MARSHALL COUNTY

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

June 30, 2016

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Marshall County

Officials

Name	Title	Term Expires
Dennis Grabenbauer	Board of Supervisors	January 2017
Bill Patten	Board of Supervisors	January 2019
Dave Thompson	Board of Supervisors	January 2019
Deanne Raymond	County Auditor/Recorder	January 2017
Jarret Heil	County Treasurer	January 2019
Theoharris Kamatchus	County Sheriff	January 2017
Jennifer Miller	County Attorney	January 2019
Craig Madill	County Assessor	January 2017

BOWMAN & MILLER, P.C.

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Independent Auditors' Report

To the Officials of Marshall 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 Marshall County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 50 through 58 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 Marshall County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2017 on our consideration of Marshall County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Marshall County's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

January 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.8%, or approximately, \$2.2 million from fiscal year 2015 to fiscal year 2016. Property tax increased approximately \$174,000. Charges for services increased approximately \$547,000. Operating grants, contributions and restricted interest increased approximately \$364,000 and capital grants, contributions and restricted interest increased approximately \$454,000.

- Program expenses of the County's governmental activities were 14.8%, or approximately \$3.5 million, less in fiscal year 2016 than in fiscal year 2015. Mental health had the largest decrease of approximately \$3.7 million. The largest increase, approximately \$280,000, was in public safety and legal services, and administration had an increase of approximately \$136,000.

- The County's net position increased 8.6%, or approximately \$4.5 million, from June 30, 2015 to June 30, 2016.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Marshall 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 Marshall County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Marshall County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) 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 financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Marshall County's combined net position increased from approximately \$52.6 million to approximately \$57.1 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities
(Expressed in Thousands)

	June 30, 2016	June 30, 2015
Current and other assets	\$ 31,176	27,966
Capital assets	46,603	45,894
Total assets	77,779	73,860
Deferred outflows of resources	877	890
Long-term liabilities	6,718	5,998
Other liabilities	919	816
Total liabilities	7,637	6,814
Deferred inflows of resources:		
Unavailable revenues	13,924	15,344
Net position:		
Net investment in capital assets	44,962	43,834
Restricted	10,463	8,346
Unrestricted	1,669	412
Total net position	\$ 57,094	52,592

Net position of Marshall County's governmental activities increased 8.6% (approximately \$57.1 million compared to approximately \$52.6 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from an excess of approximately \$412,000 at June 30, 2015 to an excess of approximately \$1,669,000 at the end of this year, an increase of approximately \$1.3 million.

Changes in Net Position of Governmental Activities		
	Year Ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	$ 2,658,370	2,110,877
Operating grants, contributions and restricted interest	4,969,184	4,605,640
Capital grants, contributions and restricted interest	1,461,173	1,006,796
General revenues:		
Property tax	12,435,116	12,261,576
Penalty and interest on property tax	103,449	103,752
State tax credits	1,155,276	858,525
Local option sales tax	1,641,388	1,222,611
Unrestricted investment earnings	59,342	63,400
Other general revenues	199,810	248,806
Total revenues	24,683,108	22,481,983
Program expenses:		
Public safety and legal services	7,113,696	6,834,131
Physical health and social services	620,196	611,150
Mental health	1,041,855	4,751,712
County environment and education	920,172	962,843
Roads and transportation	6,928,798	7,117,928
Governmental services to residents	821,015	785,970
Administration	2,524,810	2,388,378
Non-program	103,084	103,082
Interest on long-term debt	106,937	134,913
Total expenses	20,180,563	23,690,107
Change in net position	4,502,545	(1,208,124)
Net position beginning of year, as restated	52,592,130	53,800,254
Net position end of year	$ 57,094,675	52,592,130

Marshall County's governmental activities net position increased approximately $4.5 million during the year. Revenues for governmental activities increased approximately $2.2 million over the prior year, with property tax revenue up from the prior year approximately $174,000 and increases in charges for services of approximately $547,000, operating grants and contributions and restricted interest of approximately $364,000 and capital grants, contributions and restricted interest of approximately $454,000.

The cost of all governmental activities this year was approximately $20.2 million compared to approximately $23.7 million last year. However, as shown in the Statement of Activities on pages 13-14, the amount taxpayers ultimately financed for these activities was approximately $11.1 million because some of the cost was paid by those who directly benefited from the programs (approximately $2.7 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $6.4 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2016 from approximately $7,723,000 to approximately $9,089,000.

INDIVIDUAL MAJOR FUND ANALYSIS

As Marshall County completed the year, its governmental funds reported a combined fund balance of approximately $14.5 million, an increase of more than $2.7 million above last year's total of approximately $11.7 million. The increase in fund balance is primarily attributable to increases of approximately $1.3 million in both the Secondary Road Fund and the General Fund. The following are the major reasons for the changes in fund balance of the major funds from the prior year:

- The General Fund is comprised of General Basic, General Supplemental, Conservation Land Acquisition Trust, Klauenberg Trust and Jail Commissary Profit funds. The ending fund balance increased approximately $1.3 million from the prior year. Revenues increased approximately $1.1 million from the prior year primarily due to an increase in net property taxes of approximately $609,000 and an increase of approximately $440,000 in intergovernmental revenues.

- Special Revenue, Mental Health Fund balance at year end increased by approximately $336,000 from the prior year. Approximately $805,000 was remitted to Central Iowa Community Service Region for regional mental health expenses. Fund balances of participating counties continue to be analyzed as part of the regional management plan.

- The Special Revenue, Rural Services Fund balance increased approximately $241,000 due to an increase of local option sales tax revenues.

- In the Special Revenue, Secondary Roads Fund, the maximum amount was transferred from the Special Revenue, Rural Services Fund. Revenues increased approximately $201,000 with an increase of approximately $583,000 in road use tax fund revenue offset by approximately $420,000 less in state and federal pass through funding. Expenditures increased slightly from the prior fiscal year or approximately $120,000. These factors increased the ending fund balance by approximately $1.3 million.

- The Debt Service Fund increased by approximately $37,000 in part due to delaying the lease-purchase of the Buildings and Grounds pickup until fiscal year 2017 due to the availability of the desired make and model.

BUDGETARY HIGHLIGHTS

Over the course of the year, Marshall County amended its budget one time. The amendment was made in February 2016. This resulted in an increase in budgeted revenues of approximately $1.2 million, mostly in intergovernmental revenue, and an increase in budgeted disbursements of approximately $342,000 with most of the increase due to equipment expenditures for secondary roads and Marshall County Conservation Board and restoring the weed eradication budget to the required level.

The County's receipts were $591,990 less than budgeted, a variance of 2.5%. Receipts had been budgeted to offset possible expenses for projects that did not did not materialize during the year.

Total disbursements were approximately $3.3 million less than the amended budget. Actual disbursements were less for public safety and legal services by $607,396, physical health and social services by $311,098, mental health, by $435,541, county environment and education by $239,973, government services to residents by $224,292, administration by $709,002, and capital projects by $776,820. The comparison of Marshall County's actual to budgeted amounts will usually show expenditures to be well below budgeted amounts in most areas in most years. However, the roads and transportation budget was exceeded by $24,673 for the year ended June 30, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Marshall County had approximately $89.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately $2.7 million, or 3.1%, over last year.

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

		June 30, 2016	June 30, 2015
Land and construction in progress	$	2,463	2,427
Buildings and improvements		24,646	24,156
Equipment and vehicles		10,747	10,141
Infrastructure		51,782	50,240
Total	$	89,638	86,964

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

Capital assets contributed by the Iowa Department of Transportation	$	1,253
Bridge replacement project		289
Secondary road equipment		857
Courthouse and jail tuck pointing and masonry repair		374
Software and computer upgrades including telephone/faxing systems		205
Conservation equipment		175
Sheriff's patrol cars		110
Total	$	3,263

The County had depreciation expense of $2,391,581 in fiscal year 2016 and total accumulated depreciation of $43,035,098 at June 30, 2016.

The County's fiscal year 2016 capital expenditures were $3,323,262 and included approximately $1.5 million for infrastructure, road network and approximately $1.3 million for equipment and vehicles. More detailed information about the County's capital assets is presented in Note 9 to the financial statements.

Long-Term Debt

At June 30, 2016, Marshall County had $1,641,050 in general obligation bonds and other debt outstanding compared to $2,060,715 at June 30, 2015, as shown below.

Outstanding Debt of Governmental Activities at Year End			
		June 30,	
		2016	2015
General obligation bonds	$	1,285,000	1,910,000
Capital lease purchase agreements		356,050	150,715
Total	$	1,641,050	2,060,715

The County entered into a capital lease purchase agreement to lease an excavator with an historical cost of $199,496 and three sheriff vehicles with an historical cost of $109,501. Debt decreased as a result of payments on the general obligation bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Marshall County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $142 million.

There is no bond rating requested for the County at this time. Additional information about the County's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Marshall County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.9% versus 4.1% a year ago. This compares with the State's unemployment rate of 3.1% and the national rate of 4.9%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are approximately $23.9 million, a decrease of 3% from the final fiscal year 2016 budget. Over half of the total decrease was due to a reduction in the payment to Central Iowa Community Services (CICS) for regional mental health expenses. CICS, in working toward a more equitable funding level across the region, lowered the fiscal year 2017 tax asking by $10.58 per capita which will result in a lower payment to the region for mental health and disability services. The County has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the County's total operating fund balance is expected to decrease approximately $952,000.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Marshall 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 Marshall County Auditor and Recorder's Office, 1 East Main Street, Marshalltown, Iowa 50158.

Marshall County
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	$ 14,841,395
Receivables:	
Property tax:	
Delinquent	3,560
Succeeding year	13,250,652
Interest and penalty on property tax	2,318
Accounts	9,288
Accrued interest	5,481
Due from other governments	1,087,588
Inventories	1,880,621
Prepaid expenses	95,020
Capital assets, net of accumulated depreciation	46,603,476
Total assets	77,779,399
Deferred Outflows of Resources	
Pension related deferred outflows	876,623
Liabilities	
Accounts payable	632,485
Accrued interest payable	5,187
Salaries and benefits payable	228,161
Due to other governments	53,683
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	92,942
General obligation bonds	640,000
Compensated absences	735,137
Portion due or payable after one year:	
Capital lease purchase agreements	263,108
General obligation bonds	645,000
Net pension liability	3,674,933
Net OPEB liability	666,790
Total liabilities	7,637,426
Deferred Inflows of Resources	
Unavailable property tax revenue	13,250,652
Pension related deferred inflows	673,269
Total deferred inflows of resources	13,923,921

See notes to financial statements.

Marshall County
Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Net Position	
Net investment in capital assets	44,962,426
Restricted for:	
Supplemental levy purposes	3,286,371
Mental health purposes	577,624
Rural services purposes	2,187,970
Secondary roads purposes	3,825,003
Debt service	84,564
Capital projects	17
Other purposes	501,627
Unrestricted	1,669,073
Total net position	$ 57,094,675

See notes to financial statements.

Marshall County
Statement of Activities
Year Ended June 30, 2016

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	$ 7,113,696	1,652,971	206,702	27,368
Physical health and social services	620,196	43,628	265,267	-
Mental health	1,041,855	-	-	-
County environment and education	920,172	58,836	28,511	150,439
Roads and transportation	6,928,798	240,193	4,468,691	1,264,224
Governmental services to residents	821,015	611,487	13	-
Administration	2,524,810	47,672	-	19,142
Non-program	103,084	3,583	-	-
Interest on long-term debt	106,937	-	-	-
Total	$ 20,180,563	2,658,370	4,969,184	1,461,173

General Revenues:

Property and other county tax levied for:

General purposes

Tax increment financing

Debt service

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position beginning of year

Net position end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position
(5,226,655)
(311,301)
(1,041,855)
(682,386)
(955,690)
(209,515)
(2,457,996)
(99,501)
(106,937)
(11,091,836)
11,682,104
54,426
698,586
103,449
1,155,276
1,641,388
59,342
199,810
15,594,381
4,502,545
52,592,130
$ 57,094,675

Marshall County
Balance Sheet
Governmental Funds
June 30, 2016

		Special Revenue	
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	$ 7,361,930	574,812	1,807,227
Receivables:			
Property tax:			
Delinquent	2,605	388	354
Succeeding year	9,364,516	923,572	2,164,662
Interest and penalty on property tax	2,318	-	-
Accounts	2,395	-	270
Accrued interest	5,481	-	-
Due from other governments	266,670	-	447,898
Inventories	-	-	-
Prepaid expenses	88,135	-	-
Total assets	$ 17,094,050	1,498,772	4,420,411
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 130,810	577	43,598
Salaries and benefits payable	134,635	4,163	18,295
Due to other governments	47,717	-	5,642
Total liabilities	313,162	4,740	67,535
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	9,364,516	923,572	2,164,662
Other	3,667	289	244
Total deferred inflows of resources	9,368,183	923,861	2,164,906

Secondary Roads	Debt Service	Nonmajor	Total
1,733,756	86,074	511,194	12,074,993
-	213	-	3,560
-	746,567	51,335	13,250,652
-	-	-	2,318
6,623	-	-	9,288
-	-	-	5,481
368,617	-	4,403	1,087,588
1,880,621	-	-	1,880,621
6,885	-	-	95,020
3,996,502	832,854	566,932	28,409,521
202,640	-	13,953	391,578
71,068	-	-	228,161
324	-	-	53,683
274,032	-	13,953	673,422
-	746,567	51,335	13,250,652
-	160	-	4,360
-	746,727	51,335	13,255,012

Marshall County
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

		Special Revenue	
	General	Mental Health	Rural Services
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenses	88,135	-	-
Restricted for:			
Supplemental levy purposes	3,198,236	-	-
Mental health purposes	-	570,171	-
Rural services purposes	-	-	2,187,970
Secondary roads purposes	-	-	-
Conservation land acquisition	404,838	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Committed for capital projects	40,000	-	-
Assigned for conservation purposes	385,631	-	-
Assigned for sheriff	173,059	-	-
Unassigned	3,122,806	-	-
Total fund balances	7,412,705	570,171	2,187,970
Total liabilities, deferred inflows of resources and fund balances	$ 17,094,050	1,498,772	4,420,411

Exhibit C

Secondary Roads	Debt Service	Nonmajor	Total
1,880,621	-	-	1,880,621
6,885	-	-	95,020
-	-	-	3,198,236
-	-	-	570,171
-	-	-	2,187,970
1,834,964	-	-	1,834,964
-	-	-	404,838
-	86,127	-	86,127
-	-	17	17
-	-	501,627	501,627
-	-	-	40,000
-	-	-	385,631
-	-	-	173,059
-	-	-	3,122,806
3,722,470	86,127	501,644	14,481,087
3,996,502	832,854	566,932	28,409,521

Marshall County
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2016

Total governmental fund balances (page 18)		$ 14,481,087
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 assets is $89,638,574 and the accumulated depreciation is $43,035,098.		46,603,476
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.		4,360
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.		2,525,495
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 876,623	
Deferred inflows of resources	(673,269)	203,354
Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(6,723,097)
Net position of governmental activities (page 12)		$ 57,094,675

See notes to financial statements.

Marshall County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	$ 8,517,934	1,267,738	1,895,967	-
Local option sales tax	-	-	1,641,388	-
Interest and penalty on property tax	102,236	-	-	-
Intergovernmental	2,596,136	123,018	211,534	4,468,031
Licenses and permits	50	-	56,268	18,075
Charges for service	908,825	-	-	43,799
Use of money and property	188,510	-	-	660
Miscellaneous	256,809	-	20	178,319
Total revenues	12,570,500	1,390,756	3,805,177	4,708,884
Expenditures:				
Operating:				
Public safety and legal services	6,811,044	-	690,197	-
Physical health and social services	593,116	-	28,825	-
Mental health	-	1,054,625	-	-
County environment and education	528,507	-	240,412	-
Roads and transportation	-	-	-	6,296,373
Governmental services to residents	835,615	-	1,698	-
Administration	2,577,366	-	-	-
Debt service	-	-	-	-
Capital projects	94,413	-	-	400
Total expenditures	11,440,061	1,054,625	961,132	6,296,773
Excess (deficiency) of revenues over (under) expenditures	1,130,439	336,131	2,844,045	(1,587,889)
Other financing sources (uses):				
Sale of capital assets	-	-	-	42,500
Transfers in	50,000	-	-	2,603,009
Transfers out	-	-	(2,603,009)	-
Capital lease purchase agreements	109,501	-	-	199,496
Total other financing sources (uses)	159,501	-	(2,603,009)	2,845,005
Change in fund balances	1,289,940	336,131	241,036	1,257,116
Fund balances beginning of year	6,122,765	234,040	1,946,934	2,465,354
Fund balances end of year	$ 7,412,705	570,171	2,187,970	3,722,470

See notes to financial statements.

Debt Service	Nonmajor	Total
698,564	54,426	12,434,629
-	-	1,641,388
-	-	102,236
70,490	26,416	7,495,625
-	-	74,393
-	5,765	958,389
-	538	189,708
-	53,900	489,048
769,054	141,045	23,385,416
-	16,989	7,518,230
-	-	621,941
-	-	1,054,625
-	92,014	860,933
-	-	6,296,373
-	2,546	839,859
-	-	2,577,366
731,651	-	731,651
-	399,707	494,520
731,651	511,256	20,995,498
37,403	(370,211)	2,389,918
-	-	42,500
-	3,035	2,656,044
-	(53,035)	(2,656,044)
-	-	308,997
-	(50,000)	351,497
37,403	(420,211)	2,741,415
48,724	921,855	11,739,672
86,127	501,644	14,481,087

Marshall County
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Change in fund balances - Total governmental funds (page 21)		$ 2,741,415
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activites report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 1,847,419	
Capital assets contributed by the Iowa Department of Transportation	1,253,434	
Depreciation expense	(2,391,581)	709,272
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax		1,700
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:		
Issued	(308,997)	
Repaid	728,662	419,665
The current year County IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position.		717,206
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	(7,511)	
Other postemployment benefits	(116,429)	
Pension expense	(340,790)	
Interest on long-term debt	(286)	(465,016)
The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health and dental insurance benefit plans to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		378,303
Change in net position of governmental activities (page 14)		$ 4,502,545

See notes to financial statements.

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

	Internal Service-Employee Group Health
Current Assets	
Cash and cash equivalents	$ 2,766,402
Current Liabilities	
Accounts payable	240,907
Net Position	
Unrestricted	$ 2,525,495

See notes to financial statements.

Marshall County
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2016

		Internal Service-Employee Group Health
Operating revenues:		
Reimbursements from operating funds		$ 2,167,991
Reimbursements from employees and others		158,047
Insurance reimbursements		66,442
Total operating revenues		2,392,480
Operating expenses:		
Medical claims	$ 1,667,853	
Insurance premiums	121,703	
Adminstrative fees	228,203	2,017,759
Operating income		374,721
Non-operating revenues:		
Interest income		3,582
Net income		378,303
Net position beginning of year		2,147,192
Net position end of year		$ 2,525,495

See notes to financial statements.

Marshall County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016

	Internal Service-Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	$ 2,167,991
Cash received from employees and others	224,489
Cash paid to suppliers for services	(2,025,665)
Net cash provided by operating activities	366,815
Cash flows from investing activities:	
Interest on investments	3,582
Net increase in cash and cash equivalents	370,397
Cash and cash equivalents beginning of year	2,396,005
Cash and cash equivalents end of year	$ 2,766,402
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 374,721
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	(7,906)
Net cash provided by operating activities	$ 366,815

See notes to financial statements.

Marshall County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets	
Cash, cash equivalents and pooled investments:	
County Treasurer	$ 6,298,780
Other County officials	162,183
Receivables:	
Property tax:	
Delinquent	13,346
Succeeding year	42,422,246
Accounts	32,313
Accrued interest	3,471
Assessments	111,390
Total assets	49,043,729
Liabilities	
Accounts payable	34,011
Salaries and benefits payable	787
Due to other governments	48,718,723
Trusts payable	231,058
Compensated absences	59,150
Total liabilities	49,043,729
Net position	$ -

See notes to financial statements.

Marshall County
Notes to Financial Statements
June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

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

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

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

(1) Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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

The County has been designated as trustee of the Marshall County Solid Waste Management Commission's Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closures and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E and Chapter 256I of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Region Six Planning Commission, Central Iowa Juvenile Detention Center, Mid-Iowa Drug Task Force, Central Iowa Community Service Region and Iowa River Valley Early Childhood Area.

B. Basis of Presentation

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

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

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

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

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Due from 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.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

(1) Summary of Significant Accounting Policies (continued)

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	30 – 50
Building improvements	20 – 50
Infrastructure	15 – 65
Equipment	5 – 25
Vehicles	7 – 10

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. 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.

(1) Summary of Significant Accounting Policies (continued)

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

Long-Term Liabilities – In the government-wide 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.

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

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

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

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

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

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

(1) Summary of Significant Accounting Policies (continued)

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

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

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

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the roads and transportation function. Disbursements did not exceed the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

The county has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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

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

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

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 2,603,009
	Special Revenue:	
General	Attorney's Collections	50,000
Special Revenue:	Special Revenue:	
Moderate Income Housing	Urban Renewal Revenue	3,035
		$ 2,656,044

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

(4) Long-Term Liabilities

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

		General Obligation Bonds	Capital Lease Purchase Agreements	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$	1,910,000	150,715	727,626	2,659,146	550,361	5,997,848
Increases		-	308,997	67,078	1,015,787	116,429	1,508,291
Decreases		625,000	103,662	59,567	-	-	788,229
Balance end of year	$	1,285,000	356,050	735,137	3,674,933	666,790	6,717,910
Due within one year	$	640,000	92,942	735,137	-	-	1,468,079

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease vehicles for the sheriff's office, an excavator for the secondary roads department and for the purchase of computer equipment with historical costs of $467,234. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.25% to 6.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2016:

Year ending June 30,		Sheriff's Vehicles	Excavator	Computer Equipment	Total
2017	$	29,788	43,933	34,192	107,913
2018		29,788	43,933	31,647	105,368
2019		29,788	43,933	16,820	90,541
2020		-	43,933	-	43,933
2021		-	43,934	-	43,934
Total minimum lease payments		89,364	219,666	82,659	391,689
Less amount representing interest		(9,652)	(20,170)	(5,817)	(35,639)
Present value of net minimum lease payments	$	79,712	199,496	76,842	356,050

Payments under capital lease purchase agreements totaled $111,374 for the year ended June 30, 2016.

(4) Long-Term Liabilities (continued)

Industrial Development Revenue Bonds

The County has issued a total of $6,790,000 in industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $4,252,556 is outstanding at June 30, 2016. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Bonds Payable

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2017	2.00 %	$ 640,000	25,700	665,700
2018	2.30	645,000	12,900	657,900
Total		$ 1,285,000	38,600	1,323,600

During the year ended June 30, 2016, the County retired $625,000 of general obligation bonds.

(5) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health and dental insurance benefit plans. The plans are funded by both employee and County contributions and are administered through a service agreement with Wellmark Blue Cross and Blue Shield of South Dakota. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of $50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefits Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2016 was $2,167,991.

Amounts payable from the Employee Group Health Insurance Fund at June 30, 2016 total $240,907, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was $2,525,495 at June 30, 2016 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No.10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

(5) Employee Health Insurance Plan (continued)

Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	$ 248,813
Incurred claims (including claims incurred but not reported at June 30, 2016)	1,667,853
Payments:	
Payments on claims during the fiscal year	1,675,759
Unpaid claims end of year	$ 240,907

(6) Pension Plan

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

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

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

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

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

(6) Pension Plan (continued)

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled $717,206.

(6) Pension Plan (continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of $3,674,933 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was .0743841%, which was an increase of .007334% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $340,790. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	56,204	71,354
Changes of assumptions		102,420	41,120
Net difference between projected and actual earnings on IPERS' investments		-	492,858
Changes in proportion and differences between County contributions and the County's proportionate share of contributions		793	67,937
County contributions subsequent to the measurement date		717,206	-
Total	$	876,623	673,269

$717,206 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(6) Pension Plan (continued)

Year Ending June 30,		Amount
2017	$	(246,492)
2018		(246,492)
2019		(246,492)
2020		225,885
2021		(261)
Total	$	(513,852)

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

(6) Pension Plan (continued)

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

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):	$ 8,090,694	$ 3,674,933	$ (47,277)

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

Payables to the Pension Plan – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 144 active and 1 retired member in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	$ 126,644
Interest on net OPEB obligation	22,014
Adjustment to annual required contribution	(31,827)
Annual OPEB cost	116,831
Contributions made	(402)
Increase in net OPEB obligation	116,429
Net OPEB obligation beginning of year	550,361
Net OPEB obligation end of year	$ 666,790

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, plan members eligible for benefits contributed $402, or 100% of the premium costs.

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

(7) Other Postemployment Benefits (OPEB) (continued)

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 105,937	6.3%	$ 434,011
2015	118,905	2.2%	550,361
2016	116,831	0.3%	666,790

Funded Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was $1,088,116, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,088,116. The covered payroll (annual payroll of active employees covered by the plan) was approximately $7,410,900 and the ratio of the UAAL to covered payroll was 14.7%. As of June 30, 2016, there were no trust fund assets.

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

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

As of the July 1, 2014 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 8.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2014 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

(7) Other Postemployment Benefits (OPEB) (continued)

Projected claim costs of the medical plan are $824 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Due to Other Governments

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

Fund	Description	Amount
General	Services	$ 47,717
Special Revenue:		
Secondary Roads	Services	324
Rural Services	Services	5,642
		5,966
Total for governmental funds		$ 53,683
Agency:		
County Assessor	Collections	$ 715,110
Schools		25,779,263
Community Colleges		2,857,428
Corporations		13,195,493
Auto License and Use Tax		950,249
Solid Waste Irrevocable Trust		4,105,805
All other		1,115,375
Total for agency funds		$ 48,718,723

Marshall County
Notes to Financial Statements
June 30, 2016

(9) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,427,001	-	-	2,427,001
Construction in progress	-	36,206	-	36,206
Total capital assets not being depreciated	2,427,001	36,206	-	2,463,207
Capital assets being depreciated:				
Buildings	24,156,234	489,912	-	24,646,146
Equipment and vehicles	10,140,947	1,254,474	648,381	10,747,040
Infrastructure, road network	50,239,511	1,542,670	-	51,782,181
Total capital assets being depreciated	84,536,692	3,287,056	648,381	87,175,367
Less accumulated depreciation for:				
Buildings	11,183,204	402,375	-	11,585,579
Equipment and vehicles	5,308,917	640,092	425,971	5,523,038
Infrastructure, road network	24,577,367	1,349,114	-	25,926,481
Total accumulated depreciation	41,069,488	2,391,581	425,971	43,035,098
Total capital assets being depreciated, net	43,467,204	895,475	222,410	44,140,269
Governmental activities capital assets, net	$ 45,894,205	931,681	222,410	46,603,476

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 288,736
Physical health and social services	2,618
County environment and education	143,789
Roads and transportation	1,679,190
Governmental services to residents	26,078
Administration	251,170
Total depreciation expense - governmental activities	$ 2,391,581

Equipment costing $308,997 was purchased under capital lease purchase agreements. Accumulated depreciation on these assets totaled $3,797 at June 30, 2016.

(10) Operating Leases

The County has entered into several other leases for operating space used by various county departments and leases for office copy machines. The leases expire at various times through August 1, 2019. The following is a schedule by year of the total annual lease costs required under the operating leases.

Year Ending June 30,	Annual Rent Due
2017	$ 92,404
2018	89,841
2019	87,478
2020	7,290
2021	-
2022	-
Total	$ 277,013

The total annual lease costs for the year ended June 30, 2016 were $106,008.

(11) Risk Management

Marshall County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Mental Health/Disability Services of the Central Iowa Community Service Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County and Warren County. The financial activity of Marshall County's Special Revenue, Mental Health Fund is included in the Mental Health/Disability Services of the Central Iowa Community Service Region for the year ended June 30, 2016 as follows:

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

Revenues:		
Property and other county tax		$ 1,267,738
Intergovernmental revenues		123,018
Total revenues		1,390,756
Expenditures:		
Services to persons with:		
Mental illness	79,655	
Other developmental disabilities	19,770	99,425
General administration		
Direct administration	150,344	
Distribution to regional fiscal agent	804,856	955,200
Total expenditures		1,054,625
Excess of revenues under expenditures		336,131
Fund balance beginning of year		234,040
Fund balance end of year		$ 570,171

(13) Commitments

The County entered into a contract for a bridge replacement on January 4, 2016. The total cost of the project is $368,318 which is the County's remaining commitment at June 30, 2016 as the project has yet to commence. On April 5, 2016 the County entered into a contract for the resurfacing of a County highway. The total cost of the contract is $2,222,010 which is the County's remaining commitment at June 30, 2016 as the project has yet to commence

(14) New Accounting Pronouncement

The County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

(15) Date of Management Evaluation

Management has evaluated subsequent events through January 12, 2017, the date on which the financial statements were available to be issued.

Required Supplementary Information

Marshall County
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2016

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	$ 13,825,503	-
Interest and penalty on property tax	101,691	-
Intergovernmental	7,591,446	-
Licenses and permits	64,953	-
Charges for service	948,276	-
Use of money and property	209,747	-
Miscellaneous	428,791	-
Total receipts	23,170,407	-
Disbursements:		
Public safety and legal services	7,423,916	-
Physical health and social services	631,466	-
Mental health	1,061,800	-
County environment and education	959,723	-
Roads and transportation	6,740,523	-
Governmental services to residents	831,108	-
Administration	2,456,159	-
Debt service	731,651	-
Capital projects	482,802	-
Total disbursements	21,319,148	-
Excess (deficiency) of receipts over (under) disbursements	1,851,259	-
Other financing sources, net	42,500	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,893,759	-
Balance beginning of year	10,181,234	7,500
Balance end of year	$ 12,074,993	7,500

See accompanying independent auditors' report.

Net	Budgeted Amounts Original	Final	Final to Net Variance
13,825,503	13,875,797	14,000,797	(175,294)
101,691	-	-	101,691
7,591,446	6,847,107	7,871,082	(279,636)
64,953	41,366	41,366	23,587
948,276	790,300	790,575	157,701
209,747	224,078	220,614	(10,867)
428,791	780,100	837,963	(409,172)
23,170,407	22,558,748	23,762,397	(591,990)
7,423,916	8,022,912	8,031,312	607,396
631,466	943,564	942,564	311,098
1,061,800	1,437,317	1,497,341	435,541
959,723	930,261	1,199,696	239,973
6,740,523	6,080,200	6,715,850	(24,673)
831,108	1,069,300	1,055,400	224,292
2,456,159	3,271,961	3,165,161	709,002
731,651	751,500	751,500	19,849
482,802	1,769,345	1,259,622	776,820
21,319,148	24,276,360	24,618,446	3,299,298
1,851,259	(1,717,612)	(856,049)	2,707,308
42,500	10,000	47,500	(5,000)
1,893,759	(1,707,612)	(808,549)	2,702,308
10,173,734	7,931,670	10,065,406	108,328
12,067,493	6,224,058	9,256,857	2,810,636

Marshall County
Budgetary Comparison Schedule -
Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2016

		Governmental Funds		
		Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$	23,170,407	215,009	23,385,416
Expenditures		21,319,148	(323,650)	20,995,498
Net		1,851,259	538,659	2,389,918
Other financing sources, net		42,500	308,997	351,497
Beginning fund balances		10,181,234	1,558,438	11,739,672
Ending fund balances	$	12,074,993	2,406,094	14,481,087

Marshall County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by $342,086. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the roads and transportation function and disbursements did not exceed the amounts appropriated to departments.

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

		2016	2015
County's proportion of the net pension liability		0.0743841 %	0.0670501 %
County's proportionate share of the net pension liability	$	3,674,933	2,659,146
County's covered-employee payroll	$	7,768,922	7,587,125
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll		47.30 %	35.05 %
IPERS' net position as a percentage of the total pension liability		85.19 %	87.61 %

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

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

		2016	2015	2014	2013
Statutorily required contribution	$	717,206	722,327	703,957	681,722
Contributions in relation to the statutorily required contribution		(717,206)	(722,327)	(703,957)	(681,722)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	7,756,838	7,768,922	7,587,125	7,446,144
Contributions as a percentage of covered-employee payroll		9.25%	9.30%	9.28%	9.16%

See accompanying independent auditors' report.

2012	2011	2010	2009	2008	2007
646,050	567,532	523,502	481,538	427,725	395,967
(646,050)	(567,532)	(523,502)	(481,538)	(427,725)	(395,967)
-	-	-	-	-	-
7,418,441	7,310,460	7,231,017	6,984,050	6,791,396	6,424,170
8.71%	7.76%	7.24%	6.89%	6.30%	6.16%

Marshall County
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2016

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

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

Marshall County
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	$ 764,414	$ 764,414	0.0%	$ 6,706,729	11.4%
2010	July 1, 2008	-	764,414	764,414	0.0%	7,006,508	10.9%
2011	July 1, 2008	-	764,414	764,414	0.0%	7,081,075	10.8%
2012	July 1, 2011	-	811,537	811,537	0.0%	7,086,601	11.5%
2013	July 1, 2011	-	811,537	811 537	0.0%	7,303,834	11.1%
2014	July 1, 2011	-	811,537	811,537	0.0%	7,501,366	10.8%
2015	July 1, 2014	-	1,088,116	1,088,116	0.0%	7,480,885	14.5%
2016	July 1, 2014	-	1,088,116	1,088,116	0.0%	7,410,900	14.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, net OPEB Obligation, funded status and funding progress.

Supplementary Information

Marshall County
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

		Special			
		Resource Enhancement and Protection	Sheriff's Investigative	County Recorder's Records Management	Attorney's Forfeiture
Assets					
Cash, cash equivalents and pooled investments	$	91,395	4,978	14,451	602
Property tax receivable:					
Succeeding year		-	-	-	-
Due from other governments		-	-	-	-
Total assets	$	91,395	4,978	14,451	602
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	$	9,985	-	2,546	-
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax		-	-	-	-
Fund balances:					
Restricted for:					
Other purposes		81,410	4,978	11,905	602
Total liabilities, deferred inflows of resources and fund balances	$	91,395	4,978	14,451	602

Revenue					
Attorney's Collections	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	Capital Projects	Total
48,909	8,182	-	342,660	17	511,194
-	-	51,335	-	-	51,335
4,403	-	-	-	-	4,403
53,312	8,182	51,335	342,660	17	566,932
1,422	-		-	-	13,953
-	-	51,335	-	-	51,335
51,890	8,182	-	342,660	17	501,644
53,312	8,182	51,335	342,660	17	566,932

Marshall County
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

				Special
	Resource Enhancement and Protection	Sheriff's Investigative	County Recorder's Records Management	Attorney's Forfeiture
Revenues:				
Property and other county tax	$ -	-	-	-
Intergovernmental	22,323	-	-	-
Charges for service	-	-	5,765	-
Use of money and property	83	-	13	-
Miscellaneous	-	-	-	-
Total revenues	22,406	-	5,778	-
Expenditures:				
Operating:				
Public safety and legal services	-	1,000	-	-
County environment and education	-	-	-	-
Government services to residents	-	-	2,546	-
Capital projects	14,985	-	-	-
Total expenditures	14,985	1,000	2,546	-
Excess (deficiency) of revenues over (under) expenditures	7,421	(1,000)	3,232	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in fund balances	7,421	(1,000)	3,232	-
Fund balances beginning of year	73,989	5,978	8,673	602
Fund balances end of year	$ 81,410	4,978	11,905	602

Revenue					
Attorney's Collections	Drainage Certificates	Urban Renewal Revenue	Moderate Income Housing	Capital Projects	Total
-	-	54,426	-	-	54,426
-	-	4,093	-	-	26,416
-	-	-	-	-	5,765
27	-	-	-	415	538
43,525	-	-	-	10,375	53,900
43,552	-	58,519	-	10,790	141,045
15,989	-	-	-	-	16,989
-	-	55,484	36,530	-	92,014
-	-	-	-	-	2,546
-	-	-	-	384,722	399,707
15,989	-	55,484	36,530	384,722	511,256
27,563	-	3,035	(36,530)	(373,932)	(370,211)
-	-	-	3,035	-	3,035
(50,000)	-	(3,035)	-	-	(53,035)
(50,000)	-	(3,035)	3,035	-	(50,000)
(22,437)	-	-	(33,495)	(373,932)	(420,211)
74,327	8,182	-	376,155	373,949	921,855
51,890	8,182	-	342,660	17	501,644

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	County Offices		Agricultural	
	County Recorder	County Sheriff	Extension Education	County Assessor
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	$ -	-	2,662	371,277
Other County officials	26,204	135,979	-	-
Receivables:				
Property tax:				
Delinquent	-	-	67	126
Succeeding year	-	-	250,000	400,000
Accounts	164	-	-	75
Accrued interest	-	-	-	-
Assessments	-	-	-	-
Total assets	$ 26,368	135,979	252,729	771,478
Liabilities				
Accounts payable	$ -	-	-	135
Salaries and benefits payable	-	-	-	787
Due to other governments	26,368	-	252,729	715,110
Trusts payable	-	135,979	-	-
Compensated absences	-	-	-	55,446
Total liabilities	$ 26,368	135,979	252,729	771,478

	Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
	280,705	30,578	134,503	5,957	2,400	8,157	950,249
	-	-	-	-	-	-	-
	7,517	777	4,761	97	1	-	-
	25,491,041	2,826,073	13,056,229	393,665	5,238	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	111,390	-
	25,779,263	2,857,428	13,195,493	399,719	7,639	119,547	950,249
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	25,779,263	2,857,428	13,195,493	399,719	7,639	119,547	950,249
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	25,779,263	2,857,428	13,195,493	399,719	7,639	119,547	950,249

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds (Continued)
June 30, 2016

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	$ 253,741	49,203	4,102,334
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	8,978	-	-
Accrued interest	-	-	3,471
Assessments	-	-	-
Total assets	$ 262,719	49,203	4,105,805
Liabilities			
Accounts payable	$ 1,013	-	-
Salaries and benefits payable	-	-	-
Due to other governments	258,002	49,203	4,105,805
Trusts payable	-	-	-
Compensated absences	3,704	-	-
Total liabilities	$ 262,719	49,203	4,105,805

E911	Other	Total
10,218	96,796	6,298,780
-	-	162,183
-	-	13,346
-	-	42,422,246
22,946	150	32,313
-	-	3,471
-	-	111,390
33,164	96,946	49,043,729
32,863	-	34,011
-	-	787
301	1,867	48,718,723
-	95,079	231,058
-	-	59,150
33,164	96,946	49,043,729

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2016

	County Offices		Agricultural	
	County Recorder	County Sheriff	Extension Education	County Assessor
Assets and Liabilities				
Balances beginning of year	$ 31,708	134,673	237,499	737,523
Additions:				
Property and other county tax	-	-	234,041	370,112
E911 surcharge	-	-	-	-
State tax credits	-	-	21,254	39,794
Interest	-	-	-	-
Office fees and collections	574,894	153,668	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	606,173	-	-
Miscellaneous	-	-	-	525
Total additions	574,894	759,841	255,295	410,431
Deductions:				
Agency remittances:				
To other funds	223,284	142,071	-	-
To other governments	356,950	-	240,065	376,476
Trusts paid out	-	616,464	-	-
Total deductions	580,234	758,535	240,065	376,476
Balances end of year	$ 26,368	135,979	252,729	771,478

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	City Special Assessments	Auto License and Use Tax
25,306,265	2,775,260	12,340,249	456,683	5,027	155,296	930,057
23,639,495	2,604,350	13,665,661	364,809	4,899	-	-
-	-	-	-	-	-	-
2,333,707	250,675	1,495,411	30,088	450	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	11,047,216
-	-	-	-	-	39,489	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,973,202	2,855,025	15,161,072	394,897	5,349	39,489	11,047,216
-	-	-	-	-	-	379,302
25,500,204	2,772,857	14,305,828	451,861	2,737	75,238	10,647,722
-	-	-	-	-	-	-
25,500,204	2,772,857	14,305,828	451,861	2,737	75,238	11,027,024
25,779,263	2,857,428	13,195,493	399,719	7,639	119,547	950,249

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2016

	Local Emergency Management Services	Tax Sale Redemption Non-County	Solid Waste Irrevocable Trust	E911
Assets and Liabilities				
Balances beginning of year	$ 224,913	113,071	3,923,918	33,186
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	-	-	130,104
State tax credits	-	-	-	-
Interest	-	-	21,887	25
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	586,064	-	-
Miscellaneous	153,553	-	160,000	-
Total additions	153,553	586,064	181,887	130,129
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	115,747	-	-	130,151
Trusts paid out	-	649,932	-	-
Total deductions	115,747	649,932	-	130,151
Balances end of year	$ 262,719	49,203	4,105,805	33,164

Other	Total
79,167	47,484,495
12,217	40,895,584
-	130,104
-	4,171,379
8	21,920
5,765	734,327
2,371	11,049,587
-	39,489
31,851	1,224,088
114,122	428,200
166,334	58,694,678
-	744,657
20,206	54,996,042
128,349	1,394,745
148,555	57,135,444
96,946	49,043,729

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

		2016	2015	2014	2013
Revenues:					
Property and other county tax	$	12,434,629	12,261,750	12,593,094	12,318,561
Local option sales tax		1,641,388	1,222,611	1,134,553	1,074,652
Interest and penalty on property tax		102,236	104,649	116,324	108,006
Intergovernmental		7,495,625	7,086,993	6,353,340	6,279,617
Licenses and permits		74,393	52,084	194,955	227,073
Charges for service		958,389	842,646	771,758	973,531
Use of money and property		189,708	208,339	197,831	221,486
Miscellaneous		489,048	356,615	304,600	220,294
Total	$	23,385,416	22,135,687	21,666,455	21,423,220
Expenditures:					
Operating:					
Public safety and legal services	$	7,518,230	7,347,330	7,251,390	6,907,463
Physical health and social services		621,941	612,244	686,973	812,509
Mental health		1,054,625	4,767,126	1,151,650	1,586,563
County environment and education		860,933	972,934	954,346	1,286,349
Roads and transportation		6,296,373	5,820,001	6,159,224	6,200,500
Governmental services to residents		839,859	821,340	937,099	722,347
Administration		2,577,366	2,547,928	2,865,986	2,459,776
Debt service		731,651	748,865	634,839	593,550
Capital projects		494,520	929,074	139,771	434,453
Total	$	20,995,498	24,566,842	20,781,278	21,003,510

See accompanying independent auditors' report.

Schedule 5

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
12,485,437	12,058,876	11,692,229	11,055,070	10,472,684	9,001,670
925,628	1,201,856	1,406,106	1,118,897	1,086,528	1,152,504
114,693	138,983	120,109	120,826	106,923	94,099
9,623,543	8,042,690	7,808,697	7,411,323	9,179,285	8,308,773
83,260	420,754	54,908	43,873	54,848	40,403
775,389	783,293	764,880	752,121	734,071	766,129
232,034	266,364	290,270	378,597	521,697	531,424
287,780	426,616	390,469	308,071	321,900	317,997
24,527,764	23,339,432	22,527,668	21,188,778	22,477,936	20,212,999
6,920,295	6,553,666	6,303,830	5,897,532	5,729,854	5,549,685
871,968	915,115	1,037,554	920,438	889,834	761,605
4,360,668	3,939,338	3,565,959	3,795,990	3,759,441	3,401,778
1,033,112	941,991	881,014	880,818	841,792	794,776
5,904,478	5,682,722	5,335,732	5,141,859	5,926,324	5,116,544
695,428	821,502	835,702	796,497	769,337	743,642
2,476,554	2,461,677	2,696,270	2,427,338	2,328,010	2,278,439
594,129	2,482,182	581,984	734,733	683,613	661,272
1,431,830	1,120,566	345,886	867,654	647,702	1,238,663
24,288,462	24,918,759	21,583,931	21,462,859	21,575,907	20,546,404

BOWMAN & MILLER, P.C.

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

To the Officials of Marshall County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 12, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-16 to be a significant deficiency.

Compliance and Other Matters

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

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

Marshall County's Responses to the Findings

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

Purpose of this Report

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

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

Bowman and Miller, P.C.

January 12, 2017

Marshall County
Schedule of Findings
Year Ended June 30, 2016

Part I: Summary of the Independent Auditors' Results:

(a) Unmodified opinions were issued on the financial statements.

(b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.

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

Marshall County
Schedule of Findings
Year Ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	Applicable Offices
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Sheriff

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

Response – The sheriff's office will review their office policies and attempt to segregate duties where possible. Where it is not possible increased review by supervisory personnel will be performed.

Conclusion – Response accepted.

II-B-16 Disbursements – Certain disbursements, including credit card transactions, were not supported by proper documentation.

Recommendation – Before payment is made, the County should ensure all disbursements have supporting documentation and original receipts are included with the monthly credit card bills.

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

Response – The Board of Supervisors will set up a system between the Auditor's and Board of Supervisor's offices to assure supporting documentation is provided for each claim before they are paid.

Conclusion – Response accepted.

INSTANCES OF NON COMPLIANCE:

No matters were reported.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the roads and transportation function. Disbursements did not exceed appropriations for any department.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Once the Board of Supervisors discovered there was overspending of the budget, there wasn't adequate time to do a budget amendment and stay within the reporting period.

Conclusion – Response accepted.

III-B-16 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

Business Connection	Description	Amount
Dave Thompson, Board of Supervisor, Owner of Thompson True-Value	Supplies	$ 896
Curt Miller, Secondary Road employee, Owner, Keen Edge	Services	366

Marshall County
Schedule of Findings
Year Ended June 30, 2016

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

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Dave Thompson and Curt Miller do not appear to represent conflicts of interest since total transactions with these individuals was less than $1,500 during the fiscal year.

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

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

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

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

III-I-16 Reports of the County Treasurer – The semi-annual reports of the County Treasurer were not published within the ensuing year in accordance with Chapter 349.16(3).

Recommendation – The semi-annual reports should be published within the ensuing year in accordance with Chapter 349.16(3).

Response – Due to complications with Marshall County's real estate software conversion, delays occurred in producing and publishing the semi-annual settlement report. The report was completed and published on November 15, 2016.

Conclusion – Response accepted.

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

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

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

III-K-16 County Extension Council Minutes – The County Agricultural Extension Council minutes were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record as required by Chapter 176A.14(3) of the Code of Iowa.

Response – In the future, all minutes will be signed and will be filed in the book of record once they are approved.

Conclusion – Response accepted.

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

Marshall County
Audit Staff

This audit was performed by:

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

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