,177,235, after restatement, from FY 2017. This increase in net position is primarily a result of the County's positive investment in capital assets. Our analysis below focuses on the net position of the County's governmental activities.

Net Position of Governmental Activities

	2017 (not restated)	2018
Current and other assets	29,773,061	29,398,716
Capital assets	34,328,822	37,059,800
Total assets	64,101,883	66,458,516
Pension & OPEB related deferred outflows	2,121,361	2,449,188
Deferred outflows of resources	2,121,361	2,449,188
Long-term liabilities	9,273,280	9,573,205
Other liabilities	787,260	708,004
Total liabilities	10,060,540	10,281,209
Unavailable property tax revenue	11,544,000	11,918,000
Pension related deferred inflows	140,023	185,234
Total deferred inflows of resources	11,684,023	12,103,234
Net position:		
Net investment in capital assets	31,725,696	34,934,800
Restricted	7,547,352	7,569,855
Unrestricted	5,205,633	4,018,606
Total net position	44,478,681	46,523,261

The net position of the County's governmental activities increased by 4.9%**,** after restatement**.** The largest portion of the County's net position is Net Investment in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Net Investment in Capital Assets is liquidated with sources other than capital assets. 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 $5,205,633 (not restated) at June 30, 2017 to $4,018,606 at the end of this year, a decrease of 22.8%**.**

The decrease of $1,187,027 in unrestricted net position was mainly a result of increases in the net pension liability and total OPEB liability. The County has adopted a five year plan to replace aging equipment and bring all County secondary roads up to the standards established by the County Planning Committee, and adopted by the County Board of Supervisors, on March 26, 2018.

Changes in Net Position of Governmental Activities			
	2017 Not restated	2018	Net Change
Revenues:			
Program revenues:			
Charges for service and sales	1,773,281	1,715,300	(57,981)
Operating grants and contributions	6,946,102	6,949,603	3,501
Capital grants and contributions	3,202,220	3,330,403	128,183
General revenues:			
Property tax, state credits, penalty	12,182,967	12,635,810	452,843
Local option sales and services tax	1,087,248	1,058,246	(29,002)
Payment in lieu of real estate taxes	108,028	111,971	3,943
Unrestricted investment earnings	51,482	100,689	49,207
Other general revenues	1,982	2,502	520
Total revenues	25,353,310	25,904,524	551,214
Program expenses:			
Public safety and legal services	4,701,482	4,868,559	167,077
Physical health and social services	2,917,206	3,389,556	472,350
Mental health	1,255,459	1,292,165	36,706
County environment and education	1,802,162	1,902,710	100,548
Roads and transportation	8,333,055	8,502,743	169,688
Government services to residents	816,546	846,717	30,171
Administration or general government	3,096,215	3,526,060	429,845
Interest on long-term debt	54,928	49,136	(5,792)
Total expenses	22,977,053	24,377,646	1,400,593
Special item – gain on sale of real estate	-	650,357	650,357
Increase in net position	2,376,257	2,177,235	(199,022)
Net position July 1, as restated	42,102,424	44,346,026*	2,243,602
Net position June 30	44,478,681	46,523,261	2,044,580

The County's total government wide revenues increased by 2%. The total government wide cost of all programs and services increased 6%, prior to restatement. The County will continue to cover its expenses and maintain fund balances.

*Note: 2018 Net Position July 1 restated due to adjusted 2017 OPEB liability.

Governmental Activities

Property tax, state credits and penalties revenue for the year increased 3.72%. The County decreased countywide property tax rates in 2018 by $0.03585. A Debt Service Levy of .10803 in 2017 increased to $0.10812 in 2018.

The cost of all governmental activities this year was $24,377,646 compared to $22,977,053 (not restated) last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes and reserves was only $12,382,340 because some of the cost was paid by those directly benefiting from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The County's governmental program revenues, including grants, contributions, intergovernmental aid, and fees for services, increased in 2018 from $11,921,603 to $11,995,306.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of $16,440,254, a decrease from last year's total of $17,130,742. The County funds expended $690,488 more than were received for the year. The following are the major reasons for the changes in fund balances for the year:

> The General Fund balance increased by $465,445 from the prior year or 4.8%. Revenues increased by 3.9% and the County only increased expenditures $476,078 from the prior year, or 3.5%.
>
> The County has continued to look for ways to effectively manage mental health services. In accordance with State of Iowa legislation the County entered into an agreement and became a member of the CROSS Mental Health Region. For the year, expenditures totaled $1,290,249, an increase of 2.8% driven by contributions to the Region. The Mental Health Fund balance at year end decreased by $150,338 or 7.9% from the prior year.
>
> The Rural Services Fund balance increased from the prior year by $123,944 or 13.5%.
>
> The ending fund balance in the Secondary Roads Fund was $3,122,328, a decrease of $1,130,471. Secondary Road Fund Revenues decreased by $195,406 or 4.2% while expenditures increased by $1,164,106 or 17.8% from the prior year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except internal service funds and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget one time, increasing budgeted disbursements by $1,513,235. The amendment was approved on May 22, 2018. Highlights of the budget amendment were Administration and Public Health expenditures. Disbursements did not exceed the amounts budgeted in any County function. However, the Medical Examiner department exceeded appropriations at year end and the County Facilities department exceeded appropriations prior to amendment of the appropriations, while all other departments were under their appropriations for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Marion County had $37,059,800 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of $2,730,978 or 8.0% over last year. This increase is due primarily to infrastructure and equipment additions.

Capital Assets of Governmental Activities at Year End,
Net of Related Accumulated Depreciation

		2017	2018
Land & other non-depreciable assets	$	499,237	499,237
Buildings & Improvements		10,318,824	9,858,856
Machinery & Equipment		3,078,423	3,980,026
Infrastructure		20,432,338	22,721,681
Totals	$	34,328,822	37,059,800

Long-term Liabilities

At year-end, the County had $9,573,205 in long-term liabilities compared to $9,273,280 (not restated) last year as shown below.

Long-term Liabilities of Governmental Activities at Year-End			
		2017 (not restated)	2018
Compensated absences	$	536,709	642,108
Total OPEB Liability		262,000	404,125
Net Pension Liability		5,871,445	6,401,972
General Obligation Law Enforcement Center Bonds		2,350,000	2,030,000
General Obligation County Building & Refunding Bonds		185,000	95,000
Installment Purchase (Voting Equipment)		68,126	0
Totals	$	9,273,280	9,573,205

Long-term liabilities increased primarily as a result of the increase in the County's Net Pension Liability. Other obligations include general obligation bonds, accrued vacation pay and compensatory time, and total OPEB liability. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Marion County's elected and appointed officials and citizens considered many factors when setting the 2019 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Residential sales of property in the County have remained steady. Countywide taxable valuations increased in 2017. Unemployment in the State of Iowa now stands at 2.4% versus 2.8% a year ago. The Consumer Price Index was 2.3% in 2018.

These indicators were taken into account when adopting the County budget for 2019. Budgeted receipts in the operating budget are $23,040,203, an increase of .3% over the final 2018 budget. Marion County will use these receipts to finance programs currently offered and offset the effect we expect inflation to have on program costs. The County has added no major new programs to the 2019 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marion 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, Marion County, 214 E Main Street, Knoxville, Iowa.

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Basic Financial Statements

MARION COUNTY

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	$ 15,281,806
Receivables:	
Property tax:	
Delinquent	22,395
Succeeding year	11,918,000
Interest and penalty on property tax	50,268
Accounts	73,973
Accrued interest	6,399
Due from other governments	939,036
Inventories	881,770
Prepaid expenses	225,069
Capital assets, net of accumulated depreciation (note 6)	37,059,800
Total assets	66,458,516
Deferred Outflows of Resources	
Pension related deferred outflows	2,443,308
OPEB related deferred outflows	5,880
Total deferred outflows of resources	2,449,188
Liabilities	
Accounts payable	445,780
Salaries and benefits payable	243,827
Claims incurred but not reported	15,000
Accrued interest payable	3,397
Long-term liabilities (note 8):	
Portion due or payable within one year:	
General obligation bonds	420,000
Compensated absences	642,108
Portion due or payable after one year:	
General obligation bonds	1,705,000
Net pension liability	6,401,972
Total OPEB liability	404,125
Total liabilities	10,281,209

MARION COUNTY

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
Deferred Inflows of Resources	
Unavailable property tax revenue	11,918,000
Pension related deferred inflows	185,234
Total deferred inflows of resources	12,103,234
Net Position	
Net investment in capital assets	34,934,800
Restricted for:	
Supplemental levy purposes	40,531
Mental health purposes	1,678,514
Rural services purposes	970,734
Secondary roads purposes	2,972,087
Debt service	80,512
Other purposes	1,827,477
Unrestricted	4,018,606
Total net position	$ 46,523,261

See notes to financial statements.

MARION COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Public safety and legal services	$ 4,868,559	$ 451,397	$ 222,838	$ -	$ (4,194,324)
Physical health and social services	3,389,556	10,858	2,223,264	-	(1,155,434)
Mental health	1,292,165	5,710	21,900	-	(1,264,555)
County environment and education	1,902,710	503,863	49,364	-	(1,349,483)
Roads and transportation	8,502,743	63,532	4,407,441	3,330,403	(701,367)
Government services to residents	846,717	639,682	24,796	-	(182,239)
Administration	3,526,060	40,258	-	-	(3,485,802)
Interest on long-term debt	49,136	-	-	-	(49,136)
Total	$ 24,377,646	$ 1,715,300	$ 6,949,603	$ 3,330,403	(12,382,340)
General Revenues:					
Property and other county tax levied for:					
General purposes					11,485,410
Debt service					152,344
Penalty and interest on property tax					35,970
State tax credits and replacements					962,086
Local option sales and services tax					1,058,246
Payments in lieu of real estate taxes					111,971
Unrestricted investment earnings					100,689
Miscellaneous					2,502
Total general revenues					13,909,218

MARION COUNTY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Change in net position before special item					$ 1,526,878
Special item:					
Gain on disposal of real estate					650,357
Change in net position					2,177,235
Net position beginning of year, as restated					44,346,026
Net position end of year					$ 46,523,261

See notes to financial statements.

MARION COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Revenue Mental Health	Special Revenue Rural Services	Special Revenue Secondary Roads
Assets				
Cash and pooled investments	$ 9,735,744	$ 1,831,801	$ 1,141,469	$ 2,026,298
Receivables:				
Property tax:				
Delinquent	13,332	2,050	6,764	-
Succeeding year	7,907,000	1,216,000	2,640,000	-
Interest and penalty on property tax	50,268	-	-	-
Accounts	73,491	-	-	-
Accrued interest	6,016	-	-	-
Interfund (note 5)	-	-	-	79,325
Due from other governments	605,781	3,660	-	329,595
Inventories	-	-	-	881,770
Prepaid expenses	73,894	-	-	-
Total assets	$ 18,465,526	$ 3,053,511	$ 3,788,233	$ 3,316,988
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 231,452	$ 87,998	$ 16,630	$ 109,700
Salaries and benefits payable	153,286	3,363	2,218	84,960
Interfund payable (note 5)	-	-	79,325	-
Total liabilities	384,738	91,361	98,173	194,660
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	7,907,000	1,216,000	2,640,000	-
Other	63,567	2,048	6,759	-
Total deferred inflows of resources	7,970,567	1,218,048	2,646,759	-

Nonmajor	Total
$ 419,437	$ 15,154,749
249	22,395
155,000	11,918,000
-	50,268
482	73,973
383	6,399
-	79,325
-	939,036
-	881,770
-	73,894
$ 575,551	$ 29,199,809
$ -	$ 445,780
-	243,827
-	79,325
-	768,932
155,000	11,918,000
249	72,623
155,249	11,990,623

MARION COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Fund balances:				
Nonspendable:				
Inventories	-	-	-	881,770
Prepaid expenses	73,894	-	-	-
Restricted for:				
Supplemental levy purposes	2,256,380	-	40,531	-
Cemetery levy purposes	6,837	-	-	-
Mental health purposes	-	1,744,102	-	-
Rural services purposes	-	-	1,002,770	-
Secondary roads purposes	-	-	-	2,240,558
Records management purposes	-	-	-	-
Conservation purposes	694,980	-	-	-
Public safety purposes	-	-	-	-
Debt service	-	-	-	-
Other purposes	789,018	-	-	-
Assigned:				
Capital improvements	697,413	-	-	-
Sheriff's reserve officers	25,461	-	-	-
Sheriff's commissary	64,086	-	-	-
County Attorney	27,400	-	-	-
Civil service purposes	727	-	-	-
Unassigned	5,474,025	-	-	-
Total fund balances	10,110,221	1,744,102	1,043,301	3,122,328
Total liabilities, deferred inflows of resources and fund balances	$ 18,465,526	$ 3,053,511	$ 3,788,233	$ 3,316,988

See notes to financial statements.

Nonmajor	Total
-	881,770
-	73,894
-	2,296,911
-	6,837
-	1,744,102
-	1,002,770
-	2,240,558
16,416	16,416
281,206	976,186
39,020	39,020
83,660	83,660
-	789,018
-	697,413
-	25,461
-	64,086
-	27,400
-	727
-	5,474,025
420,302	16,440,254
$ 575,551	$ 29,199,809

MARION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances of governmental funds			$ 16,440,254
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 $69,028,843 and the accumulated depreciation is $31,969,043.			37,059,800
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.			72,623
The Internal Service Funds are used by management to charge the costs of the self-funding of the County's dental insurance benefit plan to individual funds and to account for the County's health and vision insurance and flexible benefits plan. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.			263,232
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.			(3,397)
Pension and OPEB 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	$ 2,449,188	
	Deferred inflows of resources	(185,234)	2,263,954
Long-term liabilities, including bonds payable, compensated absences payable, net pension liability and total OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.			(9,573,205)
Net position of governmental activities			$ 46,523,261

See notes to financial statements.

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MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	$ 7,862,575	$ 1,021,733	$ 2,610,435	$ -
Local option sales and services tax	1,058,246	-	-	-
Interest and penalty on property tax	67,651	-	-	-
Intergovernmental	3,357,121	112,468	166,011	4,407,441
Licenses and permits	35,480	-	-	10,606
Charges for service	1,327,620	-	-	2,548
Use of money and property	118,485	-	-	-
Miscellaneous	203,475	5,710	15	51,395
Total revenues	14,030,653	1,139,911	2,776,461	4,471,990
Expenditures:				
Operating:				
Public safety and legal services	4,311,215	-	249,416	-
Physical health and social services	3,320,966	-	-	-
Mental health	-	1,290,249	-	-
County environment and education	1,257,017	-	304,566	-
Roads and transportation	736,983	-	-	6,407,384
Government services to residents	810,113	-	1,114	-
Administration	3,311,648	-	-	-
Debt service	68,125	-	-	-
Capital projects	146,554	-	-	1,292,498
Total expenditures	13,962,621	1,290,249	555,096	7,699,882
Excess (deficiency) of revenues over (under) expenditures	68,032	(150,338)	2,221,365	(3,227,892)
Other financing sources (uses):				
Interfund transfers in (note 4)	-	-	-	2,097,421
Interfund transfers out (note 4)	(300,000)	-	(2,097,421)	-
Total other financing sources (uses)	(300,000)	-	(2,097,421)	2,097,421
Change in fund balances before special item	(231,968)	(150,338)	123,944	(1,130,471)
Special item - sale of real estate	697,413	-	-	-

Nonmajor	Total
$ 152,389	$ 11,647,132
-	1,058,246
-	67,651
28,922	8,071,963
-	46,086
5,591	1,335,759
1,097	119,582
1,841	262,436
189,840	22,608,855
-	4,560,631
-	3,320,966
-	1,290,249
29,192	1,590,775
-	7,144,367
-	811,227
-	3,311,648
459,716	527,841
-	1,439,052
488,908	23,996,756
(299,068)	(1,387,901)
300,000	2,397,421
-	(2,397,421)
300,000	-
932	(1,387,901)
-	697,413

MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Change in fund balances	$ 465,445	$ (150,338)	$ 123,944	$ (1,130,471)
Fund balances beginning of year	9,644,776	1,894,440	919,357	4,252,799
Fund balances end of year	$ 10,110,221	$ 1,744,102	$ 1,043,301	$ 3,122,328

See notes to financial statements.

	Nonmajor		Total
$	932	$	(690,488)
	419,370		17,130,742
$	420,302	$	16,440,254

MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Change in fund balances - total governmental funds		$ (690,488)
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. The amount of capital outlay expenditures, contributed capital assets and depreciation expense in the current year are as follows:		
Capital outlay expenditures	$ 2,710,921	
Capital assets contributed by the Iowa Department of Transportation	3,330,403	
Depreciation expense	(3,263,290)	2,778,034
In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(47,056)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax	(3,141)	
Other	(31,681)	(34,822)
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.		478,126
The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		29,031

MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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	$ (105,399)	
Pension expense	(282,822)	
OPEB expense	(3,590)	
Interest on long-term debt	579	$ (391,232)
The Internal Service Funds are used by management to charge the costs of the self-funding of the County's dental insurance benefit plan to individual funds and to account for the costs of the County's health and vision insurance and flexible benefits plan. The change in net position of the Internal Service Funds is reported with governmental activities.		55,642
Change in net position of governmental activities		$ 2,177,235

See notes to financial statements.

MARION COUNTY

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Internal Service Funds
Assets	
Cash and cash equivalents	$ 127,057
Prepaid expenses	151,175
Total assets	278,232
Liabilities	
Claims incurred but not reported	15,000
Fund Net Position	
Unrestricted	$ 263,232

See notes to financial statements.

MARION COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Internal Service Funds
Operating revenues:	
Contributions	$ 2,107,457
Operating expenses:	
Claims	207,726
Insurance premiums	1,834,831
Administrative fees	9,346
Total operating expenses	2,051,903
Operating income	55,554
Non-operating revenues:	
Interest on investments	88
Net income	55,642
Fund net position beginning of year	207,590
Fund net position end of year	$ 263,232

See notes to financial statements.

MARION COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Internal Service Funds
Cash flows from operating activities:	
Cash received from contributions	$ 2,107,457
Cash payments for claims	(208,726)
Cash payments for insurance premiums	(1,839,965)
Cash payments for fees and other expenses	(9,346)
Net cash provided by operating activities	49,420
Cash flows from investing activities:	
Interest on investments	88
Net increase in cash and cash equivalents	49,508
Cash and cash equivalents beginning of year	77,549
Cash and cash equivalents end of year	$ 127,057
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 55,554
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in prepaid expenses	(5,134)
(Decrease) in claims incurred but not reported	(1,000)
Net cash provided by operating activities	$ 49,420

See notes to financial statements.

MARION COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

Assets	
Cash and pooled investments:	
County Treasurer	$ 2,668,967
Other County officials (note 3)	84,943
Receivables:	
Property tax:	
Delinquent	48,487
Succeeding year	34,954,000
Accounts	26,473
Accrued interest	337
Due from other governments	184,504
Total assets	$ 37,967,711
Liabilities	
Accounts payable	$ 89,990
Salaries and benefits payable	6,394
Due to other governments (note 7)	37,382,896
Trusts payable	465,006
Compensated absences	23,425
Total liabilities	$ 37,967,711

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marion County Assessor's Conference Board, Marion County Emergency Management Commission, and Marion County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 two preceding categories. Unrestricted net position is often subject to constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

The General Fund is the main 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 that are not paid from other funds.

Special Revenue:

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

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 period 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 liabilities and acquisitions under capital leases are reported as other financing sources.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are 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, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit, which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax receivable is recognized in the governmental funds on the levy or lien date, which is the date that 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 reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

Interfund Receivables and Payables – During the course of its operations, the County may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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.

Prepaid Expenses – The County has paid for services that will not be a benefit until future periods. These amounts are reflected as a prepaid expenses asset in the financial statements.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Intangibles	$ 250,000
Infrastructure	500,000
Buildings and improvements	75,000
Equipment and vehicles	10,000
Land	0

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40
Improvements other than buildings	20-40
Infrastructure	10-65
Equipment	3-20
Vehicles	5-20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future period(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 and OPEB 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.

Long-term Liabilities – In the government-wide financial statements and the 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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the 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, 2018. 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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Marion County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid by 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 represent an acquisition of net position applicable to a future period(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 in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which they are levied, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, and other unamortized items not yet charged against pension expense.

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

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

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

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

Unassigned – All amounts not included in preceding classifications.

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted. Disbursements in one department exceeded the amount appropriated prior to amending the appropriations and one department exceeded appropriations at year end.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2018 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.

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.

At June 30, 2018, the County had the following investments:

Investment	Fair Value
U.S. Treasury Note	$ 494,395

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

The recurring fair value measurements for the U. S. Treasury Note of $494,395 was determined using the last reported sale price at current exchange rates (level 1 inputs).

Note 3. Cash – Other County Officials

The following is a summary of cash and investments held by other County officials at June 30, 2018:

Office:		
County Auditor:		
Cemetery trusts	$	3,888
County Recorder:		
Office fees		46,099
County Sheriff:		
Office fees		34,956
	$	84,943

Note 4. Interfund Transfers

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

Transfer to	Transfer from		Amount
Special Revenue:	Special Revenue:		
Secondary Roads	Rural Services	$	2,097,421
Debt Service	General		300,000
		$	2,397,421

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

Note 5. Interfund Receivables and Payables

The detail of interfund receivables and payables for the year ended June 30, 2018 is as follows:

Receivable Fund	Payable Fund		Amount
Special Revenue:	Special Revenue:		
Secondary Roads	Rural Services	$	79,325

The balance between the Secondary Roads and Rural Services Funds represents a timing difference for a transfer correction. These balances are not included on the government-wide Statement of Net Position.

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 499,237	$ -	$ -	$ 499,237
Capital assets being depreciated:				
Buildings	15,583,079	-	52,284	15,530,795
Improvements other than buildings	790,021	-	-	790,021
Machinery and equipment	11,381,815	1,767,439	1,234,442	11,914,812
Infrastructure	36,020,093	4,273,885	-	40,293,978
Total capital assets being depreciated	63,775,008	6,041,324	1,286,726	68,529,606
Less accumulated depreciation for:				
Buildings	5,783,833	393,564	5,228	6,172,169
Improvements other than buildings	270,443	19,348	-	289,791
Machinery and equipment	8,303,392	865,836	1,234,442	7,934,786
Infrastructure	15,587,755	1,984,542	-	17,572,297
Total accumulated depreciation	29,945,423	3,263,290	1,239,670	31,969,043
Total capital assets being depreciated, net	33,829,585	2,778,034	47,056	36,560,563
Governmental activities capital assets, net	$ 34,328,822	$ 2,778,034	$ 47,056	$ 37,059,800

Note 6. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	$	325,062
Physical health and social services		13,590
County environment and education		153,906
Roads and transportation		2,456,970
Government services to residents		33,348
Administration		280,414
Total depreciation expense - governmental activities	$	3,263,290

Note 7. 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, 2018 is as follows:

Fund	Description		Amount
Agency:			
County Assessor	Collections	$	657,668
Area schools			962,946
Schools			21,835,191
Corporations			11,171,567
E-911 surcharge			574,018
Townships			690,673
Auto License and Use Tax			986,406
All Other			504,427
Total for agency funds		$	37,382,896

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation refunding bonds	$ 2,350,000	$ -	$ 320,000	$ 2,030,000	$ 325,000
General obligation County building and refunding bonds	185,000	-	90,000	95,000	95,000
Installment purchase	68,126	-	68,126	-	-
Compensated absences	536,709	642,108	536,709	642,108	642,108
Net pension liability	5,871,445	530,527	-	6,401,972	-
Total OPEB liability	394,655	9,470	-	404,125	-
Total	$ 9,405,935	$ 1,182,105	$ 1,014,835	$ 9,573,205	$ 1,062,108

General Obligation Refunding Bonds

Details of the County’s June 30, 2018 general obligation refunding bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	1.45 %	$ 325,000	$ 37,630	$ 362,630
2020	1.60	335,000	32,918	367,918
2021	1.75	340,000	27,557	367,557
2022	1.95	345,000	21,607	366,607
2023	2.10	355,000	14,880	369,880
2024	2.25	330,000	7,425	337,425
		$ 2,030,000	$ 142,017	$ 2,172,017

General Obligation County Building and Refunding Bonds

Details of the County’s June 30, 2018 general obligation County building and refunding bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2019	3.30 %	$ 95,000	$ 3,135	$ 98,135

Note 9. 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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 percent for each month that 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 percent for each month that the member receives benefits before age 65.

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

Note 9. Pension Plan (continued)

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered pay and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.38% of covered payroll, for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered pay 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, 2018 totaled $802,899.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of $6,401,972 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the County's proportion was 0.096107, which was an increase of 0.002810 from its proportion measured as of June 30, 2016.

Note 9. Pension Plan (continued)

For the year ended June 30, 2018, the County recognized pension expense of $1,056,691. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 81,659	$ 87,256
Changes of assumptions	1,346,667	12,086
Net difference between projected and actual earnings on IPERS' investments	-	85,841
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	212,083	51
County contributions subsequent to the measurement date	802,899	-
Total	$ 2,443,308	$ 185,234

$802,899 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ 217,838
2020	663,341
2021	406,398
2022	65,689
2023	101,909
	$ 1,455,175

Note 9. Pension Plan (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2017 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, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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
Domestic equity	24.0%	6.25%
International equity	16.0%	6.71
Core plus fixed income	27.0%	2.25
Public credit	3.5%	3.46
Public real assets	7.0%	3.27
Cash	1.0%	(0.31)
Private equity	11.0%	11.15
Private real assets	7.5%	4.18
Private credit	3.0%	4.25
Total	100.0%	

Note 9. Pension Plan (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	$ 11,549,868	$ 6,401,972	$ 2,080,617

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 10. Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Marion County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	168
Total	174

Total OPEB Liability – The County's total OPEB liability of $404,125 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Note 10. Other Postemployment Benefits (OPEB) (continued)

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum
Rates of salary increase (effective June 30, 2018)	2.00% per annum
Discount rate (effective June 30, 2018)	3.58% per annum
Healthcare cost trend rate (effective June 30, 2018)	5.00% per annum

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	$ 394,655
Changes for the year:	
Service cost	28,284
Interest	14,657
Differences between expected and actual experience	4,568
Changes in assumptions	1,842
Benefit payments	(39,881)
Net changes	9,470
Total OPEB liability end of year	$ 404,125

Changes of assumptions reflect a change in the discount rate from 4.50% in fiscal year 2017 to 3.58% in fiscal year 2018 and a change in the mortality table used.

Note 10. Other Postemployment Benefits (OPEB) (continued)

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB Liability	$ 430,726	$ 404,125	$ 379,633

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	$ 370,275	$ 404,125	$ 443,504

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $43,471. At June 30, 2018, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 4,190
Changes in assumptions	1,690
Total	$ 5,880

Note 10. Other Postemployment Benefits (OPEB) (continued)

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,		Amount
2019	$	530
2020		530
2021		530
2022		530
2023		530
Thereafter		3,230
	$	5,880

Note 11. Risk Management

Marion County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were $319,801.

Note 11. Risk Management (continued)

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

Note 12. Marion County Employee Dental Insurance Plan

Marion County has an administrative services agreement with Delta Dental to administer the self-funded employee dental benefit plan. Monthly payments of service fees and contributions to fund the plan are paid to the Marion County Auditor, trustee for the plan. The monthly payments for service fees and plan contributions are recorded as expenditures at the time of the payment to the trustee. Under the agreement, payments for service fees and paid claims are remitted to Delta Dental on a weekly basis. The County assumes liability for dental claims up to $1,000 per person per year and up to a maximum benefit carry over of $1,000 per person for any unused benefit. The County also assumes liability for orthodontics claims up to a lifetime maximum of $1,000 per person.

Note 12. Marion County Employee Dental Insurance Plan (continued)

Amounts payable from the Internal Service, Self-Funded Dental Insurance Fund at June 30, 2018 include $15,000 for incurred but not reported (IBNR) claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2017	$	16,000
Incurred claims (including claims incurred but not reported at June 30, 2018)		101,277
Payments		(102,277)
Unpaid claims at June 30, 2018	$	15,000

Note 13. Construction Commitment

The County has entered into a contract totaling $256,857 for roadway paving. As of June 30, 2018, work on the project had not yet begun.

Note 14. Contingent Liabilities

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency is to provide economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at $3,376,635. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2018, has $3,465,604 restricted for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2018.

Note 15. Tax Abatements

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

Tax Abatement of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated	
City of Knoxville	Urban renewal and economic development projects	$	125,188
City of Pleasantville	Urban renewal and economic development projects	$	9,404
City of Pella	Urban renewal and economic development projects	$	3,005

Note 16. Conduit Bonds

On August 20, 2014, the County approved the issuance of up to $8,650,000 of healthcare facilities revenue bonds, of which $7,290,000 was actually issued, with an initial nominal interest rate of 3.82%, for the construction, renovation and remodeling of the Knoxville Area Community Hospital facilities. The County is acting only as a conduit for the issuance of the bonds. The debt is not recorded as a County liability and the Knoxville Area Community Hospital is directly responsible for the repayment of the bonds. Therefore, no debt transactions related to the issuance of these bonds and future repayment have been recorded in the County's financial records and the County has no further financial obligations related to the bonds. The outstanding balance of the County's conduit debt at June 30, 2018 was $7,005,137.

Note 17. Marion County Financial Information Included in the County Rural Offices of Social Services (CROSS) Region

The CROSS Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Ringgold County, Decatur County, Clarke County, Wayne County, Lucas County, Monroe County, and Marion County. The financial activity of Marion County's Special Revenue, Mental Health Fund is included in the CROSS Region for the year ended June 30, 2018 as follows:

Revenues:		
Property and other County tax		$ 1,021,733
Intergovernmental revenues:		
State tax credits and replacements	$ 90,056	
Other intergovernmental revenues	22,412	112,468
Miscellaneous		5,710
Total revenues		1,139,911
Expenditures:		
Services to persons with:		
Mental illness	694,952	
Intellectual disabilities	35,106	
Other developmental disabilities	21,430	751,488
General administration:		
Direct administration	77,173	
Distribution to regional fiscal agent	461,588	538,761
Total expenditures		1,290,249
Deficiency of revenues under expenditures		(150,338)
Fund balance beginning of year		1,894,440
Fund balance end of year		$ 1,744,102

Note 18. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities
Net position June 30, 2017, as previously reported	$ 44,478,681
Net OPEB obligation measured under previous standards	262,000
Total OPEB liability at June 30, 2017	(394,655)
Net position July 1, 2017, as restated	$ 44,346,026

Required Supplementary Information

MARION 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, 2018

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
RECEIPTS:				
Property and other County tax	$ 12,799,409	$ 12,666,581	$ 12,666,581	$ 132,828
Interest and penalty on property tax	67,751	53,000	53,000	14,751
Intergovernmental	8,144,414	8,231,585	8,633,142	(488,728)
Licenses and permits	41,931	33,800	33,800	8,131
Charges for service	1,385,432	1,264,900	1,264,900	120,532
Use of money and property	117,838	148,878	148,878	(31,040)
Miscellaneous	274,985	163,863	163,863	111,122
Total receipts	22,831,760	22,562,607	22,964,164	(132,404)
DISBURSEMENTS:				
Public safety and legal services	4,577,127	4,899,090	4,899,090	321,963
Physical health and social services	3,249,412	3,022,994	3,710,558	461,146
Mental health	1,286,600	1,195,732	1,486,576	199,976
County environment and education	1,595,524	2,122,400	2,122,400	526,876
Roads and transportation	7,267,662	8,268,810	8,268,810	1,001,148
Government services to residents	822,394	1,027,629	957,629	135,235
Administration	3,415,326	3,085,410	3,620,237	204,911
Debt service	527,841	465,215	535,215	7,374
Capital projects	1,415,439	1,963,310	1,963,310	547,871
Total disbursements	24,157,325	26,050,590	27,563,825	3,406,500
Excess (deficiency) of receipts over (under) disbursements	(1,325,565)	(3,487,983)	(4,599,661)	3,274,096
Other financing sources, net	-	6,000	6,000	(6,000)
Special item - sale of real estate	697,413	-	-	697,413
Excess (deficiency) of receipts, other financing sources, and special item over (under) disbursements and other financing uses	(628,152)	(3,481,983)	(4,593,661)	3,965,509
Balance beginning of year	15,782,901	12,625,287	12,625,287	3,157,614
Balance end of year	$ 15,154,749	$ 9,143,304	$ 8,031,626	$ 7,123,123

See accompanying independent auditor's report.

MARION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 22,831,760	$ (222,905)	$ 22,608,855
Expenditures	24,157,325	(160,569)	23,996,756
Net	(1,325,565)	(62,336)	(1,387,901)
Special item	697,413	-	697,413
Beginning fund balances	15,782,901	1,347,841	17,130,742
Ending fund balances	$ 15,154,749	$ 1,285,505	$ 16,440,254

See accompanying independent auditor's report.

MARION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2018

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, 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, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by $1,513,235. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted. Disbursements in one department exceeded the amount appropriated prior to amending the appropriations and disbursements in one department exceeded the amount appropriated at year end.

MARION COUNTY

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

Iowa Public Employee's Retirement System
For the Last Four Years*
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.096107%	0.093297%	0.087408%	0.081434%
County's proportionate share of the net pension liability	$ 6,402	$ 5,871	$ 4,318	$ 3,330
County's covered payroll	$ 8,506	$ 7,997	$ 7,648	$ 7,221
County's proportionate share of the net pension liability as a percentage of its covered payroll	75.26%	73.42%	56.46%	44.73%
IPERS' net position as a percentage of the total pension liability	82.21%	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 year.

See accompanying independent auditor's report.

MARION COUNTY

Schedule of the County's Contributions

Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	$ 803	$ 774	$ 730	$ 701
Contributions in relation to the statutorily required contribution	(803)	(774)	(730)	(701)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County's covered payroll	$ 8,851	$ 8,506	$ 7,997	$ 7,648
Contributions as a percentage of covered payroll	9.07%	9.10%	9.13%	9.17%

See accompanying independent auditor's report.

	2014	2013	2012	2011	2010	2009
	$ 662	$ 625	$ 594	$ 505	$ 457	$ 422
	(662)	(625)	(594)	(505)	(457)	(422)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 7,221	$ 6,967	$ 7,033	$ 6,752	$ 6,500	$ 6,304
	9.17%	8.97%	8.45%	7.48%	7.03%	6.69%

MARION COUNTY

Notes to Required Supplementary Information – Pension Liability

Year Ended June 30, 2018

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.

MARION COUNTY

Schedule of the Changes in the County’s Total OPEB Liability, Related Ratios and Notes
For the Current Year

Required Supplementary Information

		2018
Service cost	$	28,284
Interest		14,657
Differences between expected and actual experience		4,568
Changes in assumptions		1,842
Benefit payments		(39,881)
Net change in total OPEB liability		9,470
Total OPEB liability beginning of year, as restated		394,655
Total OPEB liability end of year.	$	404,125
Covered-employee payroll	$	8,185,901

Notes to Schedule of Changes in the County’s Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period and a change in the mortality table used. The following are the discount rates used in each period.

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

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Supplementary Information

MARION COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Sheriff's Forfeiture	Attorney's Forfeiture
Assets				
Cash and pooled investments	$ 15,924	$ 281,029	$ 37,911	$ 1,109
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	482	-	-	-
Accrued interest	10	177	-	-
Total assets	$ 16,416	$ 281,206	$ 37,911	$ 1,109
Deferred Inflows of Resources and Fund Balances				
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	$ -	$ -	$ -	$ -
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Records management purposes	16,416	-	-	-
Conservation purposes	-	281,206	-	-
Public safety purposes	-	-	37,911	1,109
Debt service	-	-	-	-
Total fund balances	16,416	281,206	37,911	1,109
Total deferred inflows of resources and fund balances	$ 16,416	$ 281,206	$ 37,911	$ 1,109

See accompanying independent auditor's report.

	Debt Service	Total
	$ 83,464	$ 419,437
	249	249
	155,000	155,000
	-	482
	196	383
	$ 238,909	$ 575,551
	$ 155,000	$ 155,000
	249	249
	155,249	155,249
	-	16,416
	-	281,206
	-	39,020
	83,660	83,660
	83,660	420,302
	$ 238,909	$ 575,551

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Sheriff's Forfeiture	Attorney's Forfeiture
Revenues:				
Property and other County tax	$ -	$ -	$ -	$ -
Intergovernmental	-	15,286	-	-
Charges for service	5,591	-	-	-
Use of money and property	34	652	-	-
Miscellaneous	-	-	1,841	-
Total revenues	5,625	15,938	1,841	-
Expenditures:				
Operating:				
County environment and education	-	29,192	-	-
Debt service	-	-	-	-
Total expenditures	-	29,192	-	-
Excess (deficiency) of revenues over (under) expenditures	5,625	(13,254)	1,841	-
Other financing sources:				
Interfund transfers in	-	-	-	-
Change in fund balances	5,625	(13,254)	1,841	-
Fund balances beginning of year	10,791	294,460	36,070	1,109
Fund balances end of year	$ 16,416	$ 281,206	$ 37,911	$ 1,109

See accompanying independent auditor's report.

Debt Service	Total
$ 152,389	$ 152,389
13,636	28,922
-	5,591
411	1,097
-	1,841
166,436	189,840
-	29,192
459,716	459,716
459,716	488,908
(293,280)	(299,068)
300,000	300,000
6,720	932
76,940	419,370
$ 83,660	$ 420,302

MARION COUNTY

COMBINING SCHEDULE OF FUND NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018

	Health Insurance	Self-Funded Dental Insurance	Vision Insurance	Flexible Benefits Plan	Total
Assets					
Cash and cash equivalents	$ 38,341	$ 75,216	$ 4,802	$ 8,698	$ 127,057
Prepaid expenses	149,571	-	1,604	-	151,175
Total assets	187,912	75,216	6,406	8,698	278,232
Liabilities					
Claims incurred but not reported	-	15,000	-	-	15,000
Fund Net Position					
Unrestricted	$ 187,912	$ 60,216	$ 6,406	$ 8,698	$ 263,232

See accompanying independent auditor's report.

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2018

	Health Insurance	Self-Funded Dental Insurance	Vision Insurance	Flexible Benefits Plan	Total
Operating revenues:					
Contributions	$ 1,854,128	$ 130,294	$ 20,255	$ 102,780	$ 2,107,457
Operating expenses:					
Claims	-	101,277	-	106,449	207,726
Insurance premiums	1,814,536	-	20,295	-	1,834,831
Administrative fees	-	9,346	-	-	9,346
Total operating expenses	1,814,536	110,623	20,295	106,449	2,051,903
Operating income (loss)	39,592	19,671	(40)	(3,669)	55,554
Non-operating revenues:					
Interest on investments	-	88	-	-	88
Net income (loss)	39,592	19,759	(40)	(3,669)	55,642
Fund net position beginning of year	148,320	40,457	6,446	12,367	207,590
Fund net position end of year	$ 187,912	$ 60,216	$ 6,406	$ 8,698	$ 263,232

See accompanying independent auditor's report.

MARION COUNTY

COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2018

	Health Insurance	Self-Funded Dental Insurance	Vision Insurance	Flexible Benefits Plan	Total
Cash flows from operating activities:					
Cash received from contributions	$ 1,854,128	$ 130,294	$ 20,255	$ 102,780	$ 2,107,457
Cash payments for claims	-	(102,277)	-	(106,449)	(208,726)
Cash payments for insurance premiums	(1,819,696)	-	(20,269)	-	(1,839,965)
Cash payments for fees and other expenses	-	(9,346)	-	-	(9,346)
Net cash provided by (used by) operating activities	34,432	18,671	(14)	(3,669)	49,420
Cash flows from investing activities:					
Interest on investments	-	88	-	-	88
Net increase (decrease) in cash and cash equivalents	34,432	18,759	(14)	(3,669)	49,508
Cash and cash equivalents beginning of year	3,909	56,457	4,816	12,367	77,549
Cash and cash equivalents end of year	$ 38,341	$ 75,216	$ 4,802	$ 8,698	$ 127,057
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:					
Operating income (loss)	$ 39,592	$ 19,671	$ (40)	$ (3,669)	$ 55,554
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:					
(Increase) decrease in prepaid expenses	(5,160)	-	26	-	(5,134)
(Decrease) in claims incurred but not reported	-	(1,000)	-	-	(1,000)
Net cash provided by (used by) operating activities	$ 34,432	$ 18,671	$ (14)	$ (3,669)	$ 49,420

See accompanying independent auditor's report.

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MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	County Offices			Board of Supervisors
	County Auditor	County Recorder	County Sheriff	Congregate Meals
ASSETS				
Cash and pooled investments:				
County Treasurer	$ -	$ -	$ -	$ 161,388
Other County officials	3,888	46,099	34,956	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	611	-	-
Accrued interest	-	-	-	20
Due from other governments	-	-	-	-
Total assets	$ 3,888	$ 46,710	$ 34,956	$ 161,408
LIABILITIES				
Accounts payable	$ -	$ 19,048	$ -	$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	27,662	-	-
Trusts payable	3,888	-	34,956	161,408
Compensated absences	-	-	-	-
Total liabilities	$ 3,888	$ 46,710	$ 34,956	$ 161,408

	Agricultural Extension Education		County Assessor		Area Schools		Schools		Corporations		E-911 Surcharge
$	1,831	$	357,455	$	6,336	$	151,516	$	68,223	$	492,816
	-		-		-		-		-		-
	459		589		1,610		35,554		8,344		-
	272,000		349,000		955,000		21,599,000		11,095,000		-
	-		-		-		-		-		23,233
	-		-		-		-		-		317
	-		-		-		49,121		-		70,349
$	274,290	$	707,044	$	962,946	$	21,835,191	$	11,171,567	$	586,715
$	-	$	44,237	$	-	$	-	$	-	$	11,677
	-		-		-		-		-		860
	274,290		657,668		962,946		21,835,191		11,171,567		574,018
	-		-		-		-		-		-
	-		5,139		-		-		-		160
$	274,290	$	707,044	$	962,946	$	21,835,191	$	11,171,567	$	586,715

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	Townships	City Special Assessments	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
ASSETS				
Cash and pooled investments:				
County Treasurer	$ 5,195	$ 15,052	$ 986,406	$ 29
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	1,921	-	-	7
Succeeding year	676,000	-	-	4,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	7,557	-	-	-
Total assets	$ 690,673	$ 15,052	$ 986,406	$ 4,036
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	690,673	15,052	986,406	4,036
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	$ 690,673	$ 15,052	$ 986,406	$ 4,036

Title III	Fire District	Emergency Management	County Recorder's Electronic Transaction Fee	Advance Tax Payments	Local Option Sales and Services Tax
$ 4,445	$ 19	$ 152,956	$ 496	$ 264,749	$ -
-	-	-	-	-	-
-	3	-	-	-	-
-	4,000	-	-	-	-
2,141	-	6	482	-	-
-	-	-	-	-	-
23,477	-	-	-	-	34,000
$ 30,063	$ 4,022	$ 152,962	$ 978	$ 264,749	$ 34,000
$ 12,121	$ -	$ 2,907	$ -	$ -	$ -
5,534	-	-	-	-	-
7,073	4,022	137,264	978	-	34,000
-	-	-	-	264,749	-
5,335	-	12,791	-	-	-
$ 30,063	$ 4,022	$ 152,962	$ 978	$ 264,749	$ 34,000

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2018

	Chore Service	Anatomical Gift, Public Awareness and Transportation	Total
ASSETS			
Cash and pooled investments:			
County Treasurer	$ 5	$ 50	$ 2,668,967
Other County officials	-	-	84,943
Receivables:			
Property tax:			
Delinquent	-	-	48,487
Succeeding year	-	-	34,954,000
Accounts	-	-	26,473
Accrued interest	-	-	337
Due from other governments	-	-	184,504
Total assets	$ 5	$ 50	$ 37,967,711
LIABILITIES			
Accounts payable	$ -	$ -	$ 89,990
Salaries and benefits payable	-	-	6,394
Due to other governments	-	50	37,382,896
Trusts payable	5	-	465,006
Compensated absences	-	-	23,425
Total liabilities	$ 5	$ 50	$ 37,967,711

See accompanying independent auditor's report.

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MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2018

	County Offices			Board of Supervisors
	County Auditor	County Recorder	County Sheriff	Congregate Meals
ASSETS AND LIABILITIES				
Balances beginning of year	$ 4,078	$ 46,196	$ 184,416	$ 161,166
Additions:				
Property and other County tax	-	-	-	-
State tax credits and replacements	-	-	-	-
Local option sales and services tax	-	-	-	-
Payments in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	558	559,655	579,035	-
Auto licenses, use tax, drivers licenses and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	17	-	913,309	-
Emergency management performance grants	-	-	-	-
Interest	-	-	-	242
Miscellaneous	-	-	-	-
Total additions	575	559,655	1,492,344	242
Deductions:				
Agency remittances:				
To other funds	765	218,762	713,974	-
To other governments	-	340,379	7,520	-
Trusts paid out	-	-	920,310	-
Total deductions	765	559,141	1,641,804	-
Balances end of year	$ 3,888	$ 46,710	$ 34,956	$ 161,408

	Agricultural Extension Education	County Assessor	Area Schools	Schools	Corporations	E-911 Surcharge
	$ 267,894	$ 758,060	$ 927,560	$ 21,907,404	$ 10,078,125	$ 458,612
	273,152	350,442	959,299	21,687,148	10,911,347	-
	23,466	36,108	81,224	1,912,825	1,127,119	-
	-	-	-	-	-	-
	133	205	461	60,113	11,363	-
	-	-	-	-	-	310,189
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	1,109
	-	49	-	-	-	309
	296,751	386,804	1,040,984	23,660,086	12,049,829	311,607
	-	-	-	-	-	-
	290,355	437,820	1,005,598	23,732,299	10,956,387	183,504
	-	-	-	-	-	-
	290,355	437,820	1,005,598	23,732,299	10,956,387	183,504
	$ 274,290	$ 707,044	$ 962,946	$ 21,835,191	$ 11,171,567	$ 586,715

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2018

	Townships	City Special Assessments	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
ASSETS AND LIABILITIES				
Balances beginning of year	$ 663,314	$ 8,164	$ 916,346	$ 4,048
Additions:				
Property and other County tax	689,361	-	-	4,230
State tax credits and replacements	44,814	-	-	373
Local option sales and services tax	-	-	-	-
Payments in lieu of real estate taxes	7,569	-	-	2
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, drivers licenses and postage	-	-	10,674,264	-
Assessments	-	20,801	-	-
Trusts	-	-	-	-
Emergency management performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	741,744	20,801	10,674,264	4,605
Deductions:				
Agency remittances:				
To other funds	-	-	374,499	-
To other governments	714,385	13,913	10,229,705	4,617
Trusts paid out	-	-	-	-
Total deductions	714,385	13,913	10,604,204	4,617
Balances end of year	$ 690,673	$ 15,052	$ 986,406	$ 4,036

Title III	Tax Sale Redemption	Fire District	Emergency Management	County Recorder's Electronic Transaction Fee	Advance Tax Payments	Local Option Sales and Services Tax
$ (26,535)	$ -	$ 4,020	$ 122,359	$ 1,921	$ 43,649	$ 68,000
-	-	4,062	-	-	-	-
-	-	241	-	-	-	-
-	-	-	-	-	-	442,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,591	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
467,800	516,832	-	-	-	264,708	-
-	-	-	31,335	-	-	-
-	-	-	-	-	-	-
-	-	-	164,011	-	-	-
467,800	516,832	4,303	195,346	5,591	264,708	442,000
-	-	-	-	-	-	-
-	-	4,301	164,743	6,534	-	476,000
411,202	516,832	-	-	-	43,608	-
411,202	516,832	4,301	164,743	6,534	43,608	476,000
$ 30,063	$ -	$ 4,022	$ 152,962	$ 978	$ 264,749	$ 34,000

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2018

	Pella Senior Activity	Chore Service	Anatomical Gift, Public Awareness and Transportation	Total
ASSETS AND LIABILITIES				
Balances beginning of year	$ 1,074	$ -	$ 100	$ 36,599,971
Additions:				
Property and other County tax	-	-	-	34,879,041
State tax credits and replacements	-	-	-	3,226,170
Local option sales and services tax	-	-	-	442,000
Payments in lieu of real estate taxes	-	-	-	79,846
E-911 surcharge	-	-	-	310,189
Office fees and collections	-	-	-	1,144,839
Auto licenses, use tax, drivers licenses and postage	-	-	-	10,674,264
Assessments	-	-	-	20,801
Trusts	1	5	-	2,162,672
Emergency management performance grants	-	-	-	31,335
Interest	-	-	-	1,351
Miscellaneous	-	-	598	164,967
Total additions	1	5	598	53,137,475
Deductions:				
Agency remittances:				
To other funds	-	-	-	1,308,000
To other governments	-	-	648	48,568,708
Trusts paid out	1,075	-	-	1,893,027
Total deductions	1,075	-	648	51,769,735
Balances end of year	$ -	$ 5	$ 50	$ 37,967,711

See accompanying independent auditor's report.

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MARION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2018	2017	2016	2015
Revenues:				
Property and other County tax	$ 11,647,132	$ 11,158,628	$ 10,607,133	$ 10,598,784
Local option sales and services tax	1,058,246	1,087,248	1,031,855	1,003,757
Interest and penalty on property tax	67,651	74,973	79,915	74,783
Intergovernmental	8,071,963	8,373,741	7,739,876	7,103,785
Licenses and permits	46,086	46,342	36,378	29,210
Charges for service	1,335,759	1,397,750	1,377,046	1,199,811
Use of money and property	119,582	99,511	95,574	94,440
Miscellaneous	262,436	223,294	506,219	418,618
Total	$ 22,608,855	$ 22,461,487	$ 21,473,996	$ 20,523,188
Expenditures:				
Operating:				
Public safety and legal services	$ 4,560,631	$ 4,723,685	$ 4,169,827	$ 3,933,179
Physical health and social services	3,320,966	2,893,896	2,295,533	2,460,595
Mental health	1,290,249	1,254,656	758,637	937,702
County environment and education	1,590,775	1,565,005	1,448,028	1,538,656
Roads and transportation	7,144,367	6,443,137	6,165,833	5,627,878
Government services to residents	811,227	779,477	993,137	722,264
Administration	3,311,648	2,855,411	2,766,938	2,763,859
Debt service	527,841	523,527	450,119	448,903
Capital projects	1,439,052	1,638,243	760,777	1,409,008
Total	$ 23,996,756	$ 22,677,037	$ 19,808,829	$ 19,842,044

See accompanying independent auditor's report.

	2014	2013	2012	2011	2010	2009
	$ 10,755,423	$ 10,245,232	$ 9,935,971	$ 9,495,250	$ 9,226,373	$ 8,690,699
	1,128,375	1,128,580	1,146,373	1,085,928	907,971	1,078,216
	77,299	79,376	93,120	106,281	95,927	94,916
	6,778,769	6,402,819	8,030,587	7,512,500	7,821,660	8,805,960
	27,973	29,467	34,188	31,417	32,524	18,115
	1,163,008	1,216,537	1,130,308	1,194,318	1,197,183	1,160,761
	94,269	99,373	121,742	170,984	168,061	206,243
	119,729	463,018	381,530	699,007	444,028	435,436
	$ 20,144,845	$ 19,664,402	$ 20,873,819	$ 20,295,685	$ 19,893,727	$ 20,490,346
	$ 3,753,223	$ 3,451,905	$ 3,315,442	$ 3,162,622	$ 3,029,931	$ 3,015,604
	2,369,795	2,355,776	2,451,806	2,516,784	2,364,667	2,347,248
	1,125,801	1,844,404	3,094,667	2,460,887	2,418,348	2,278,438
	1,420,940	1,330,408	1,314,598	1,490,243	1,246,594	1,205,327
	5,604,045	5,665,612	6,059,001	6,764,906	5,850,704	6,348,573
	701,849	693,111	606,168	623,063	596,528	625,144
	2,522,194	2,237,283	2,261,425	2,086,466	2,101,628	2,099,462
	519,766	485,757	585,323	549,444	728,109	465,829
	802,696	406,741	1,367,031	1,294,048	714,991	574,977
	$ 18,820,309	$ 18,470,997	$ 21,055,461	$ 20,948,463	$ 19,051,500	$ 18,960,602

MARION COUNTY

SCHEDULE OF TITLE III ACTIVITY
Year Ended June 30, 2018

Additions:		
Special programs for the aging - Title III, Part C nutrition services	$ 85,970	
Elderly waiver and other government reimbursements	52,916	
Donations	328,914	$ 467,800
Deductions:		
Salaries and benefits	207,385	
Food and provisions	140,761	
Supplies	7,692	
Travel and training	4,581	
Telephone and utilities	793	
Trash removal	1,030	
Rental building	28,140	
Equipment and repair	4,859	
Miscellaneous	15,961	411,202
Net		56,598
Balance beginning of year		(26,535)
Balance end of year		$ 30,063

See accompanying independent auditor's report.

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MARION COUNTY

SCHEDULE OF REVENUES, EXPENDITURES AND BALANCES – IOWA DEPARTMENT OF PUBLIC HEALTH
Year Ended June 30, 2018

	Women, Infants and Children 5888AO53	Women, Infants and Children 5887AO53	Maternal Child Health 5888MH12	Maternal Child Health 5887MH12	Maternal Child Health 5888DH06
Revenues:					
Federal	$ 197,257	$ 95,924	$ 91,088	$ 41,955	$ 4,234
State	-	-	32,733	-	-
Other	-	-	173,245	48,781	-
Total	197,257	95,924	297,066	90,736	4,234
Expenditures:					
Salaries and benefits	166,240	68,629	-	-	-
Contracted providers	1,759	1,698	-	-	-
Administration/indirect costs	9,394	10,213	-	-	-
Miscellaneous	19,864	15,384	297,066	90,736	4,234
Total	197,257	95,924	297,066	90,736	4,234
Balance	$ -	$ -	$ -	$ -	$ -

See accompanying independent auditor's report.

Centers for Disease Control and Prevention - Investigations and Technical Assistance 5888NB18	Immunization Action Plan 5888I488	Public Health Emergency and Hospital Preparedness 5888BT06
$ 5,750	$ 6,074	$ 303,258
850	2,006	41,524
900	-	-
7,500	8,080	344,782
683	7,270	-
-	-	-
-	-	-
6,817	810	344,782
7,500	8,080	344,782
$ -	$ -	$ -

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Grantor Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607	FY18	$ 345
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5887AO53	95,924
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5888AO53	197,257
			293,181
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	LAE SFY 18	17,967
Iowa Department of Agriculture:			
WIC Farmers' Market Nutrition Program	10.572	FY 18	370
U.S. Department of of Transportation:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	FY18	17,442
Iowa Department of Homeland Security and Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEP-18	601

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Grantor Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Aging Resources of Central Iowa:			
Aging Cluster:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	FY 18	$ 85,970
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State/Replacement Designee Administered Programs	93.566	LAE SFY 18	28
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE SFY 18	4,896
Foster Care - Title IV-E	93.658	LAE SFY 18	6,584
Adoption Assistance	93.659	LAE SFY 18	2,143
Social Services Block Grant	93.667	LAE SFY 18	5,383
Children's Health Insurance Program	93.767	LAE SFY 18	133
Medicaid Cluster:			
Medical Assistance Program	93.778	LAE SFY 18	29,261
Iowa Department of Public Health:			
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	5888BT06	303,258
Immunization Cooperative Agreements	93.268	5888I488	6,074
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5888NB18	5,750

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Grantor Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health (continued):			
Maternal and Child Health Services Block Grant to the States	93.994	5888DH06	$ 4,234
Maternal and Child Health Services Block Grant to the States	93.994	5887MH12	41,955
Maternal and Child Health Services Block Grant to the States	93.994	5888MH12	91,088
			137,277
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-18	31,335
Total			$ 947,998

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Marion County under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marion County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Marion County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Marion County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Marion County:

We have audited in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Chapter 11 of the Code of Iowa, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 26, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control over financial reporting, described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-18, that we consider to be a significant deficiency.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 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.

Marion County's Responses to the Findings

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

Purpose of this Report

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

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
March 26, 2019

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

To the Officials of Marion County:

Report on Compliance for the Major Federal Program

We have audited Marion County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2018. Marion County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Marion County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Hunt & Associates, P.C.

Oskaloosa, Iowa
March 26, 2019

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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

(a) Unmodified opinions were issued on all opinion units.

(b) A significant deficiency in internal control over financial reporting was reported.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) No material weaknesses in internal control over major programs were reported.

(e) An unmodified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.

(g) The major program was as follows:
- CFDA Number 10.557 Special Supplemental Nutrition Program for Woman, Infants, and Children

(h) The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

(i) Marion County qualified as a low-risk auditee.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-18 Segregation of Duties

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

Condition – One individual in the County Treasurer's office has custody of receipts and performs all record-keeping and depositing functions for the office. Also, the individual who reconciles the County Treasurer's bank accounts can sign checks and handle or record cash. In addition, one employee in the Sheriff's office determines propriety of disbursements and signs checks as well as performs reconciling functions for the office.

Cause – The County Treasurer and County Sheriff have 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 Treasurer and County Sheriff should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will review procedures and try to make the necessary changes to improve internal control.

Conclusion – Response accepted.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted in any County function. Disbursements in the County facilities department exceeded the amount appropriated prior to amendment of those appropriations and the disbursements in the medical examiner department exceeded the amount appropriated at year end.

Recommendation – 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 appropriated prior to amendment of those appropriations and the court services department exceeded amounts appropriated at year end.

Response – Appropriations will be watched more closely by the departments in the future.

Conclusion – Response accepted.

IV-B-18 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-18 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-18 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Scott Visser, member conservation board, owner of Pella Printing Co.	Supplies, printing services	$21,383 (a)
Bobbi Bassett, employee Son owns Bassett Excavating	Repairs	$1,210 (b)

In accordance with Chapter 331.342(2)(d) of the Code of Iowa, the transaction designated with an (a) does not represent a conflict of interest since the official's remuneration was not directly affected by the transactions.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transaction designated with a (b) does not represent a conflict of interest since the cumulative amount did not exceed $1,500 during the fiscal year.

IV-E-18 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that the coverage remains adequate for current operations.

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

IV-F-18 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-18 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-18 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-18 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, 2018 for the County Extension Office did not exceed the amount budgeted.

IV-J-18 Revenue Source Codes – We noted in our testing of receipts recorded by the County that one of eleven receipts tested was coded to the wrong revenue source.

Recommendation – The County should obtain a copy of the Uniform County Chart of Accounts provided by the Iowa Department of Management. The County Treasurer's office employees should review the revenue coding made by other offices for propriety and make any changes necessary prior to actually recording the receipt. It would be beneficial to the County to educate employees in other offices on the proper revenue codes to use for the various sources of revenues.

Response – We will investigate this situation and make any changes we feel would help to better code revenue sources.

Conclusion – Response accepted.