

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 27, 2017

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Story County, Iowa.

The County had local tax revenue of \$144,022,915 for the year ended June 30, 2016, which included \$9,954,271 in tax credits from the state. The County forwarded \$118,161,780 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$25,861,135 of the local tax revenue to finance County operations, an 11% increase over the prior year. Other revenues included charges for service of \$3,124,107, operating grants, contributions and restricted interest of \$6,679,641, capital grants, contributions and restricted interest of \$1,612,829, tax increment financing of \$802,605, local option sales tax of \$2,241,205, unrestricted investment earnings of \$708,674 and other general revenues of \$600,985.

Expenses for County operations for the year ended June 30, 2016 totaled \$35,382,566, a 9% decrease from the prior year. Expenses included \$10,990,553 for public safety and legal services, \$7,238,361 for roads and transportation, and \$5,336,836 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1610-0085-B00F>.

###

STORY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	27
Notes to Financial Statements		28-49
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		52-53
Budget to GAAP Reconciliation		54
Notes to Required Supplementary Information – Budgetary Reporting		55
Schedule of the County’s Proportionate Share of the Net Pension Liability		57
Schedule of County Contributions		58-59
Notes to Required Supplementary Information – Pension Liability		60
Schedule of Funding Progress for the Retiree Health Plan		61
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	64-65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	66-67
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	68-69
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	70-71
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	72-73
Schedule of Expenditures of Federal Awards	6	74-75
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		77-78
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		81-82
Schedule of Findings and Questioned Costs		83-88
Staff		89

**Story County
Officials**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Wayne E. Clinton	Board of Supervisors	Jan 2017
Rick Sanders	Board of Supervisors	Jan 2019
Paul Toot	Board of Supervisors	(Deceased May 2016)
Marty Chitty (Appointed May 2016)	Board of Supervisors	Jan 2017
Lucy Martin	County Auditor	Jan 2017
Renee M. Twedt	County Treasurer	Jan 2019
Stacie Herridge	County Recorder	Jan 2019
Paul H. Fitzgerald	County Sheriff	Jan 2017
Stephen Holmes	County Attorney	Jan 2019
Wayne Schwickerath	County Assessor	Jan 2022
Gregory P. Lynch	City Assessor	Jan 2021

Story County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA

Auditor of State

State Capitol Building

Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Story 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 Story 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.

Auditor's Responsibility

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

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

We believe 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 Story County as of June 30, 2016, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 52 through 61 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 Story 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 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2017 on our consideration of Story 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 Story County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 14, 2017

Story County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Story County provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the County for the year ended June 30, 2016, along with comparative data for the year ended June 30, 2015. Readers are encouraged to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Governmental activities' revenue increased approximately \$2,580,000 from fiscal year 2015. Property tax, state tax credits, capital grants, contributions and restricted interest and unrestricted investment earnings increased approximately \$1,935,000, \$721,000, \$714,000 and \$488,000, respectively. Operating grants, contributions and restricted interest decreased approximately \$1,497,000.
- Program expenses decreased approximately \$3,494,000 from fiscal year 2015. Mental health and roads and transportation expenses decreased approximately \$4,463,000 and \$787,000, respectively. Administration and public safety and legal services expenses increased approximately \$649,000 and \$634,000, respectively.
- The County's net position at June 30, 2016 increased approximately \$6,249,000 over the June 30, 2015 balance.

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 Story 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 Story 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 Story County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus. This 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 event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

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

Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These fund statements focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps 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) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few. The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

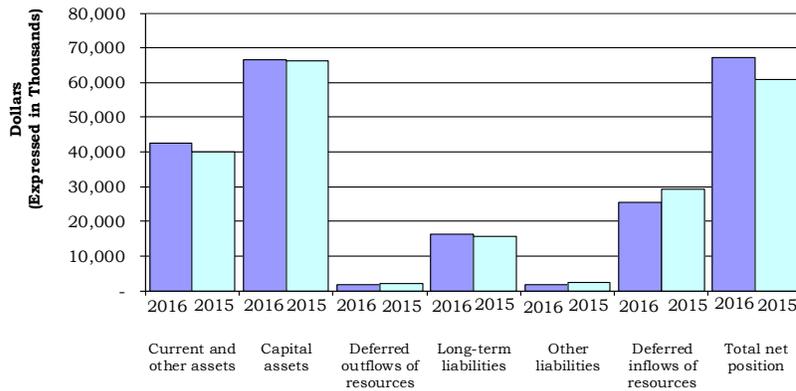
Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Story County's net position at the end of fiscal year 2016 totaled approximately \$67.2 million. This is an increase of approximately \$6.2 million compared to the end of fiscal year 2015 at approximately \$61 million. The analysis that follows focuses on the changes in net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2016	2015
Current and other assets	\$ 42,646	39,991
Capital assets	66,507	66,197
Total assets	109,153	106,188
Deferred outflows of resources	1,750	2,049
Long-term liabilities	16,378	15,634
Other liabilities	1,767	2,263
Total liabilities	18,145	17,897
Deferred inflows of resources	25,553	29,384
Net position:		
Net investment in capital assets	60,444	58,929
Restricted	10,755	7,958
Unrestricted	(3,994)	(5,931)
Total net position	\$ 67,205	60,956

Comparison - Statement of Net Position

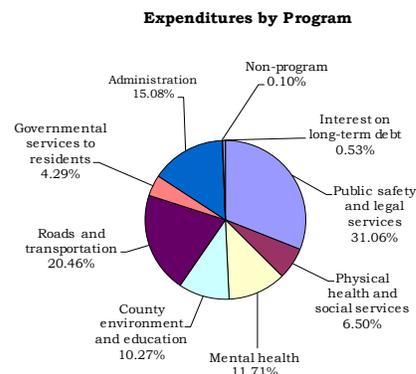
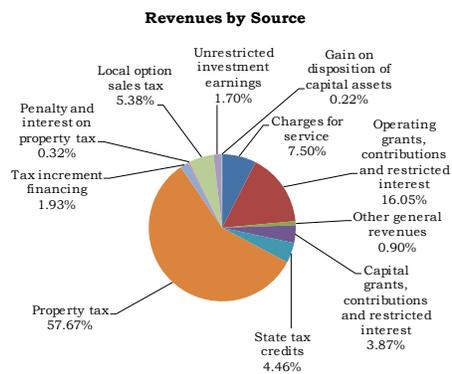


Total net position of Story County’s governmental activities increased approximately \$6.2 million over the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County’s net position at approximately \$60.4 million at the end of fiscal year 2016.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased approximately \$2,797,000, or 35.1%, from the previous year. This increase is primarily due to increases in amounts held at year end for general supplemental, roads and capital projects purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$5.9 million at June 30, 2015 to a deficit of approximately \$4 million at the end of this year, an increase of 32.7%.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	\$ 3,124	3,072
Operating grants, contributions and restricted interest	6,680	8,177
Capital grants, contributions and restricted interest	1,613	899
General revenues:		
Property tax	24,003	22,068
Tax increment financing	803	612
Penalty and interest on property tax	135	104
State tax credits	1,858	1,137
Local option sales tax	2,241	2,289
Unrestricted investment earnings	709	221
Gain on disposition of capital assets	92	41
Other general revenues	374	432
Total revenues	41,632	39,052
Program expenses:		
Public safety and legal services	10,991	10,357
Physical health and social services	2,300	2,295
Mental health	4,145	8,608
County environment and education	3,633	3,623
Roads and transportation	7,238	8,025
Governmental services to residents	1,519	1,095
Administration	5,337	4,688
Non-program	34	-
Interest on long-term debt	186	186
Total expenses	35,383	38,877
Change in net position	6,249	175
Net position beginning of year, as restated	60,956	60,781
Net position end of year	\$ 67,205	60,956



Revenues for governmental activities increased approximately \$2,580,000 from fiscal year 2015. Property and other county tax revenue and state tax credits increased approximately \$2,656,000, or 11.4%, from the prior year. Capital grants, contributions and restricted interest increased approximately \$714,000 due to an increase in infrastructure assets contributed by the Iowa Department of Transportation and the Iowa Natural Heritage Foundation. The transition of the community life program services from the County to Optimae Life Services on May 1, 2015 caused operating grants, contributions and restricted interest to decrease approximately \$1,497,000 primarily due to decreased revenues for state grants, local government payments and Medicaid reimbursements. The transition also caused unrestricted investment earnings to increase approximately \$475,000 due primarily to rental income received from Optimae Life Services.

The County's property tax revenue increased 8.8% from fiscal year 2016. Countywide taxable property valuation increased 4.3%, from \$3,745,116,206 in fiscal year 2015 to \$3,906,739,411 in fiscal year 2016. The levy rate for countywide property increased from approximately \$5.39 per \$1,000 of taxable valuation in fiscal year 2015 to approximately \$5.68 per \$1,000 of taxable valuation in fiscal year 2016. The levy rate for rural property remained the same as fiscal year 2015 at approximately \$3.18 per \$1,000 of taxable valuation. This combination led to the increase in property tax revenue of approximately \$1,935,000.

Expenses in fiscal year 2016 decreased approximately \$3,494,000, or 9%, from fiscal year 2015. This decrease was primarily due to a decrease in mental health county provided services and a decrease in road and roads and transportation expenses.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of approximately \$16.9 million, an increase of approximately \$4,053,000 from the combined fund balance of approximately \$12.8 million at the end of fiscal year 2015. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended fiscal year 2016 with a fund balance totaling \$7,736,490. This is an increase of approximately \$1,976,000, or 34.3%, from the prior year.

Property and other county tax increased approximately \$1,837,000; while intergovernmental revenues (for various grants and case management) decreased approximately \$1,182,000. The largest decrease in expenditures was in the mental health function primarily due to the transition of the community life program from the County to Optimae Life Services.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. Fiscal year 2016 ended with a fund balance of \$454,989 compared to the prior year balance of \$642,712. This decrease is primarily due to expenditures exceeding revenues in the current year by approximately \$188,000.

The Special Revenue, Rural Services Fund ended fiscal year 2016 with a \$903,003 fund balance compared to the prior year balance of \$808,255. Revenues in the fund increased 2.2% and expenditures increased 5.7%. Transfers to the Special Revenue, Secondary Roads Fund increased \$95,000, or 5.1%, over the prior year.

The Special Revenue, Secondary Roads Fund ended fiscal year 2016 with a \$5,460,978 fund balance compared to the prior year balance of \$3,958,022. Revenues in the fund increased approximately \$829,000, or 19.8%, due to an increase in road use tax and state payment revenues of approximately \$615,000 and \$260,000, respectively, as well as a decrease in FEMA revenues of approximately \$29,000. Transfers in from the General Fund and the Special Revenue, Rural Services Fund increased \$40,000. Expenditures in the fund decreased approximately \$653,000, or 9.9%.

The Debt Service Fund ended fiscal year 2016 with a \$44,011 fund balance compared to the prior year balance of \$50,183. Bond principal and interest payments were made according to the bond maturity schedules and certain bonds were refunded to take advantage of lower interest rates.

The Capital Projects Fund June 30, 2016 fund balance was \$297,315 compared to the prior year balance of \$98,531. The increase in fund balance is due to less expenditures than the prior year and the completion of the Dakins Lake expansion project.

BUDGETARY HIGHLIGHTS

Story County amended the fiscal year 2016 budget two times. The first amendment was made in October 2015 and resulted in a decrease in budgeted receipts of approximately \$219,000 related to a decrease in miscellaneous revenues and a decrease in budgeted disbursements of approximately \$1,078,000 related to the transition and closure of the community life program.

The second amendment was made in May 2016. This amendment increased budgeted receipts approximately \$3,442,000 related mainly to the expected general obligation debt proceeds and intergovernmental receipts. The amendment also increased budgeted disbursements approximately \$4,458,000 related mainly to an increase in mental health region payments and debt service payments on refunding of debt.

The County's receipts were \$551,752 less than the amended budget, a variance of 1.3%. Total disbursements were \$4,190,661 less than the amended budget, a variance of 9.7%. This was due primarily to fewer mental health and roadway construction related disbursements than anticipated. Also, various capital projects were not completed during the year as expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, Story County had approximately \$66.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is an increase of approximately \$310,000 from the end of fiscal year 2015.

Story County had depreciation/amortization expense in fiscal year 2016 of \$3,883,649 and total accumulated depreciation/amortization of \$44,106,167 at June 30, 2016. Story County takes a full year's depreciation in the year of acquisition of a capital asset and in the year of disposal. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2016, Story County had \$4,425,000 of outstanding general obligation and urban renewal revenue bonds compared to \$5,425,000 at the end of fiscal year 2015. In addition, the County entered into a capital lease purchase agreement for \$2,299,000 during fiscal year 2014 to lease-purchase ten motor graders for the Secondary Roads Department. The balance on the lease-purchase agreement at June 30, 2016 is \$1,639,037.

Story County's general obligation debt carries an Aa1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Story County's outstanding general obligation debt, including the capital lease purchase agreement, is significantly below its constitutional debt limit of approximately \$337 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET AND RATES

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees for County services. One of those factors is the economy. According to information from Iowa Workforce Development, unemployment in Story County at the end of fiscal year 2016 stood at 2.1% versus 3.1% a year ago. This compares with the State's unemployment rate of 4% and the national rate of 4.9% for the same period ended June 30, 2016.

These indicators were taken into account when adopting the budget for fiscal year 2017. The County's fiscal year 2017 countywide taxable valuation increased \$205,361,973 and the rural taxable valuation increased \$32,229,296 over the respective fiscal year 2016 valuations. The fiscal year 2017 budget includes a 5.18% decrease in receipts from the fiscal year 2016 budget, along with a decrease in disbursements of 5.38%. The decrease in receipts is due to a decrease in property taxes. The decrease in disbursements is primarily due to a decrease in mental health county provided services. Re-estimated ending fund balances were anticipated to be 36.93% of disbursements at the end of fiscal year 2016 and approximately 38.23% of disbursements by the close of fiscal year 2017.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Story 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 Story County Auditor's Office, 900 6th Street, Nevada, Iowa 50201.

Story County

Basic Financial Statements

Story County
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 16,758,494
Receivables:	
Property tax:	
Delinquent	33,540
Succeeding year	22,577,000
Succeeding year tax increment financing	981,000
Interest and penalty on property tax	127,052
Accounts	42,157
Accrued interest	87,735
Drainage assessments	137,599
Due from other governments	1,203,810
Inventories	561,296
Prepaid expenses	136,508
Capital assets, net of accumulated depreciation/amortization	66,507,374
Total assets	109,153,565
Deferred Outflows of Resources	
Pension related deferred outflows	1,749,511
Liabilities	
Accounts payable	655,250
Accrued interest payable	5,739
Salaries and benefits payable	1,006,701
Due to other governments	99,024
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	800,000
Urban renewal revenue bonds	310,000
Capital lease purchase agreement	210,572
Compensated absences	701,193
Portion due or payable after one year:	
General obligation bonds	1,630,000
Urban renewal revenue bonds	1,685,000
Capital lease purchase agreement	1,428,465
Drainage warrants	141,814
Net pension liability	9,462,872
Net OPEB liability	8,446
Total liabilities	18,145,076
Deferred Inflows of Resources	
Unavailable property tax revenue	22,577,000
Unavailable tax increment financing revenue	981,000
Pension related deferred inflows	1,995,048
Total deferred inflows of resources	25,553,048
Net Position	
Net investment in capital assets	60,443,337
Restricted for:	
Supplemental levy purposes	1,448,638
Mental health purposes	451,308
Community betterment	142,948
Rural services purposes	652,319
Secondary roads purposes	5,432,528
Conservation purposes	1,166,915
Debt service	397,561
Capital projects	297,315
Drainage warrants	165,276
Other purposes	600,560
Unrestricted	(3,993,753)
Total net position	\$ 67,204,952

See notes to financial statements.

Story County

Statement of Activities

Year ended June 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 10,990,553	1,241,575	134,900	-	(9,614,078)
Physical health and social services	2,300,276	58,660	558,371	-	(1,683,245)
Mental health	4,144,603	222	695,566	-	(3,448,815)
County environment and education	3,633,214	364,231	319,647	303,267	(2,646,069)
Roads and transportation	7,238,361	141,484	4,968,905	1,309,562	(818,410)
Governmental services to residents	1,518,841	1,251,768	580	-	(266,493)
Administration	5,336,836	66,167	-	-	(5,270,669)
Non-program	34,318	-	-	-	(34,318)
Interest on long-term debt	185,564	-	1,672	-	(183,892)
Total	\$ 35,382,566	3,124,107	6,679,641	1,612,829	(23,965,989)
General Revenues:					
Property and other county tax levied for:					
General purposes					23,230,991
Debt service					772,020
Tax increment financing					802,605
Penalty and interest on property tax					135,549
State tax credits					1,858,124
Local option sales tax					2,241,205
Unrestricted investment earnings					233,458
Rent					475,216
Gain on disposition of capital assets					91,844
Miscellaneous					373,592
Total general revenues					30,214,604
Change in net position					6,248,615
Net position beginning of year					60,956,337
Net position end of year					\$ 67,204,952

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2016

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 8,253,320	470,081	664,794	4,923,378
Receivables:				
Property tax:				
Delinquent	22,059	2,592	7,928	-
Succeeding year	17,153,000	2,016,000	2,647,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	127,052	-	-	-
Accounts	33,094	-	2,321	6,082
Accrued interest	87,158	-	-	-
Drainage assessments	-	-	-	-
Advances to other funds	36,179	-	-	-
Due from other governments	366,259	-	382,106	455,434
Inventories	-	-	-	561,296
Prepaid expenditures	132,037	161	452	1,948
Total assets	\$ 26,210,158	2,488,834	3,704,601	5,948,138
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 422,416	153	7,967	209,394
Salaries and benefits payable	700,826	14,931	138,617	152,327
Due to other governments	10,242	169	86	7,352
Advances from other funds	-	-	-	-
Total liabilities	1,133,484	15,253	146,670	369,073
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	17,153,000	2,016,000	2,647,000	-
Succeeding year tax increment financing	-	-	-	-
Other	187,184	2,592	7,928	118,087
Total deferred inflows of resources	17,340,184	2,018,592	2,654,928	118,087
Fund balances:				
Nonspendable:				
Inventories	-	-	-	561,296
Prepaid expenditures	132,037	161	452	1,948
Advances to other funds	36,179	-	-	-
Restricted for:				
Supplemental levy purposes	1,506,827	-	-	-
Mental health purposes	-	454,828	-	-
Community betterment	-	-	142,948	-
Rural services purposes	-	-	759,603	-
Secondary roads purposes	-	-	-	4,897,734
Conservation purposes	319,215	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Drainage warrants	-	-	-	-
Friends of Animals	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Justice center renovation	100,000	-	-	-
Capital improvement projects	178,079	-	-	-
McFarland energy efficiency	50,000	-	-	-
County attorney fine collection	226,305	-	-	-
Jail commissary	134,655	-	-	-
Other purposes	146,279	-	-	-
Unassigned	4,906,914	-	-	-
Total fund balances	7,736,490	454,989	903,003	5,460,978
Total liabilities, deferred inflows of resources and fund balances	\$ 26,210,158	2,488,834	3,704,601	5,948,138

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
58,784	297,315	2,090,822	16,758,494
961	-	-	33,540
761,000	-	-	22,577,000
-	-	981,000	981,000
-	-	-	127,052
-	-	660	42,157
23	-	554	87,735
-	-	137,599	137,599
-	-	-	36,179
-	-	11	1,203,810
-	-	-	561,296
-	-	1,910	136,508
820,768	297,315	3,212,556	42,682,370
14,796	-	524	655,250
-	-	-	1,006,701
-	-	81,175	99,024
-	-	36,179	36,179
14,796	-	117,878	1,797,154
761,000	-	-	22,577,000
-	-	981,000	981,000
961	-	137,599	454,351
761,961	-	1,118,599	24,012,351
-	-	-	561,296
-	-	1,910	136,508
-	-	-	36,179
-	-	-	1,506,827
-	-	-	454,828
-	-	-	142,948
-	-	-	759,603
-	-	-	4,897,734
-	-	847,700	1,166,915
44,011	-	358,328	402,339
-	297,315	-	297,315
-	-	169,491	169,491
-	-	415,022	415,022
-	-	183,628	183,628
-	-	-	100,000
-	-	-	178,079
-	-	-	50,000
-	-	-	226,305
-	-	-	134,655
-	-	-	146,279
-	-	-	4,906,914
44,011	297,315	1,976,079	16,872,865
820,768	297,315	3,212,556	42,682,370

Story County

Story County
 Reconciliation of the Balance Sheet -
 Governmental Funds to the Statement of Net Position

June 30, 2016

Total governmental fund balances (page 21) \$ 16,872,865

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 \$110,613,541 and the accumulated depreciation/amortization is \$44,106,167. 66,507,374

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. 454,351

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

Deferred outflows of resources	\$ 1,749,511	
Deferred inflows of resources	<u>(1,995,048)</u>	(245,537)

Long-term liabilities, including general obligation bonds payable, urban renewal revenue bonds payable, capital lease purchase agreement payable, drainage warrants payable, compensated absences payable, net pension liability, net OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (16,384,101)

Net position of governmental activities (page 18) \$ 67,204,952

See notes to financial statements.

Story County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2016

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 17,662,910	2,945,659	2,620,697	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	2,241,205	-
Interest and penalty on property tax	123,483	-	-	-
Intergovernmental	3,419,976	393,044	648,004	4,898,787
Licenses and permits	25,165	-	9,244	21,105
Charges for service	1,732,311	222	-	9,178
Use of money and property	701,860	-	46,037	-
Miscellaneous	384,244	360	6,668	90,697
Total revenues	24,049,949	3,339,285	5,571,855	5,019,767
Expenditures:				
Operating:				
Public safety and legal services	9,010,649	-	1,999,961	-
Physical health and social services	2,300,805	-	14,372	-
Mental health	527,397	3,527,008	-	-
County environment and education	1,985,873	-	1,207,735	-
Roads and transportation	-	-	309,583	4,973,149
Governmental services to residents	1,624,072	-	2,506	-
Administration	5,404,666	-	-	-
Nonprogram	34,318	-	-	-
Debt service	-	-	-	-
Capital projects	495,459	-	-	994,312
Total expenditures	21,383,239	3,527,008	3,534,157	5,967,461
Excess (deficiency) of revenues over (under) expenditures	2,666,710	(187,723)	2,037,698	(947,694)
Other financing sources (uses):				
Sale of capital assets	4,760	-	2,050	10,650
General obligation bonds issued	-	-	-	-
Drainage warrants issued	-	-	-	-
Transfers in	-	-	-	2,440,000
Transfers out	(695,000)	-	(1,945,000)	-
Total other financing sources (uses)	(690,240)	-	(1,942,950)	2,450,650
Change in fund balances	1,976,470	(187,723)	94,748	1,502,956
Fund balances beginning of year	5,760,020	642,712	808,255	3,958,022
Fund balances end of year	\$ 7,736,490	454,989	903,003	5,460,978

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
771,930	-	-	24,001,196
-	-	802,605	802,605
-	-	-	2,241,205
-	-	-	123,483
59,877	-	101,027	9,520,715
-	-	-	55,514
-	-	19,640	1,761,351
1,672	-	5,756	755,325
-	-	276,522	758,491
833,479	-	1,205,550	40,019,885
-	-	21,279	11,031,889
-	-	-	2,315,177
-	-	-	4,054,405
-	-	387,022	3,580,630
-	-	-	5,282,732
-	-	-	1,626,578
-	-	4,235	5,408,901
-	-	-	34,318
3,269,651	-	391,021	3,660,672
-	1,216	-	1,490,987
3,269,651	1,216	803,557	38,486,289
(2,436,172)	(1,216)	401,993	1,533,596
-	-	-	17,460
2,430,000	-	-	2,430,000
-	-	71,605	71,605
-	200,000	-	2,640,000
-	-	-	(2,640,000)
2,430,000	200,000	71,605	2,519,065
(6,172)	198,784	473,598	4,052,661
50,183	98,531	1,502,481	12,820,204
44,011	297,315	1,976,079	16,872,865

Story 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 25) \$ 4,052,661

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

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

Expenditures for capital assets	\$ 2,669,028	
Capital assets contributed by the Iowa Department of Transportation and Iowa Natural Heritage Foundation	1,450,062	
Depreciation/amortization expense	<u>(3,883,649)</u>	235,441

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 74,384

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	1,815	
Other	<u>67,575</u>	69,390

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	(2,501,605)	
Repaid	<u>3,673,033</u>	1,171,428

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 1,343,411

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	(15,827)	
Other postemployment benefits	(9,962)	
Pension expense	(678,845)	
Interest on long-term debt	<u>6,534</u>	<u>(698,100)</u>

Change in net position of governmental activities (page 19) \$ 6,248,615

See notes to financial statements.

Story County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets

Cash and pooled investments:

County Treasurer	\$ 4,822,259
Other County officials	148,686
Employee health insurance plan	6,909

Receivables:

Property tax:

Delinquent	130,646
Succeeding year	109,020,000
Accounts	75,338
Accrued interest	370
Assessments	1,540,538

Due from other governments	295,650
----------------------------	---------

Prepaid expenses	24,495
------------------	--------

Total assets	116,064,891
---------------------	-------------

Liabilities

Liabilities:

Accounts payable	76,447
Salaries and benefits payable	77,258
Due to other governments	114,558,722
Trusts payable	399,019
Stamped warrants payable	839,304
Compensated absences	114,141

Total liabilities	116,064,891
--------------------------	-------------

Net position	\$ -
---------------------	------

See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Story 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 Story 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.

Certain 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 Story County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts which are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Story County Auditor's Office.

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: Story County and City Assessor's Conference Boards, Story County Emergency Management Commission, Story County Joint E911 Service Board and Central Iowa Drug Task Force. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Central Iowa Juvenile Detention Center, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and 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 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 allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

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

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

Additionally, the County reports the following funds:

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

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

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

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

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

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

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

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

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

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

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 amounts of interest and penalty that was due and payable but has not been collected.

Assessments Receivable – Assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represent assessments which have been made but have 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.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for governmental funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent

service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. 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
Intangibles - easements and right-of-ways	50,000
Intangibles - other	100,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	10 - 65
Intangibles	5 - 20
Equipment	3 - 20
Vehicles	5 - 15

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

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

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

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

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

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

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 receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing 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.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(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.

At June 30, 2016, the County had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Federal Agricultural Mortgage Corporation (FAMC)	\$ 501,320	3/11/2021
Federal Home Loan Mortgage Corporation (FHLMC)	515,324	5/26/2021
Federal Home Loan Mortgage Corporation (FHLMC)	350,035	3/30/2021
Federal Farm Credit Bank (FFCB)	510,026	7/29/2019
Federal National Mortgage Association (FNMA)	330,452	11/25/2020
Total	<u>\$ 2,207,157</u>	

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

The recurring fair value measurement for the FAMC, FHLMC, FFCB and FNMA securities was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,000,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments.

The County also had investments in stamped drainage warrants of \$70,175.

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

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may

be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The County’s FHLMC, FFCB and FNMA investments at June 30, 2016 are rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s. The FAMC investment is unrated. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk and custodial credit risk – The County places no limit on the amount that may be invested in any one issuer. More than 5% of the County’s investments are in the Federal Agricultural Mortgage Corporation (13.2%), Federal Home Loan Mortgage Corporation (22.8%), Federal Farm Credit Bank (13.5%) and the Federal National Mortgage Association (8.7%).

(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:		
Secondary Roads	General	\$ 495,000
	Special Revenue:	
	Rural Services	1,945,000
		<u>2,440,000</u>
Capital Projects	General	200,000
Total		<u>\$ 2,640,000</u>

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

(4) Interfund Assets/Liabilities

The detail of advances to/from other funds is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Tax Increment Financing	\$ 36,179
		<u>36,179</u>

The advance to/from other funds resulted from a borrowing of General Fund revenues for costs associated with an urban renewal project. The borrowing will be repaid with tax increment financing collections.

(5) 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/amortized:				
Land	\$ 4,957,882	140,500	-	5,098,382
Intangibles, road network	117,327	-	-	117,327
Construction in progress, road network	1,075,384	2,243,712	(2,394,152)	924,944
Construction in progress, other	3,184,925	58,703	(3,184,925)	58,703
Total capital assets not being depreciated/amortized	9,335,518	2,442,915	(5,579,077)	6,199,356
Capital assets being depreciated/amortized:				
Buildings	27,287,445	-	-	27,287,445
Improvements other than buildings	491,339	3,623,572	-	4,114,911
Equipment and vehicles	12,732,224	1,388,638	(650,270)	13,470,592
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	53,021,655	2,394,152	-	55,415,807
Infrastructure, other	3,965,778	-	-	3,965,778
Total capital assets being depreciated/amortized	97,658,093	7,406,362	(650,270)	104,414,185
Less accumulated depreciation/amortization for:				
Buildings	9,328,323	556,066	-	9,884,389
Improvements other than buildings	150,619	87,759	-	238,378
Equipment and vehicles	6,113,976	1,141,071	(573,544)	6,681,503
Intangibles, other	95,791	31,930	-	127,721
Infrastructure, road network	24,311,005	1,970,997	-	26,282,002
Infrastructure, other	796,348	95,826	-	892,174
Total accumulated depreciation/amortization	40,796,062	3,883,649	(573,544)	44,106,167
Total capital assets being depreciated/amortized, net	56,862,031	3,522,713	(76,726)	60,308,018
Governmental activities capital assets, net	\$ 66,197,549	5,965,628	(5,655,803)	66,507,374

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 541,097
Physical health and social services	2,090
Mental health	131,659
County environment and education	234,807
Roads and transportation	2,580,523
Governmental services to residents	9,986
Administration	383,487
Total depreciation/amortization expense - governmental activities	<u>\$3,883,649</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 10,242
Special Revenue:		
Mental Health	Services	169
Rural Services	Services	86
Secondary Roads	Services	7,352
Tax Increment Financing	Services	81,000
Friends of Conservation	Services	175
		<u>88,782</u>
Total for governmental funds		<u>\$ 99,024</u>
Agency:		
County Offices	Collections	\$ 90,342
Agricultural Extension Education		323,710
County Assessor		1,035,987
City Assessor		1,405,533
Schools		61,346,345
Community Colleges		2,837,015
Corporations		40,249,195
Townships		581,429
City Special Assessments		704,738
Auto License and Use Tax		1,945,629
All other		4,038,799
Total for agency funds		<u>\$ 114,558,722</u>

(7) Long-Term Liabilities

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

	General	Urban	Capital		Compen-	Net	Net	
	Obligation	Renewal	Lease	Drainage	sated	Pension	OPEB	Total
	Bonds	Bonds	Agreement	Warrants	Absences	Liability	Liability	
Balances beginning of year	\$ 3,130,000	2,295,000	1,843,496	108,783	685,366	7,571,183	(1,516)	15,632,312
Increases	2,430,000	-	-	71,605	885,183	1,891,689	46,054	5,324,531
Decreases	3,130,000	300,000	204,459	38,574	869,356	-	36,092	4,578,481
Balances end of year	<u>\$ 2,430,000</u>	<u>1,995,000</u>	<u>1,639,037</u>	<u>141,814</u>	<u>701,193</u>	<u>9,462,872</u>	<u>8,446</u>	<u>16,378,362</u>
Due within one year	\$ 800,000	310,000	210,572	-	701,193	-	-	2,021,765

General Obligation Bonds

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

Year Ending June 30,	General Obligation Refunding Bonds			
	Issued May 26, 2016			
	Interest Rates	Principal	Interest	Total
2017	1.20%	\$ 800,000	29,565	829,565
2018	1.20	815,000	19,560	834,560
2019	1.20	815,000	9,780	824,780
Total		<u>\$2,430,000</u>	<u>58,905</u>	<u>2,488,905</u>

On May 26, 2016, the County issued \$2,430,000 of general obligation bonds with an interest rate of 1.2% per annum. The bonds were issued for the purpose of refunding the outstanding balances of the County’s general obligation road improvements bonds dated June 1, 2008 and November 1, 2009. The County refunded the bonds to reduce its total debt service payments by approximately \$84,000 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$83,500.

Urban Renewal Revenue Bonds

On December 1, 2012, the County issued \$3,185,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area, including improvements to Dakins Lake County Park and road improvements on Country Club Road and 590th Avenue. The bonds bear interest at 1.95% per annum and are payable solely from the TIF receipts generated by increased property values in the County’s TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County’s urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$2,134,425, payable through June 2022. For the current year, principal and interest paid and total TIF revenues were \$344,753 and \$802,605, respectively.

A summary of the County’s June 30, 2016 urban renewal revenue bonded indebtedness is as follows:

Year Ending June 30,	Dakins Lake Park and Country Club and 590th Ave. Road Improvements			
	Issued Dec 1, 2012			
	Interest Rates	Principal	Interest	Total
2017	1.95%	\$ 310,000	38,903	348,903
2018	1.95	320,000	32,858	352,858
2019	1.95	325,000	26,618	351,618
2020	1.95	335,000	20,280	355,280
2021	1.95	345,000	13,748	358,748
2022	1.95	360,000	7,020	367,020
Total		<u>\$1,995,000</u>	<u>139,425</u>	<u>2,134,425</u>

During the year ended June 30, 2016, the County retired \$300,000 of urban renewal revenue bonds.

Capital Lease Purchase Agreement

On August 13, 2013, the County entered into a capital lease purchase agreement for ten motor graders with a total cost of \$2,949,000. The County received \$1,311,140 of trade-in allowance for ten used motor graders and applied \$650,000 of this as a down payment on the lease. The agreement bears interest at 2.95% per annum and is payable in annual installments of \$259,583 over five years, with a final payment of \$1,241,600 due by March 4, 2019. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2016:

Year Ending June 30,	Amount
2017	\$ 259,583
2018	259,583
2019	<u>1,241,600</u>
Total minimum lease payments	1,760,766
Less amount representing interest	<u>(121,729)</u>
Present value of net minimum lease payments	<u>\$ 1,639,037</u>

Payments under the capital lease purchase agreement totaled \$259,583 for the year ended June 30, 2016.

Drainage Warrants Payable

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

(8) Pension Plan

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

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

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

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

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a sheriff's, deputy's and 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 services but not more than 30 years of service.
- The member's highest three-year average salary.

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

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of 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 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% 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 were \$1,343,411.

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 \$9,462,872 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 0.191537%, which was an increase of 0.000630% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$678,845. 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	\$ 142,735	118,356
Changes of assumptions	260,104	79,288
Net difference between projected and actual earnings on IPERS' investments	-	1,095,034
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	3,261	702,370
County contributions subsequent to the measurement date	1,343,411	-
Total	<u>\$ 1,749,511</u>	<u>1,995,048</u>

\$1,343,411 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

Year Ending June 30,	Amount
2017	\$ (655,652)
2018	(655,652)
2019	(655,652)
2020	402,192
2021	(24,184)
Total	<u>\$ (1,588,948)</u>

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:

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:

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 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	\$ 19,296,593	9,462,782	1,171,589

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

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

(9) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer benefit plan which provides health benefits for employees and retirees. There are 181 active and 10 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

The health coverage is administered by Wellmark. Retirees receive single coverage at no cost for a number of months based on their years of service at retirement with a maximum of 36 months for 30 years of service. Otherwise, retirees under age 65 pay the same premium for the health benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation (Asset) - 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 that, 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 10 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 (asset):

Annual required contribution	\$ 45,957
Interest on net OPEB obligation	(61)
Adjustment to annual required contribution	158
Annual OPEB cost	<u>46,054</u>
Contributions made	<u>(36,092)</u>
Increase in net OPEB obligation	9,962
Net OPEB asset beginning of year	<u>(1,516)</u>
Net OPEB obligation end of year	<u>\$ 8,446</u>

For calculation of the net OPEB obligation (asset), the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation (asset) 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, the County contributed \$36,092 to the health plan. Plan members eligible for benefits did not contribute to the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the assets in excess of net OPEB obligation (asset) are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2014	\$ 46,464	89.3%	\$ (2,415)
2015	46,112	98.1	(1,516)
2016	46,054	78.4	8,446

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$315,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$315,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$14,616,000 and the ratio of the UAAL to covered payroll was 2.16%. 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 the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2013 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 health trend rate is 9%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for purposes of this calculation.

Mortality rates are from the RP-2000 Group Combined Mortality Table fully generational using scale AA. Annual retirement and termination probabilities mirror those used for IPERS.

Projected claim costs of the health plan are \$1,050 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 10 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members including various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were \$281,725.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$5,000,000, crime in the amount of \$100,000 and bond and employee dishonesty in amounts ranging from \$20,000 to \$50,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Justice Center Agreements

In January 2000, the County entered into a contract with Alliant Energy for geothermal supply services for heating and cooling the Justice Center. The agreement called for the County to pay a fixed charge of \$5,350 per month for 20 years. Alliant Energy retained ownership of the equipment.

In January 2000, the County entered into a contract with Alliant Energy for stand-by generator services for the Justice Center. The agreement called for the County to pay a fixed charge of \$6,500 per month for 20 years. Alliant Energy retained ownership of the equipment.

On September 30, 2015, the County bought out the contracts with Alliant Energy, taking ownership of the geothermal equipment and generators for \$281,170.

(12) Early Childhood Iowa Area Board

Story County is the fiscal agent for BooST Together for Children (Early Childhood Iowa Area Board consisting of Story County and Boone County), an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2016 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 109,040	-	109,040
Family support and parent education	-	302,902	302,902
Preschool support for low-income families	-	132,996	132,996
Quality improvement	-	57,615	57,615
Allocation for administration	5,739	16,258	21,997
Other grant programs	-	32,395	32,395
Total state grants	114,779	542,166	656,945
Interest on investments	181	945	1,126
Total revenues	114,960	543,111	658,071
Expenditures:			
Program services:			
Early childhood	112,889	-	112,889
Family support and parent education	-	303,308	303,308
Preschool support for low income families	-	113,032	113,032
Quality improvement	-	59,088	59,088
Other program services	-	46,690	46,690
Total program services	112,889	522,118	635,007
Administration	5,651	15,321	20,972
Total expenditures	118,540	537,439	655,979
Change in fund balance	(3,580)	5,672	2,092
Fund balance beginning of year	12,565	43,553	56,118
Fund balance end of year	\$ 8,985	49,225	58,210

(13) Commitments

The County entered into a \$445,847 contract for a bridge replacement project. As of June 30, 2016, no costs have been incurred on the contract.

(14) County Financial Information Included in the Central Iowa Community Services Mental Health Region

Central Iowa Community Services (CICS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 17, 2013, 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 Story County's Special Revenue, Mental Health Fund is included in the CICS Mental Health Region for the year ended June 30, 2016 as follows:

Revenues:		
Property and other county tax		\$ 2,945,659
Intergovernmental:		
State tax credits	\$ 230,083	
Medicaid	162,961	393,044
Charges for service		222
Miscellaneous		360
Total revenues		<u>3,339,285</u>
Expenditures:		
Services to persons with:		
Mental illness	1,695	
Intellectual disabilities	861	2,556
General administration:		
Direct administration	133,212	
Distribution to regional fiscal agent	3,268,666	3,401,878
County provided services		122,574
Total expenditures		<u>3,527,008</u>
Excess of expenditures over revenues		(187,723)
Fund balance beginning of year		<u>642,712</u>
Fund balance end of year		<u>\$ 454,989</u>

(15) 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 on the financial statements.

(16) Subsequent Event

In July 2016, the County entered into a loan agreement with State Bank and Trust for the issuance of a \$1,500,000 urban renewal tax increment financing revenue bond with interest at 2.15% per annum.

Story County

Required Supplementary Information

Story 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	Net
Receipts:			
Property and other county tax	\$ 27,023,401	-	27,023,401
Interest and penalty on property tax	123,483	-	123,483
Intergovernmental	10,016,230	-	10,016,230
Licenses and permits	53,957	-	53,957
Charges for service	1,645,669	-	1,645,669
Use of money and property	809,114	-	809,114
Miscellaneous	743,312	81,543	661,769
Total receipts	40,415,166	81,543	40,333,623
Disbursements:			
Public safety and legal services	10,927,388	-	10,927,388
Physical health and social services	2,410,109	-	2,410,109
Mental health	4,282,131	-	4,282,131
County environment and education	3,592,289	109,202	3,483,087
Roads and transportation	5,564,364	-	5,564,364
Governmental services to residents	1,626,576	-	1,626,576
Administration	5,442,717	-	5,442,717
Nonprogram	14,654	-	14,654
Debt service	3,641,326	41,718	3,599,608
Capital projects	1,563,883	-	1,563,883
Total disbursements	39,065,437	150,920	38,914,517
Excess (deficiency) of receipts over (under) disbursements	1,349,729	(69,377)	1,419,106
Other financing sources, net	2,508,415	71,605	2,436,810
Excess of receipts and other financing sources over disbursements and other financing uses	3,858,144	2,228	3,855,916
Balance beginning of year	12,900,350	167,263	12,733,087
Balance end of year	\$ 16,758,494	169,491	16,589,003

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
27,180,721	27,323,721	(300,320)
50,000	50,000	73,483
9,070,853	10,144,709	(128,479)
63,230	68,230	(14,273)
1,807,426	1,781,926	(136,257)
569,910	680,610	128,504
1,074,970	836,179	(174,410)
39,817,110	40,885,375	(551,752)
10,851,503	11,129,312	201,924
2,475,098	2,601,457	191,348
4,711,129	4,900,229	618,098
3,557,696	4,070,943	587,856
6,261,175	6,311,175	746,811
1,794,759	1,716,409	89,833
5,837,812	5,807,262	364,545
-	100,000	85,346
1,183,776	3,632,776	33,168
3,052,100	2,835,615	1,271,732
39,725,048	43,105,178	4,190,661
92,062	(2,219,803)	3,638,909
1,500	2,456,200	(19,390)
93,562	236,397	3,619,519
12,323,032	12,554,082	179,005
12,416,594	12,790,479	3,798,524

Story County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 40,415,166	(395,281)	40,019,885
Expenditures	39,065,437	(579,148)	38,486,289
Net	1,349,729	183,867	1,533,596
Other financing sources, net	2,508,415	10,650	2,519,065
Beginning fund balances	12,900,350	(80,146)	12,820,204
Ending fund balances	<u>\$ 16,758,494</u>	<u>114,371</u>	<u>16,872,865</u>

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,380,130. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the City Assessor by the City 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 did not exceed the amounts budgeted.

Story County

Story County

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

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability	0.191537%	0.190907%
County's proportionate share of the net pension liability	\$ 9,463	7,571
County's covered-employee payroll	\$ 17,396	17,542
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.40%	43.16%
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.

See accompanying independent auditor's report.

Story County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 1,343	1,600	1,608	1,567
Contributions in relation to the statutorily required contribution	(1,343)	(1,600)	(1,608)	(1,567)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 14,622	17,396	17,542	17,423
Contributions as a percentage of covered-employee payroll	9.18%	9.20%	9.17%	8.99%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
1,479	1,281	1,182	1,120	1,018	959
(1,479)	(1,281)	(1,182)	(1,120)	(1,018)	(959)
-	-	-	-	-	-
17,439	17,076	16,848	16,725	16,189	15,661
8.48%	7.50%	7.02%	6.70%	6.29%	6.12%

Story 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.

Story County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2009	Jul 1, 2008	-	\$ 308	308	0.00	\$ 13,704	2.24%
2010	Jul 1, 2008	-	320	320	0.00	14,115	2.27
2011	Jul 1, 2010	-	280	280	0.00	15,693	1.78
2012	Jul 1, 2010	-	280	280	0.00	16,083	1.74
2013	Jul 1, 2010	-	280	280	0.00	16,167	1.73
2014	Jul 1, 2013	-	315	315	0.00	16,168	1.95
2015	Jul 1, 2013	-	315	315	0.00	16,183	1.95
2016	Jul 1, 2013	-	315	315	0.00	14,616	2.16

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Story County

Supplementary Information

Story County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2016

	County		
	Recorder's Records Management	Drainage Districts	Employee Wellness
Assets			
Cash, cash equivalents and pooled investments	\$ 135,848	169,491	11,804
Receivables:			
Succeeding year tax increment financing	-	-	-
Accounts	-	-	-
Accrued interest	53	-	-
Due from other governments	-	-	-
Drainage assessments	-	137,599	-
Prepaid expenditures	1,910	-	-
Total assets	\$ 137,811	307,090	11,804
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 24	-	-
Due to other governments	-	-	-
Advances from other funds	-	-	-
Total liabilities	24	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Drainage assessments	-	137,599	-
Total deferred inflows of resources	-	137,599	-
Fund balances:			
Nonspendable:			
Prepaid expenditures	1,910	-	-
Restricted for:			
Conservation purposes	-	-	-
Debt service	-	-	-
Drainage purposes	-	169,491	-
Friends of Animals	-	-	-
Other purposes	135,877	-	11,804
Total fund balances	137,787	169,491	11,804
Total liabilities, deferred inflows of resources and fund balances	\$ 137,811	307,090	11,804

See accompanying independent auditor's report.

Special Revenue						
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Reserve Officers	Total
52,000	9,242	475,507	414,586	795,955	26,389	2,090,822
-	-	981,000	-	-	-	981,000
-	-	-	270	-	390	660
21	-	-	166	314	-	554
-	-	-	-	-	11	11
-	-	-	-	-	-	137,599
-	-	-	-	-	-	1,910
52,021	9,242	1,456,507	415,022	796,269	26,790	3,212,556
42	-	-	-	373	85	524
-	-	81,000	-	175	-	81,175
-	-	36,179	-	-	-	36,179
42	-	117,179	-	548	85	117,878
-	-	981,000	-	-	-	981,000
-	-	-	-	-	-	137,599
-	-	981,000	-	-	-	1,118,599
-	-	-	-	-	-	1,910
51,979	-	-	-	795,721	-	847,700
-	-	358,328	-	-	-	358,328
-	-	-	-	-	-	169,491
-	-	-	415,022	-	-	415,022
-	9,242	-	-	-	26,705	183,628
51,979	9,242	358,328	415,022	795,721	26,705	1,976,079
52,021	9,242	1,456,507	415,022	796,269	26,790	3,212,556

Story County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2016

	County		
	Recorder's	Drainage	Employee
	Records	Districts	Wellness
	Management		
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	12,414	-	-
Use of money and property	580	-	-
Miscellaneous	-	81,543	1,524
Total revenues	12,994	81,543	1,524
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	109,202	-
Administration	2,470	-	1,765
Debt service	-	41,718	-
Total expenditures	2,470	150,920	1,765
Excess (deficiency) of revenues over (under) expenditures	10,524	(69,377)	(241)
Other financing sources:			
Drainage warrants issued	-	71,605	-
Total other financing sources	-	71,605	-
Change in fund balances	10,524	2,228	(241)
Fund balances beginning of year	127,263	167,263	12,045
Fund balances end of year	\$ 137,787	169,491	11,804

See accompanying independent auditor's report.

Special Revenue							
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers		Total
-	-	802,605	-	-	-	-	802,605
52,638	-	23,389	-	25,000	-	-	101,027
-	-	-	-	-	7,226	-	19,640
154	-	-	1,844	3,178	-	-	5,756
-	7,969	-	18,307	167,179	-	-	276,522
52,792	7,969	825,994	20,151	195,357	7,226	-	1,205,550
-	12,774	-	-	-	8,505	-	21,279
5,918	-	217,200	23,192	31,510	-	-	387,022
-	-	-	-	-	-	-	4,235
-	-	349,303	-	-	-	-	391,021
5,918	12,774	566,503	23,192	31,510	8,505	-	803,557
46,874	(4,805)	259,491	(3,041)	163,847	(1,279)	-	401,993
-	-	-	-	-	-	-	71,605
-	-	-	-	-	-	-	71,605
46,874	(4,805)	259,491	(3,041)	163,847	(1,279)	-	473,598
5,105	14,047	98,837	418,063	631,874	27,984	-	1,502,481
51,979	9,242	358,328	415,022	795,721	26,705	-	1,976,079

Story County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,275	410,892	489,965	236,604
Other County officials	148,686	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	435	2,345	215	87,741
Succeeding year	-	322,000	693,000	990,000	61,022,000
Accounts	72	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expense	-	-	17,947	6,055	-
Total assets	\$ 148,758	323,710	1,124,184	1,486,235	61,346,345
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	2,971	934	-
Salaries and benefits payable	-	-	33,144	29,364	-
Due to other governments	90,342	323,710	1,035,987	1,405,533	61,346,345
Trusts payable	58,416	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Compensated absences	-	-	52,082	50,404	-
Total liabilities	\$ 148,758	323,710	1,124,184	1,486,235	61,346,345

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
10,214	127,093	3,797	3,069	1,945,629	1,593,721	4,822,259
-	-	-	-	-	-	148,686
-	-	-	-	-	6,909	6,909
3,801	31,102	1,632	-	-	3,375	130,646
2,823,000	40,091,000	576,000	-	-	2,503,000	109,020,000
-	-	-	-	-	75,266	75,338
-	-	-	-	-	370	370
-	-	-	701,669	-	838,869	1,540,538
-	-	-	-	-	295,650	295,650
-	-	-	-	-	493	24,495
<u>2,837,015</u>	<u>40,249,195</u>	<u>581,429</u>	<u>704,738</u>	<u>1,945,629</u>	<u>5,317,653</u>	<u>116,064,891</u>
-	-	-	-	-	72,542	76,447
-	-	-	-	-	14,750	77,258
2,837,015	40,249,195	581,429	704,738	1,945,629	4,038,799	114,558,722
-	-	-	-	-	340,603	399,019
-	-	-	-	-	839,304	839,304
-	-	-	-	-	11,655	114,141
<u>2,837,015</u>	<u>40,249,195</u>	<u>581,429</u>	<u>704,738</u>	<u>1,945,629</u>	<u>5,317,653</u>	<u>116,064,891</u>

Story County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

Assets and Liabilities	Agricultural				
	County Offices	Extension Education	County Assessor	City Assessor	Schools
Balances beginning of year	\$ 265,177	315,295	1,065,572	1,242,799	57,846,867
Additions:					
Property and other county tax	-	325,052	707,714	994,369	61,646,716
E911 surcharge	-	-	-	-	-
State tax credits	-	24,760	59,420	68,195	4,508,095
Office fees and collections	1,677,631	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,174,291	-	-	-	-
Miscellaneous	-	-	835	-	-
Total additions	2,851,922	349,812	767,969	1,062,564	66,154,811
Deductions:					
Agency remittances:					
To other funds	712,455	-	-	-	-
To other governments	957,103	341,397	709,357	819,128	62,655,333
Trusts paid out	1,298,783	-	-	-	-
Total deductions	2,968,341	341,397	709,357	819,128	62,655,333
Balances end of year	\$ 148,758	323,710	1,124,184	1,486,235	61,346,345

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
2,524,426	38,003,529	553,800	904,564	1,788,775	4,209,379	108,720,183
2,849,509	40,351,289	587,906	-	-	2,603,078	110,065,633
-	-	-	-	-	416,229	416,229
198,299	3,105,560	38,785	-	-	93,033	8,096,147
-	-	-	-	-	-	1,677,631
-	-	-	-	21,931,417	-	21,931,417
-	-	-	41,978	-	845,228	887,206
-	-	-	-	-	3,417,184	4,591,475
-	-	-	-	-	2,303,281	2,304,116
3,047,808	43,456,849	626,691	41,978	21,931,417	9,678,033	149,969,854
-	-	-	-	682,465	-	1,394,920
2,735,219	41,211,183	599,062	241,804	21,092,098	5,784,228	137,145,912
-	-	-	-	-	3,624,835	4,923,618
2,735,219	41,211,183	599,062	241,804	21,774,563	9,409,063	143,464,450
2,837,015	40,249,195	581,429	704,738	1,945,629	4,478,349	115,225,587

Story 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	\$ 24,001,196	22,069,411	22,482,441	21,496,628
Tax increment financing	802,605	612,399	365,330	362,423
Local option sales tax	2,241,205	2,288,611	1,902,738	1,904,668
Interest and penalty on property tax	123,483	102,467	129,030	147,639
Intergovernmental	9,520,715	9,890,941	10,336,171	8,914,618
Licenses and permits	55,514	53,983	74,279	57,750
Charges for service	1,761,351	1,866,733	1,842,687	1,922,434
Use of money and property	755,325	281,396	196,536	203,785
Miscellaneous	758,491	837,706	1,289,612	1,206,655
Total	\$ 40,019,885	38,003,647	38,618,824	36,216,600
Expenditures:				
Operating:				
Public safety and legal services	\$ 11,031,889	10,469,437	10,048,320	9,799,170
Physical health and social services	2,315,177	2,320,342	2,307,098	2,139,504
Mental health	4,054,405	8,675,130	5,689,991	5,961,907
County environment and education	3,580,630	3,574,712	3,158,021	2,742,873
Roads and transportation	5,282,732	5,962,458	7,831,510	5,266,727
Governmental services to residents	1,626,578	1,097,132	1,058,190	1,253,493
Administration	5,408,901	4,731,940	4,523,424	4,482,138
Nonprogram	34,318	-	-	-
Debt service	3,660,672	1,217,786	2,285,812	2,548,320
Capital projects	1,490,987	2,340,217	2,405,660	1,124,660
Total	\$ 38,486,289	40,389,154	39,308,026	35,318,792

See accompanying independent auditor's report.

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
20,619,095	20,385,161	19,827,742	18,144,717	17,419,098	17,204,958
-	-	-	-	-	-
1,999,138	1,912,716	1,880,706	1,973,998	1,862,831	1,893,254
147,590	156,670	171,597	167,380	143,170	175,492
13,631,149	14,213,647	10,582,865	10,924,361	11,994,475	9,123,604
61,189	36,492	78,378	40,457	216,849	38,146
1,789,521	1,781,908	1,717,960	1,672,853	1,614,316	1,733,658
186,344	231,474	356,214	568,872	1,012,820	958,174
794,250	588,415	387,799	839,484	378,606	347,969
39,228,276	39,306,483	35,003,261	34,332,122	34,642,165	31,475,255
9,584,996	9,229,314	8,711,395	8,878,577	8,486,198	8,133,511
2,056,066	2,120,685	2,375,638	1,951,645	1,828,267	1,723,515
11,504,064	11,360,978	8,717,522	8,915,724	8,951,224	8,382,751
2,940,513	2,688,040	2,741,709	2,711,564	2,421,393	2,347,314
5,270,080	5,175,040	5,140,126	5,127,571	4,798,021	4,071,732
1,099,246	1,106,071	1,067,829	1,295,172	1,064,921	1,057,778
4,273,727	4,374,058	4,105,549	4,198,036	4,173,517	4,129,527
-	-	-	-	-	-
2,034,472	1,922,532	2,211,738	1,308,990	1,204,688	1,200,123
1,916,305	4,711,482	2,238,276	2,900,504	506,700	1,004,179
40,679,469	42,688,200	37,309,782	37,287,783	33,434,929	32,050,430

Schedule 6

Story County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 497
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606	2015-AP-BX-0825	3,522
Bulletproof Vest Partnership Program	16.607		<u>1,813</u>
Total direct			<u>5,832</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>41,682</u>
U.S. Department of Defense:			
Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>3,107</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-16-70-CJ	<u>21,996</u>
Governor's Office on Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-110530	18,850
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-114519	<u>44,640</u>
			<u>63,490</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C085(123)--8J-85	<u>529,406</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 15-402-MOAL, Task 10	4,007
State and Community Highway Safety	20.600	PAP 16-402-MOAL, Task 11	<u>7,727</u>
			<u>11,734</u>

Story County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2016

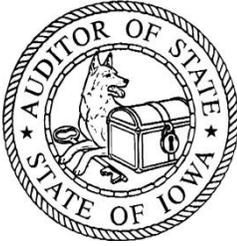
Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health			
Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5886BT77	139,696
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		123
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		11,059
Foster Care_Title IV-E	93.658		15,646
Adoption Assistance	93.659		5,445
Social Services Block Grant	93.667		13,057
Children's Health Insurance Program	93.767		296
Medical Assistance Program	93.778		79,060
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-16-PT-85	39,000
Homeland Security Grant Program	97.067	HSGP-14-SHSP-1144	30,038
Total indirect			1,004,835
Total			\$ 1,010,667

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Story County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Story County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Story County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA

Auditor of State

State Capitol Building

Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Story 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 Story 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 March 14, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, we identified deficiencies in internal control, described as items II-A-16 through II-C-16 in Part II of the accompanying Schedule of Findings and Questioned Costs, we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Story 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

Story County's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

March 14, 2017

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

Story County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA

Auditor of State

State Capitol Building

Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Officials of Story County:

Report on Compliance for Each Major Federal Program

We have audited Story County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Story County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Story County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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


MARY MOSIMAN, CPA
Auditor of State

March 14, 2017

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies 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.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Story County did not qualify as a low-risk auditee.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Animal Control

Criteria – An effective internal control system provides for internal controls related to receipt collection, depositing and reconciling. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one individual in the animal control department has the ability to collect receipts, prepare the deposit and take the deposit to the Treasurer's office. Deposits are not always made in a timely manner and are not always totaled correctly or properly supported by a calculator tape. In addition, the department does not reconcile the animal control receipt book to the Treasurer's report of receipts deposited.

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

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

Recommendation – The animal control department should review its controls activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, to provide additional control through review of financial transactions, reconciliations and reports. Deposits should be made in a timely manner and should be properly supported by a calculator tape. The department should reconcile the animal control receipt book to the Treasurer's report of receipts deposited.

Response – Guidance on the best practices to follow, a receipt book and a calculator which produces a tape will be provided to the animal control department.

Conclusion – Response accepted.

II-B-16 Sheriff's Office

Criteria – An effective internal control system provides for internal controls related to receipt collection, depositing and reconciling. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Condition – Daily receipt logs are maintained; however, there is no evidence of an independent review.

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

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

Recommendation – The Sheriff's Office should review its controls activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, to provide additional control through review of financial transactions, reconciliations and reports. Daily receipt logs should be reviewed and evidenced by the independent reviewer's initials and date.

Response – The supervisor in the Support Services Division will initial and date the receipt logs when reviewed.

Conclusion – Response accepted.

II-C-16 Disaster Recovery Plan

Criteria – Properly designed policies and procedures pertaining to control activities over the County's computer systems and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have a written disaster recovery plan.

Cause – Management has not required a written policy for disaster recovery.

Effect – Lack of a written policy for disaster recovery could result in the County's inability to function in the event of a disaster or continue County business without interruption.

Recommendation – The County should develop a written disaster recovery plan.

Response – The County adopted a disaster recovery plan on September 13, 2016.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amount budgeted by function. However, disbursements exceeded the amount budgeted in the debt service function prior to the approval of the budget amendment.

Recommendation – The budget should have been properly amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budgeted amount in the debt service function.

Response – The original bond payment was due June 1, 2016. When the refinance was finalized, the disbursement for payoff was scheduled for May 26, 2016. This was five days before the budget amendment occurred. We will be more diligent to ensure amendments occur before disbursements.

Conclusion – Response accepted.

IV-B-16 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Michelle Good, Sheriff’s Office, Husband owns Good & Quick	Fuel	\$ 35

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transaction with Good & Quick does not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

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

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

IV-G-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

IV-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).

IV-I-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.

IV-J-16 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

IV-K-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.

Story County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Tiffany M. Ainger, CPA, Senior Auditor II
Ashley J. Moser, Senior Auditor
Emma L. McGrane, Staff Auditor
Eileen D. Loomis, Staff Auditor
Alison C. Anker, Assistant Auditor
Robert Quinn Barrett, Assistant Auditor
Mark D. Newhall, Staff Auditor
Malika Moutiq, Assistant Auditor
Kelsey K. Granneman, Auditor Intern
Steven K. Tallman, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State