



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

## NEWS RELEASE

FOR RELEASE

March 20, 2018

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 \$147,414,826 for the year ended June 30, 2017, which included \$10,347,237 in tax credits from the state. The County forwarded \$122,794,427 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$24,620,399 of the local tax revenue to finance County operations, a 4.8% decrease from the prior year. Other revenues included charges for service of \$3,938,914, operating grants, contributions and restricted interest of \$5,927,266, capital grants, contributions and restricted interest of \$3,515,080, tax increment financing of \$985,301, local option sales tax of \$2,206,814, unrestricted investment earnings of \$205,386, easement compensation of \$1,600,000 and other general revenues of \$940,661.

Expenses for County operations for the year ended June 30, 2017 totaled \$35,716,260, a less than 1% increase over the prior year. Expenses included \$11,427,939 for public safety and legal services, \$7,755,176 for roads and transportation, and \$5,496,387 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/1710-0085-B00F>.

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**STORY COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2017**

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**Story County  
Officials**

**(Before January 2017)**

<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

**(After January 2017)**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Marty Chitty	Board of Supervisors	Jan 2019
Rick Sanders	Board of Supervisors	Jan 2019
Lauris Olson	Board of Supervisors	Jan 2021
Lucy Martin	County Auditor	Jan 2021
Renee M. Twedt	County Treasurer	Jan 2019
Stacie Herridge	County Recorder	Jan 2019
Paul H. Fitzgerald	County Sheriff	Jan 2021
Stephen Holmes	County Attorney	(Resigned Sep 2016)
Jessica A. Reynolds (Appointed Sep 2016)	County Attorney	Jan 2019
Wayne Schwickerath	County Assessor	Jan 2022
Gregory P. Lynch	City Assessor	Jan 2021

**Story County**



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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, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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, 2017, 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 Changes in the County's Total OPEB Liability and Related Ratios 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, 2016 (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 13, 2018 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Story County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

March 13, 2018

**Story County**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2017, along with comparative data for the year ended June 30, 2016. Readers are encouraged to consider this information in conjunction with the County's financial statements, which follow.

### 2017 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2017. The beginning net position for governmental activities was restated by \$1,164,468 to retroactively report the total OPEB liability as of July 1, 2016. OPEB expense for fiscal year 2016 and deferred outflows and inflows of resources at June 30, 2016 were not restated because the information needed to restate those amounts was not available.
- Story County's governmental activities' revenue increased approximately \$2,307,000 from fiscal year 2016. In fiscal year 2017 the County received \$1.6 million for easements and damages along the Dakota Access pipeline. In addition, capital grants, contributions and restricted interest and charges for service increased approximately \$1,902,000 and \$815,000, respectively, while property tax and operating grants, contributions and restricted interest decreased approximately \$1,195,000 and \$753,000, respectively.
- Program expenses increased approximately \$333,000 over fiscal year 2016. Mental health expenses decreased approximately \$1,519,000, while county environmental and education, roads and transportation and public safety and legal services expenses increased approximately \$703,000, \$517,000 and \$437,000, respectively.
- The County's net position at June 30, 2017 increased approximately \$8,223,000 over the June 30, 2016 restated 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 the schedule of changes in total OPEB liability, related ratios and related contributions.

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 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 2017 totaled approximately \$74.3 million. This compares to the fiscal year 2016 balance of approximately \$67.2 million before restatement. The analysis that follows focuses on the changes in net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016 (Not Restated)
Current and other assets	\$ 50,130	42,646
Capital assets	67,552	66,507
Total assets	<u>117,682</u>	<u>109,153</u>
Deferred outflows of resources	<u>3,660</u>	<u>1,750</u>
Long-term liabilities	18,825	16,378
Other liabilities	<u>1,268</u>	<u>1,767</u>
Total liabilities	<u>20,093</u>	<u>18,145</u>
Deferred inflows of resources	<u>26,985</u>	<u>25,553</u>
Net position:		
Net investment in capital assets	62,626	60,444
Restricted	12,854	10,755
Unrestricted	<u>(1,216)</u>	<u>(3,994)</u>
Total net position	<u>\$ 74,264</u>	<u>67,205</u>

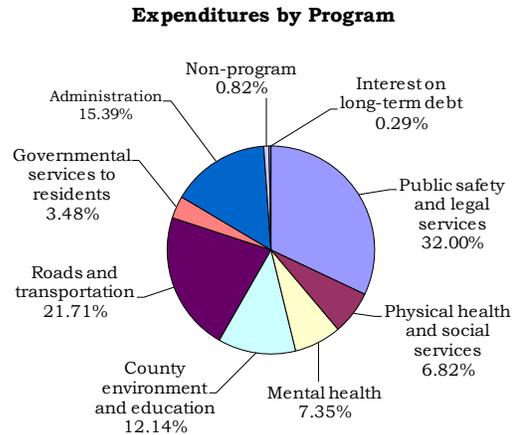
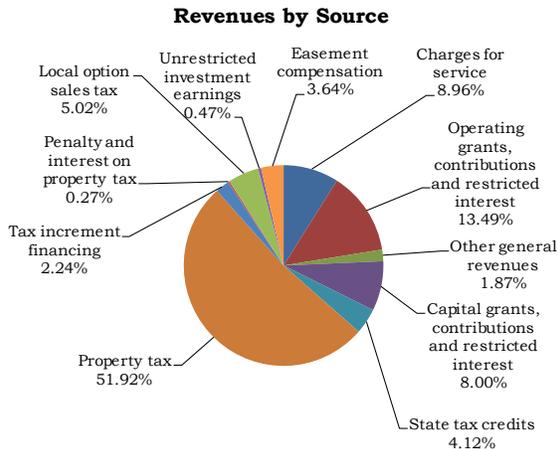
Prior to restatement, net position of Story County's governmental activities increased approximately \$7,059,000 over the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County's net position at approximately \$62.6 million at the end of fiscal year 2017.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased approximately \$2,099,000, or 19.5%, from the previous year. This increase is primarily due to increases in amounts held at year end for roads, capital projects and drainage 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 \$4 million at June 30, 2016 to a deficit of approximately \$1.2 million at the end of this year, an increase of 69.5%.

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

	Year ended June 30,	
	2017	2016 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 3,939	3,124
Operating grants, contributions and restricted interest	5,927	6,680
Capital grants, contributions and restricted interest	3,515	1,613
General revenues:		
Property tax	22,808	24,003
Tax increment financing	985	803
Penalty and interest on property tax	120	135
State tax credits	1,812	1,858
Local option sales tax	2,207	2,241
Unrestricted investment earnings	205	709
Gain on disposition of capital assets	-	92
Easement compensation	1,600	-
Other general revenues	821	374
<b>Total revenues</b>	<b>43,939</b>	<b>41,632</b>
Program expenses:		
Public safety and legal services	11,428	10,991
Physical health and social services	2,437	2,300
Mental health	2,626	4,145
County environment and education	4,336	3,633
Roads and transportation	7,755	7,238
Governmental services to residents	1,242	1,519
Administration	5,497	5,337
Non-program	293	34
Interest on long-term debt	102	186
<b>Total expenses</b>	<b>35,716</b>	<b>35,383</b>
Change in net position	8,223	6,249
Net position beginning of year, restated	66,041	60,956
Net position end of year	<b>\$ 74,264</b>	<b>67,205</b>



Revenues for governmental activities increased approximately \$2,037,000 from fiscal year 2016. The County received \$1.6 million for easements and damages along the Dakota Access pipeline. Capital grants, contributions and restricted interest increased approximately \$1,902,000 due to an increase in infrastructure assets contributed by the Iowa Department of Transportation and land contributed by Iowa State University Research Park. Charges for service increased approximately \$815,000 due to an increase in drainage assessments related to large projects. Operating grants, contributions and restricted interest decreased approximately \$753,000 due to a decrease in various mental health grants and case management.

Countywide taxable property valuation increased 5.3%, from \$3,906,739,411 in fiscal year 2016 to \$4,112,101,384 in fiscal year 2017. The levy rate for countywide property decreased from approximately \$5.68 per \$1,000 of taxable valuation in fiscal year 2016 to approximately \$5.10 per \$1,000 of taxable valuation in fiscal year 2017. The levy rate for rural property remained the same as fiscal year 2016 at approximately \$3.18 per \$1,000 of taxable valuation. This combination led to the decrease in property tax revenue of approximately \$1,195,000.

Expenses in fiscal year 2017 increased approximately \$333,000, or less than 1%, from fiscal year 2016.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Story County completed the year, its governmental funds reported a combined fund balance of approximately \$23.3 million, an increase of approximately \$6,391,000 from the combined fund balance of approximately \$16.9 million at the end of fiscal year 2016. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended fiscal year 2017 with a fund balance totaling \$11,043,015. This is an increase of approximately \$3,307,000, or 42.7%, from the prior year.

Property and other county tax decreased approximately \$369,000 due to a decrease in the tax levy rate; while intergovernmental revenues (for various grants and case management) decreased approximately \$866,000. Use of money and property increased approximately \$1,369,000, due to \$1.6 million received by the County for easements and damages along the Dakota Access pipeline as well as a decrease in rental revenues. Expenditures increased approximately \$113,000 or 0.5%.

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 2017 ended with a fund balance of \$629,396 compared to the prior year balance of \$454,989. This increase is primarily due to revenues exceeding expenditures in the current year by approximately \$174,000.

The Special Revenue, Rural Services Fund ended fiscal year 2017 with a \$1,075,984 fund balance compared to the prior year balance of \$903,003. Revenues in the fund increased approximately \$91,000 or 1.6%, due to an increase in property tax. Expenditures decreased approximately \$64,000 or 1.8%. Transfers to the Special Revenue, Secondary Roads Fund increased \$75,000, or 3.9%, over the prior year.

The Special Revenue, Secondary Roads Fund ended fiscal year 2017 with a \$7,026,087 fund balance compared to the prior year balance of \$5,460,978. Revenues in the fund increased approximately \$173,000, or 3.4%. Transfers in from the General Fund and the Special Revenue, Rural Services Fund increased \$100,500. Expenditures in the fund increased approximately \$209,000, or 3.5%.

The Debt Service Fund ended fiscal year 2017 with a \$40,945 fund balance compared to the prior year balance of \$44,011. Bond principal and interest payments were made according to the bond maturity schedules.

The Capital Projects Fund June 30, 2017 fund balance was \$1,321,796 compared to the prior year balance of \$297,315. The increase in fund balance is due to the issuance of \$1.5 million of tax increment urban renewal revenue bonds during fiscal year 2017 to fund urban renewal projects.

## **BUDGETARY HIGHLIGHTS**

Story County amended the fiscal year 2017 budget two times. The first amendment was made in August 2016 and resulted in an increase in budgeted receipts of approximately \$1,807,000 consisting of an increase in miscellaneous receipts and other financing sources, long-term debt proceeds. Budgeted disbursements increased approximately \$2,337,500 primarily for capital projects.

The second amendment was made in May 2017. This amendment increased budgeted receipts approximately \$2,289,000 related primarily to the expected proceeds from the sale of capital assets and use of money and property receipts. The amendment also increased budgeted disbursements approximately \$2,181,000 related primarily to an increase in mental health region payments and public safety and legal services disbursements.

The County's receipts were \$693,946 more than the amended budget, a variance of 1.8%. Total disbursements were \$5,971,072 less than the amended budget, a variance of 14.2%. 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 2017, Story County had approximately \$67.6 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 \$1,044,000 from the end of fiscal year 2016.

Story County had depreciation/amortization expense in fiscal year 2017 of \$4,050,699 and total accumulated depreciation/amortization of \$46,321,633 at June 30, 2017. 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 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2017, Story County had \$4,681,000 of outstanding general obligation and urban renewal revenue bonds compared to \$4,425,000 at the end of fiscal year 2016. In addition, the County entered into a capital lease purchase agreement for \$2,299,000 during fiscal year 2015 to lease-purchase ten motor graders for the Secondary Roads Department. The balance on the lease-purchase agreement at June 30, 2017 is \$1,428,465.

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 \$357 million. Additional information about the County's long-term debt is presented in Note 6 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 2018 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 2017 stood at 2.4% versus 2.1% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.4% for the same period ended June 30, 2017.

These indicators were taken into account when adopting the budget for fiscal year 2018. The County's fiscal year 2018 countywide taxable valuation increased \$155,227,508 and the rural taxable valuation increased \$34,721,141 over the respective fiscal year 2017 valuations. The fiscal year 2018 budget includes a 3.43% increase in receipts from the fiscal year 2017 budget, along with an increase in disbursements of 3.16%. The increase in receipts is due to an increase in property tax. The increase in disbursements is primarily due to public safety and legal services and roads and transportation expenses. Re-estimated ending fund balances were anticipated to be 42.16% of disbursements at the end of fiscal year 2017 and approximately 45.64% of disbursements by the close of fiscal year 2018.

## **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, 2017

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 22,914,159
Receivables:	
Property tax:	
Delinquent	40,061
Succeeding year	23,418,000
Succeeding year tax increment financing	918,000
Interest and penalty on property tax	101,420
Accounts	45,179
Accrued interest	62,146
Drainage assessments	974,093
Due from other governments	976,866
Inventories	529,763
Prepaid expenses	150,650
Capital assets, net of accumulated depreciation/amortization	67,551,690
<b>Total assets</b>	117,682,027
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	3,660,115
<b>Liabilities</b>	
Accounts payable	871,468
Accrued interest payable	6,816
Salaries and benefits payable	307,319
Due to other governments	82,300
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	815,000
Urban renewal revenue bonds	457,200
Capital lease purchase agreement	216,869
Compensated absences	724,465
Portion due or payable after one year:	
General obligation bonds	815,000
Urban renewal revenue bonds	2,593,800
Capital lease purchase agreement	1,211,596
Drainage warrants	729,023
Net pension liability	10,123,359
Total OPEB liability	1,138,875
<b>Total liabilities</b>	20,093,090
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	23,418,000
Unavailable tax increment financing revenue	918,000
Pension related deferred inflows	2,610,043
OPEB related deferred inflows	38,964
<b>Total deferred inflows of resources</b>	26,985,007
<b>Net Position</b>	
Net investment in capital assets	62,626,448
Restricted for:	
Supplemental levy purposes	1,593,548
Mental health purposes	618,201
Community betterment	262,277
Rural services purposes	658,641
Secondary roads purposes	6,744,369
Conservation purposes	1,306,610
Debt service	660,210
Capital projects	6,833
Drainage warrants	438,934
Other purposes	564,263
Unrestricted	(1,216,289)
<b>Total net position</b>	\$ 74,264,045

See notes to financial statements.

Story County

Statement of Activities

Year ended June 30, 2017

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 11,427,939	1,266,891	131,315	-	(10,029,733)
Physical health and social services	2,437,265	43,563	523,662	-	(1,870,040)
Mental health	2,626,184	-	76,779	-	(2,549,405)
County environment and education	4,335,632	1,199,897	147,790	577,233	(2,410,712)
Roads and transportation	7,755,176	147,651	5,044,979	2,937,847	375,301
Governmental services to residents	1,242,305	1,231,418	647	-	(10,240)
Administration	5,496,387	49,494	-	-	(5,446,893)
Non-program	293,385	-	-	-	(293,385)
Interest on long-term debt	101,987	-	2,094	-	(99,893)
Total	<u>\$ 35,716,260</u>	<u>3,938,914</u>	<u>5,927,266</u>	<u>3,515,080</u>	<u>(22,335,000)</u>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					22,042,114
Debt service					765,831
Tax increment financing					985,301
Penalty and interest on property tax					119,430
State tax credits					1,812,454
Local option sales tax					2,206,814
Unrestricted investment earnings					205,386
Easement compensation					1,600,000
Rent					187,013
Miscellaneous					634,218
Total general revenues					<u>30,558,561</u>
Change in net position					8,223,561
Net position beginning of year, as restated					<u>66,040,484</u>
Net position end of year					<u>\$ 74,264,045</u>

See notes to financial statements.

Story County  
Balance Sheet  
Governmental Funds

June 30, 2017

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash, cash equivalents and pooled investments	\$ 11,341,171	629,835	941,169	6,484,711
Receivables:				
Property tax:				
Delinquent	24,272	2,762	9,073	-
Succeeding year	17,848,000	2,031,000	2,759,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	101,420	-	-	-
Accounts	41,591	-	1,511	1,560
Accrued interest	61,532	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	341,824	5,100	191,429	438,210
Inventories	-	-	-	529,763
Prepaid expenditures	133,934	177	451	1,863
<b>Total assets</b>	<b>\$ 29,893,744</b>	<b>2,668,874</b>	<b>3,902,633</b>	<b>7,456,107</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 434,410	788	10,317	382,024
Salaries and benefits payable	215,826	4,520	40,967	46,006
Due to other governments	72,610	408	7,292	1,990
Total liabilities	722,846	5,716	58,576	430,020
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	17,848,000	2,031,000	2,759,000	-
Succeeding year tax increment financing	-	-	-	-
Other	279,883	2,762	9,073	-
Total deferred inflows of resources	18,127,883	2,033,762	2,768,073	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	529,763
Prepaid expenditures	133,934	177	451	1,863
Restricted for:				
Supplemental levy purposes	1,656,063	-	-	-
Mental health purposes	-	629,219	-	-
Community betterment	-	-	262,277	-
Rural services purposes	-	-	813,256	-
Secondary roads purposes	-	-	-	6,494,461
Conservation purposes	429,862	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Drainage warrants	-	-	-	-
Friends of Animals	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Justice center renovation	200,000	-	-	-
Capital improvement projects	889,230	-	-	-
Board of Supervisors Audio/Video	1,600,000	-	-	-
County attorney fine collection	243,959	-	-	-
Jail commissary	137,653	-	-	-
Other purposes	209,290	-	-	-
Unassigned	5,543,024	-	-	-
Total fund balances	11,043,015	629,396	1,075,984	7,026,087
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 29,893,744</b>	<b>2,668,874</b>	<b>3,902,633</b>	<b>7,456,107</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
40,927	1,323,950	2,152,396	22,914,159
1,014	-	2,940	40,061
780,000	-	-	23,418,000
-	-	918,000	918,000
-	-	-	101,420
-	-	517	45,179
18	-	596	62,146
-	-	974,093	974,093
-	-	303	976,866
-	-	-	529,763
-	-	14,225	150,650
<u>821,959</u>	<u>1,323,950</u>	<u>4,063,070</u>	<u>50,130,337</u>
-	2,154	41,775	871,468
-	-	-	307,319
-	-	-	82,300
<u>-</u>	<u>2,154</u>	<u>41,775</u>	<u>1,261,087</u>
780,000	-	-	23,418,000
-	-	918,000	918,000
<u>1,014</u>	<u>-</u>	<u>977,033</u>	<u>1,269,765</u>
<u>781,014</u>	<u>-</u>	<u>1,895,033</u>	<u>25,605,765</u>
-	-	-	529,763
-	-	14,225	150,650
-	-	-	1,656,063
-	-	-	629,219
-	-	-	262,277
-	-	-	813,256
-	-	-	6,494,461
-	-	876,748	1,306,610
40,945	-	622,127	663,072
-	1,321,796	-	1,321,796
-	-	193,864	193,864
-	-	267,759	267,759
-	-	151,539	151,539
-	-	-	200,000
-	-	-	889,230
-	-	-	1,600,000
-	-	-	243,959
-	-	-	137,653
-	-	-	209,290
-	-	-	5,543,024
<u>40,945</u>	<u>1,321,796</u>	<u>2,126,262</u>	<u>23,263,485</u>
<u>821,959</u>	<u>1,323,950</u>	<u>4,063,070</u>	<u>50,130,337</u>

**Story County**

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

June 30, 2017

**Total governmental fund balances (page 21)** \$ 23,263,485

**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 \$113,873,323 and the accumulated depreciation/amortization is \$46,321,633. 67,551,690

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. 1,269,765

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

Deferred outflows of resources	\$ 3,660,115	
Deferred inflows of resources	<u>(2,649,007)</u>	1,011,108

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, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (18,832,003)

**Net position of governmental activities (page 18)** \$ 74,264,045

See notes to financial statements.

Story County

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

Year ended June 30, 2017

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 17,293,684	2,030,577	2,714,271	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	2,206,814	-
Interest and penalty on property tax	105,109	-	-	-
Intergovernmental	2,553,875	161,586	666,118	5,083,158
Licenses and permits	23,284	-	27,614	34,590
Charges for service	1,740,032	-	35,805	21,280
Use of money and property	2,071,114	-	-	-
Miscellaneous	636,958	10,033	12,266	53,602
<b>Total revenues</b>	<b>24,424,056</b>	<b>2,202,196</b>	<b>5,662,888</b>	<b>5,192,630</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	9,410,989	-	1,932,029	-
Physical health and social services	2,433,507	-	15,041	-
Mental health	1,946	2,032,889	-	-
County environment and education	2,037,717	-	1,261,500	-
Roads and transportation	-	-	259,582	5,563,219
Governmental services to residents	1,213,324	-	1,755	-
Administration	5,334,746	-	-	-
Nonprogram	293,385	-	-	-
Debt service	-	-	-	-
Capital projects	770,647	-	-	613,082
<b>Total expenditures</b>	<b>21,496,261</b>	<b>2,032,889</b>	<b>3,469,907</b>	<b>6,176,301</b>
Excess (deficiency) of revenues over (under) expenditures	2,927,795	169,307	2,192,981	(983,671)
<b>Other financing sources (uses):</b>				
Sale of capital assets	899,230	5,100	-	8,280
General obligation bonds issued	-	-	-	-
Drainage warrants issued	-	-	-	-
Transfers in	-	-	-	2,540,500
Transfers out	(520,500)	-	(2,020,000)	-
<b>Total other financing sources (uses)</b>	<b>378,730</b>	<b>5,100</b>	<b>(2,020,000)</b>	<b>2,548,780</b>
Change in fund balances	3,306,525	174,407	172,981	1,565,109
Fund balances beginning of year	7,736,490	454,989	903,003	5,460,978
Fund balances end of year	\$ 11,043,015	629,396	1,075,984	7,026,087

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
765,831	-	-	22,804,363
-	-	982,361	982,361
-	-	-	2,206,814
-	-	-	105,109
59,574	-	75,935	8,600,246
-	-	-	85,488
-	-	26,911	1,824,028
2,094	-	6,846	2,080,054
-	6,833	315,046	1,034,738
827,499	6,833	1,407,099	39,723,201
-	-	4,999	11,348,017
-	-	-	2,448,548
-	-	-	2,034,835
-	-	1,003,197	4,302,414
-	-	-	5,822,801
-	-	-	1,215,079
-	-	54,768	5,389,514
-	-	-	293,385
830,565	-	551,122	1,381,687
-	482,352	266,814	2,132,895
830,565	482,352	1,880,900	36,369,175
(3,066)	(475,519)	(473,801)	3,354,026
-	-	-	912,610
-	1,500,000	-	1,500,000
-	-	623,984	623,984
-	-	-	2,540,500
-	-	-	(2,540,500)
-	1,500,000	623,984	3,036,594
(3,066)	1,024,481	150,183	6,390,620
44,011	297,315	1,976,079	16,872,865
40,945	1,321,796	2,126,262	23,263,485

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, 2017

**Change in fund balances - Total governmental funds (page 25)** \$ 6,390,620

**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	\$ 3,079,722	
Capital assets contributed by the Iowa Department of Transportation and Iowa State University Research Park	3,401,375	
Depreciation/amortization expense	<u>(4,050,699)</u>	2,430,398

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (1,386,082)

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	6,522	
Other	<u>808,892</u>	815,414

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 issuances exceeded repayments, as follows:

Issued	(2,123,983)	
Repaid	<u>1,491,347</u>	(632,636)

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. 1,426,531

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	(23,272)	
Pension expense	(791,410)	
OPEB expense	(4,925)	
Interest on long-term debt	<u>(1,077)</u>	<u>(820,684)</u>

**Change in net position of governmental activities (page 19)** \$ 8,223,561

See notes to financial statements.

Story County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2017

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 5,262,998
Other County officials	191,291
Employee health insurance plan	6,773
Receivables:	
Property tax:	
Delinquent	137,341
Succeeding year	113,452,000
Accounts	48,012
Accrued interest	509
Assessments	786,573
Due from other governments	109,971
Prepaid expenses	32,697
<b>Total assets</b>	<b>120,028,165</b>

**Liabilities**

Liabilities:	
Accounts payable	94,413
Salaries and benefits payable	26,815
Due to other governments	118,919,536
Trusts payable	506,787
Stamped warrants payable	362,644
Compensated absences	117,970
<b>Total liabilities</b>	<b>120,028,165</b>

<b>Net position</b>	\$ -
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See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2017

**(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 E-911 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 amortized 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the 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 no more than 15 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.

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) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments 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, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide 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 unrecognized items not yet charged to pension and OPEB expense.

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, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2017, the County had the following investments:

<b>Investment</b>	<b>Fair Value</b>	<b>Maturity</b>
Federal Agricultural Mortgage Corporation (FAMC)	\$ 490,850	3/11/2021
Federal Home Loan Mortgage Corporation (FHLMC)	346,420	3/30/2021
Federal Home Loan Mortgage Corporation (FHLMC)	348,110	12/30/2021
Federal Home Loan Bank Bond (FHLBB)	491,400	11/23/2021
Federal National Mortgage Association (FNMA)	294,420	7/27/2021
Federal National Mortgage Association (FNMA)	973,020	7/27/2021
	<u>\$ 2,944,220</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, FHLBB 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 \$1,015,990 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 \$60,175.

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, FHLBB and FNMA investments at June 30, 2017 are rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's. The FAMC investment and the investment in the Iowa Public Agency Investment Trust are 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 (14%), Federal Home Loan Mortgage Corporation (19.8%), Federal Home Loan Bank Bond (14%) and the Federal National Mortgage Association (36.1%).

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 520,500
	Special Revenue:	
	Rural Services	<u>2,020,000</u>
Total		<u><u>2,540,500</u></u>

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 5,098,382	570,400	-	5,668,782
Intangibles, road network	117,327	-	-	117,327
Construction in progress, road network	924,944	3,360,082	(4,264,055)	20,971
Construction in progress, other	58,703	1,147,790	-	1,206,493
Total capital assets not being depreciated/amortized	<u>6,199,356</u>	<u>5,078,272</u>	<u>(4,264,055)</u>	<u>7,013,573</u>
Capital assets being depreciated/amortized:				
Buildings	27,287,445	326,417	(2,756,990)	24,856,872
Improvements other than buildings	4,114,911	91,803	(22,856)	4,183,858
Equipment and vehicles	13,470,592	1,051,405	(455,983)	14,066,014
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	55,415,807	4,264,055	-	59,679,862
Infrastructure, other	3,965,778	-	(52,286)	3,913,492
Total capital assets being depreciated/amortized	<u>104,414,185</u>	<u>5,733,680</u>	<u>(3,288,115)</u>	<u>106,859,750</u>
Less accumulated depreciation/amortization for:				
Buildings	9,884,389	569,106	(1,355,551)	9,097,944
Improvements other than buildings	238,378	89,232	(7,999)	319,611
Equipment and vehicles	6,681,503	1,186,640	(453,383)	7,414,760
Intangibles, other	127,721	31,931	-	159,652
Infrastructure, road network	26,282,002	2,077,964	-	28,359,966
Infrastructure, other	892,174	95,826	(18,300)	969,700
Total accumulated depreciation/amortization	<u>44,106,167</u>	<u>4,050,699</u>	<u>(1,835,233)</u>	<u>46,321,633</u>
Total capital assets being depreciated/amortized, net	<u>60,308,018</u>	<u>1,682,981</u>	<u>(1,452,882)</u>	<u>60,538,117</u>
Governmental activities capital assets, net	<u>\$ 66,507,374</u>	<u>6,761,253</u>	<u>(5,716,937)</u>	<u>67,551,690</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 541,304
Mental health		126,151
County environment and education		257,780
Roads and transportation		2,701,357
Governmental services to residents		9,986
Administration		<u>414,121</u>
Total depreciation/amortization expense - governmental activities		<u>\$ 4,050,699</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 72,610</u>
Special Revenue:		
Mental Health	Services	408
Rural Services	Services	7,292
Secondary Roads	Services	<u>1,990</u>
		<u>9,690</u>
Total for governmental funds		<u>\$ 82,300</u>
Agency:		
County Offices	Collections	\$ 113,257
Agricultural Extension Education		338,503
County Assessor		1,030,358
City Assessor		1,473,151
Schools		63,646,350
Community Colleges		2,747,854
Corporations		41,969,998
Townships		610,182
City Special Assessments		429,643
Auto License and Use Tax		2,041,209
All other		<u>4,519,031</u>
Total for agency funds		<u>\$ 118,919,536</u>

## (6) Long-Term Liabilities

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

	General Obligation Bonds	Urban Renewal Bonds	Capital Lease Purchase Agreement	Drainage Warrants	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balances beginning of year, as restated	\$ 2,430,000	1,995,000	1,639,037	141,814	701,193	9,462,872	1,172,914	17,542,830
Increases	-	1,500,000	-	623,984	915,563	660,487	-	3,700,034
Decreases	800,000	444,000	210,572	36,775	892,291	-	34,039	2,417,677
Balances end of year	\$ 1,630,000	3,051,000	1,428,465	729,023	724,465	10,123,359	1,138,875	18,825,187
Due within one year	\$ 815,000	457,200	216,869	-	724,465	-	-	2,213,534

### General Obligation Bonds

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

Year Ending June 30,	General Obligation Refunding Bonds			
	Issued May 26, 2016			
Interest Rates	Principal	Interest	Total	
2018	1.20%	\$ 815,000	19,560	834,560
2019	1.20	815,000	9,780	824,780
Total		\$ 1,630,000	29,340	1,659,340

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.

### 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 590<sup>th</sup> 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 \$1,785,524, payable through June 2022.

A summary of the County's June 30, 2017 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
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		\$ 1,685,000	100,524	1,785,524

On July 12, 2016, the County issued \$1,500,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area. The bonds bear interest at 2.15% 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 \$1,517,611, payable through June 2026.

A summary of the County's June 30, 2017 urban renewal revenue bonded indebtedness is as follows:

Year Ending June 30,	Urban Renewal Area Projects			
	Issued Jul 12, 2016			
	Interest Rates	Principal	Interest	Total
2018	2.15%	\$ 137,200	29,369	166,569
2019	2.15	140,700	26,419	167,119
2020	2.15	144,500	23,394	167,894
2021	2.15	147,800	20,287	168,087
2022	2.15	151,500	17,110	168,610
2023-2026	2.15	644,300	35,032	679,332
Total		\$ 1,366,000	151,611	1,517,611

During the year ended June 30, 2017, principal and interest paid and total TIF revenues were \$509,778 and \$985,301, respectively. The County retired \$444,000 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, 2017:

Year Ending June 30,	Amount
2018	\$ 259,583
2019	1,241,600
Total minimum lease payments	1,501,183
Less amount representing interest	(72,718)
Present value of net minimum lease payments	<u>\$ 1,428,465</u>

Payments under the capital lease purchase agreement totaled \$259,583 for the year ended June 30, 2017.

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.

**(7) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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](http://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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 were \$1,426,531.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of \$10,123,359 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the County's proportion was 0.160859%, which was a decrease of 0.030678% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$791,410. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,951	235,445
Changes of assumptions	141,472	48,569
Net difference between projected and actual earnings on IPERS' investments	2,005,664	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	4,497	2,326,029
County contributions subsequent to the measurement date	1,426,531	-
Total	<u>\$ 3,660,115</u>	<u>2,610,043</u>

\$1,426,531 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ (416,511)
2019	(416,511)
2020	465,206
2021	136,742
2022	(145,385)
Total	<u>\$ (376,459)</u>

There were no non-employer contributing entities to IPERS.

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

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

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

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:

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

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	\$ 18,472,511	10,123,359	3,084,299

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](http://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, 2017.

**(8) Other Postemployment Benefits (OPEB)**

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

OPEB Benefits – Individuals who are employed by Story County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement, which results in an implicit rate subsidy and an OPEB liability. In addition, retirees under age 65 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, which results in an explicit rate subsidy and an OPEB liability.

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. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	11
Active employees	<u>242</u>
Total	<u>253</u>

Total OPEB Liability – The County's total OPEB liability of \$1,138,875 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	3.00% per annum.
Rates of salary increase (effective June 30, 2017)	4.00 to 17.00% average, including inflation plus merit/productivity increases.
Discount Rate (effective June 30, 2017)	3.56% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2017)	9.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.56% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2016 total dataset mortality table fully generational using Scale MP-2016. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 1,172,914
Changes for the year:	
Service cost	80,859
Interest	32,737
Changes in assumptions	(43,293)
Benefit payments	(104,342)
Net changes	(34,039)
Total OPEB liability end of year	<u>\$ 1,138,875</u>

Changes of assumptions reflect a change in the discount rate from 2.92% in fiscal year 2016 to 3.56% in fiscal year 2017.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.56%) or 1% higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 1,207,004	1,138,875	1,073,669

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following represents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (8.0%) or 1% higher (10.0%) than the current health care cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 1,035,407	1,138,875	1,261,074

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2017, the County recognized OPEB expense of \$4,925. At June 30, 2017, the County reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes in assumptions	\$ 38,964

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

Year Ending June 30,	Amount
2018	\$ (4,329)
2019	(4,329)
2020	(4,329)
2021	(4,329)
2022	(4,329)
Thereafter	(17,319)
Total	\$ (38,964)

**(9) 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 753 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, 2017 were \$284,984.

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

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

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation 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.

## (10) Tax Abatements

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

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Ames	Urban renewal and economic development projects	\$ 53,512
City of Nevada	Urban renewal and economic development projects	\$ 193,102
City of Huxley	Urban renewal and economic development projects	\$ 96,848
City of Story City	Urban renewal and economic development projects	\$ 2,862

## (11) 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, 2017 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 100,495	-	100,495
Family support and parent education	-	308,222	308,222
Preschool support for low-income families	-	135,331	135,331
Quality improvement	-	55,880	55,880
Allocation for administration	5,197	16,462	21,659
Other grant programs	-	33,236	33,236
Total state grants	105,692	549,131	654,823
Interest on investments	150	1,772	1,922
Total revenues	105,842	550,903	656,745
Expenditures:			
Program services:			
Early childhood	93,812	-	93,812
Family support and parent education	-	328,320	328,320
Preschool support for low income families	-	151,230	151,230
Quality improvement	-	8,931	8,931
Other program services	-	36,816	36,816
Total program services	93,812	525,297	619,109
Administration	5,210	62,283	67,493
Total expenditures	99,022	587,580	686,602
Change in fund balance	6,820	(36,677)	(29,857)
Fund balance beginning of year	8,985	49,225	58,210
Fund balance end of year	\$ 15,805	12,548	28,353

**(12) Commitments**

The County entered into two contracts totaling \$1,932,784 for local road projects. As of June 30, 2017, costs of \$7,760 have been incurred on the contracts. The balances on the contracts will be paid as work on the project progresses.

**(13) 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, 2017 as follows:

Revenues:		
Property and other county tax		\$ 2,030,577
Intergovernmental:		
State tax credits		161,586
Miscellaneous		<u>10,033</u>
Total revenues		<u>2,202,196</u>
Expenditures:		
Services to persons with:		
Mental illness	60,879	
Intellectual disabilities	<u>29,416</u>	90,295
General administration:		
Direct administration	184,451	
Distribution to regional fiscal agent	<u>1,758,143</u>	<u>1,942,594</u>
Total expenditures		<u>2,032,889</u>
Excess of expenditures over revenues		169,307
Sale of capital assets		5,100
Fund balance beginning of year		<u>454,989</u>
Fund balance end of year		<u>\$ 629,396</u>

**(14) New Accounting Pronouncement**

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the County.

**(15) Accounting Change/Restatement**

The Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions, was implemented during fiscal year 2017. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, GASB 75 requires a state or local government employer to use the entry age normal actuarial cost method. Also the GASB Statement requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to postemployment benefits other than pensions to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2016, as previously reported	\$ 67,204,952
Net OPEB obligation measured under previous standards	8,446
Total OPEB liability at June 30, 2016	<u>(1,172,914)</u>
Net position July 1, 2017, as restated	<u>\$ 66,040,484</u>

**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, 2017

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 26,177,024	-	26,177,024
Interest and penalty on property tax	105,109	-	105,109
Intergovernmental	8,621,983	-	8,621,983
Licenses and permits	86,643	-	86,643
Charges for service	2,116,316	-	2,116,316
Use of money and property	2,117,330	-	2,117,330
Miscellaneous	1,027,250	113,874	913,376
<b>Total receipts</b>	<b>40,251,655</b>	<b>113,874</b>	<b>40,137,781</b>
<b>Disbursements:</b>			
Public safety and legal services	11,704,848	-	11,704,848
Physical health and social services	2,370,589	-	2,370,589
Mental health	2,063,569	-	2,063,569
County environment and education	4,455,006	673,261	3,781,745
Roads and transportation	5,664,749	-	5,664,749
Governmental services to residents	1,307,839	-	1,307,839
Administration	5,403,844	-	5,403,844
Nonprogram	297,258	-	297,258
Debt service	1,395,363	40,224	1,355,139
Capital projects	2,187,486	-	2,187,486
<b>Total disbursements</b>	<b>36,850,551</b>	<b>713,485</b>	<b>36,137,066</b>
Excess (deficiency) of receipts over (under) disbursements	3,401,104	(599,611)	4,000,715
Other financing sources, net	3,033,864	623,984	2,409,880
Excess of receipts and other financing sources over disbursements and other financing uses	6,434,968	24,373	6,410,595
Balance beginning of year	16,479,191	169,491	16,309,700
Balance end of year	\$ 22,914,159	193,864	22,720,295

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Net
		Variance
25,991,699	26,141,699	35,325
50,000	50,000	55,109
8,487,656	8,390,897	231,086
62,680	80,680	5,963
1,829,130	1,786,660	329,656
739,759	2,189,509	(72,179)
595,120	804,390	108,986
<u>37,756,044</u>	<u>39,443,835</u>	<u>693,946</u>
11,306,800	12,050,590	345,742
2,531,098	2,621,305	250,716
1,562,480	2,621,770	558,201
3,830,946	4,090,824	309,079
6,223,800	6,523,014	858,265
1,375,385	1,378,485	70,646
5,436,953	5,668,393	264,549
-	307,000	9,742
1,195,543	1,364,043	8,904
<u>4,126,204</u>	<u>5,482,714</u>	<u>3,295,228</u>
<u>37,589,209</u>	<u>42,108,138</u>	<u>5,971,072</u>
166,835	(2,664,303)	6,665,018
<u>2,000</u>	<u>2,409,880</u>	<u>-</u>
168,835	(254,423)	6,665,018
<u>14,200,683</u>	<u>16,449,348</u>	<u>(139,648)</u>
<u>14,369,518</u>	<u>16,194,925</u>	<u>6,525,370</u>

**Story County**

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Story County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 40,251,655	(528,454)	39,723,201
Expenditures	36,850,551	(481,376)	36,369,175
Net	3,401,104	(47,078)	3,354,026
Other financing sources, net	3,033,864	2,730	3,036,594
Beginning fund balances	16,479,191	393,674	16,872,865
Ending fund balances	<u>\$ 22,914,159</u>	<u>349,326</u>	<u>23,263,485</u>

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

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 \$4,518,929. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted.

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Story County

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

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

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.160859%	0.191537%	0.190907%
County's proportionate share of the net pension liability	\$ 10,123	9,463	7,571
County's covered-employee payroll	\$ 14,622	17,396	17,542
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.23%	54.40%	43.16%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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Story County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 1,427	1,343	1,600	1,608
Contributions in relation to the statutorily required contribution	<u>(1,427)</u>	<u>(1,343)</u>	<u>(1,600)</u>	<u>(1,608)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 15,605	14,622	17,396	17,542
Contributions as a percentage of covered-employee payroll	9.14%	9.18%	9.20%	9.17%

See accompanying independent auditor's report.

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2013	2012	2011	2010	2009	2008
1,567	1,479	1,281	1,182	1,120	1,018
(1,567)	(1,479)	(1,281)	(1,182)	(1,120)	(1,018)
-	-	-	-	-	-
17,423	17,439	17,076	16,848	16,725	16,189
8.99%	8.48%	7.50%	7.02%	6.70%	6.29%

## Story County

### Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

#### *Changes of benefit terms:*

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

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

#### *Changes of assumptions:*

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

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

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

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

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Story County

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

Required Supplementary Information

	<u>2017</u>
Service cost	\$ 80,859
Interest	32,737
Changes in assumptions	(43,293)
Benefit payments	<u>(104,342)</u>
Net change in total OPEB liability	(34,039)
Total OPEB liability beginning of year, as restated	<u>1,172,914</u>
Total OPEB liability end of year	<u>\$ 1,138,875</u>
Covered employee payroll	\$ 14,032,559
Total OPEB Liability as a percentage of covered- employee payroll	8.12%

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

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

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

Year ended June 30, 2017	3.56%
Year ended June 30, 2016	2.92%

**Story County**

## **Supplementary Information**

Story County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2017

	Special		
	County Recorder's Records Management	Drainage Districts	Employee Wellness
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 88,903	193,864	9,184
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year tax increment financing	-	-	-
Accounts	-	-	-
Accrued interest	39	-	-
Due from other governments	-	-	-
Drainage assessments	-	974,093	-
Prepaid expenditures	14,225	-	-
<b>Total assets</b>	<b>\$ 103,167</b>	<b>1,167,957</b>	<b>9,184</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 3,422	-	-
Total liabilities	3,422	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Drainage assessments	-	974,093	-
Other	-	-	-
Total deferred inflows of resources	-	974,093	-
Fund balances:			
Nonspendable:			
Prepaid expenditures	14,225	-	-
Restricted for:			
Conservation purposes	-	-	-
Debt service	-	-	-
Drainage purposes	-	193,864	-
Friends of Animals	-	-	-
Other purposes	85,520	-	9,184
Total fund balances	99,745	193,864	9,184
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 103,167</b>	<b>1,167,957</b>	<b>9,184</b>

See accompanying independent auditor's report.

Revenue						
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Total
57,647	17,526	622,127	268,408	855,731	39,006	2,152,396
-	-	2,940	-	-	-	2,940
-	-	918,000	-	-	-	918,000
-	-	-	517	-	-	517
27	-	-	124	406	-	596
-	303	-	-	-	-	303
-	-	-	-	-	-	974,093
-	-	-	-	-	-	14,225
57,674	17,829	1,543,067	269,049	856,137	39,006	4,063,070
-	-	-	1,290	37,063	-	41,775
-	-	-	1,290	37,063	-	41,775
-	-	918,000	-	-	-	918,000
-	-	-	-	-	-	974,093
-	-	2,940	-	-	-	2,940
-	-	920,940	-	-	-	1,895,033
-	-	-	-	-	-	14,225
57,674	-	-	-	819,074	-	876,748
-	-	622,127	-	-	-	622,127
-	-	-	-	-	-	193,864
-	-	-	267,759	-	-	267,759
-	17,829	-	-	-	39,006	151,539
57,674	17,829	622,127	267,759	819,074	39,006	2,126,262
57,674	17,829	1,543,067	269,049	856,137	39,006	4,063,070

Story County

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

Year ended June 30, 2017

	County Recorder's Records Management	Drainage Districts	Special Employee Wellness
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	13,359	-	-
Use of money and property	647	-	-
Miscellaneous	-	113,874	100
Total revenues	<u>14,006</u>	<u>113,874</u>	<u>100</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	673,261	-
Administration	52,048	-	2,720
Debt service	-	40,224	-
Capital projects	-	-	-
Total expenditures	<u>52,048</u>	<u>713,485</u>	<u>2,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(38,042)</u>	<u>(599,611)</u>	<u>(2,620)</u>
Other financing sources:			
Drainage warrants issued	-	623,984	-
Total other financing sources	<u>-</u>	<u>623,984</u>	<u>-</u>
Change in fund balances	(38,042)	24,373	(2,620)
Fund balances beginning of year	<u>137,787</u>	<u>169,491</u>	<u>11,804</u>
Fund balances end of year	<u>\$ 99,745</u>	<u>193,864</u>	<u>9,184</u>

See accompanying independent auditor's report.

Revenue							
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers		Total
-	-	982,361	-	-	-	-	982,361
41,798	-	34,137	-	-	-	-	75,935
-	-	-	-	-	13,552	-	26,911
342	-	-	1,447	4,410	-	-	6,846
-	12,335	-	34,498	154,239	-	-	315,046
42,140	12,335	1,016,498	35,945	158,649	13,552	-	1,407,099
-	3,748	-	-	-	1,251	-	4,999
9,472	-	241,801	19,999	58,664	-	-	1,003,197
-	-	-	-	-	-	-	54,768
-	-	510,898	-	-	-	-	551,122
26,973	-	-	163,209	76,632	-	-	266,814
36,445	3,748	752,699	183,208	135,296	1,251	-	1,880,900
5,695	8,587	263,799	(147,263)	23,353	12,301	-	(473,801)
-	-	-	-	-	-	-	623,984
-	-	-	-	-	-	-	623,984
5,695	8,587	263,799	(147,263)	23,353	12,301	-	150,183
51,979	9,242	358,328	415,022	795,721	26,705	-	1,976,079
57,674	17,829	622,127	267,759	819,074	39,006	-	2,126,262

Story County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,032	389,608	708,782	198,433
Other County officials	191,291	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	471	2,416	173	91,917
Succeeding year	-	337,000	687,000	827,000	63,356,000
Accounts	26	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expense	-	-	17,174	13,252	-
<b>Total assets</b>	<b>\$ 191,317</b>	<b>338,503</b>	<b>1,096,198</b>	<b>1,549,207</b>	<b>63,646,350</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ -	-	3,558	11,663	-
Salaries and benefits payable	-	-	11,595	10,268	-
Due to other governments	113,257	338,503	1,030,358	1,473,151	63,646,350
Trusts payable	78,060	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Compensated absences	-	-	50,687	54,125	-
<b>Total liabilities</b>	<b>\$ 191,317</b>	<b>338,503</b>	<b>1,096,198</b>	<b>1,549,207</b>	<b>63,646,350</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
9,044	82,551	4,330	3,611	2,041,209	1,824,398	5,262,998
-	-	-	-	-	-	191,291
-	-	-	-	-	6,773	6,773
3,810	32,447	1,852	-	-	4,255	137,341
2,735,000	41,855,000	604,000	-	-	3,051,000	113,452,000
-	-	-	-	-	47,986	48,012
-	-	-	-	-	509	509
-	-	-	426,032	-	360,541	786,573
-	-	-	-	-	109,971	109,971
-	-	-	-	-	2,271	32,697
<u>2,747,854</u>	<u>41,969,998</u>	<u>610,182</u>	<u>429,643</u>	<u>2,041,209</u>	<u>5,407,704</u>	<u>120,028,165</u>
-	-	-	-	-	79,192	94,413
-	-	-	-	-	4,952	26,815
2,747,854	41,969,998	610,182	429,643	2,041,209	4,519,031	118,919,536
-	-	-	-	-	428,727	506,787
-	-	-	-	-	362,644	362,644
-	-	-	-	-	13,158	117,970
<u>2,747,854</u>	<u>41,969,998</u>	<u>610,182</u>	<u>429,643</u>	<u>2,041,209</u>	<u>5,407,704</u>	<u>120,028,165</u>

Story County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 148,758	323,710	1,124,184	1,486,235	61,346,345
Additions:					
Property and other county tax	-	339,758	704,246	826,171	63,871,704
E-911 surcharge	-	-	-	-	-
State tax credits	-	25,840	61,173	74,970	4,823,396
Office fees and collections	1,604,514	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,497,697	-	-	-	-
Miscellaneous	-	-	1,326	-	-
Total additions	3,102,211	365,598	766,745	901,141	68,695,100
Deductions:					
Agency remittances:					
To other funds	721,041	-	-	-	-
To other governments	861,041	350,805	794,731	838,169	66,395,095
Trusts paid out	1,477,570	-	-	-	-
Total deductions	3,059,652	350,805	794,731	838,169	66,395,095
Balances end of year	\$ 191,317	338,503	1,096,198	1,549,207	63,646,350

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
2,837,015	40,249,195	581,429	704,738	1,945,629	4,478,349	115,225,587
2,756,544	41,983,309	620,542	-	-	3,157,380	114,259,654
-	-	-	-	-	236,727	236,727
226,286	3,165,497	43,442	-	-	114,169	8,534,773
-	-	-	-	-	-	1,604,514
-	-	-	-	23,172,301	-	23,172,301
-	-	-	46,236	-	881,598	927,834
-	-	-	-	-	3,914,831	5,412,528
-	-	-	-	-	1,325,159	1,326,485
2,982,830	45,148,806	663,984	46,236	23,172,301	9,629,864	155,474,816
-	-	-	-	711,036	-	1,432,077
3,071,991	43,428,003	635,231	321,331	22,365,685	5,233,981	144,296,063
-	-	-	-	-	3,829,172	5,306,742
3,071,991	43,428,003	635,231	321,331	23,076,721	9,063,153	151,034,882
2,747,854	41,969,998	610,182	429,643	2,041,209	5,045,060	119,665,521

Story County

Schedule of Revenues By Source and Expenditures By Function –  
All Governmental Funds

For the Last Ten Years

				Modified
	2017	2016	2015	2014
<b>Revenues:</b>				
Property and other county tax	\$ 22,804,363	24,001,196	22,069,411	22,482,441
Tax increment financing	982,361	802,605	612,399	365,330
Local option sales tax	2,206,814	2,241,205	2,288,611	1,902,738
Interest and penalty on property tax	105,109	123,483	102,467	129,030
Intergovernmental	8,600,246	9,520,715	9,890,941	10,336,171
Licenses and permits	85,488	55,514	53,983	74,279
Charges for service	1,824,028	1,761,351	1,866,733	1,842,687
Use of money and property	2,080,054	755,325	281,396	196,536
Miscellaneous	1,034,738	758,491	837,706	1,289,612
Total	\$ 39,723,201	40,019,885	38,003,647	38,618,824
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	\$ 11,348,017	11,031,889	10,469,437	10,048,320
Physical health and social services	2,448,548	2,315,177	2,320,342	2,307,098
Mental health	2,034,835	4,054,405	8,675,130	5,689,991
County environment and education	4,302,414	3,580,630	3,574,712	3,158,021
Roads and transportation	5,822,801	5,282,732	5,962,458	7,831,510
Governmental services to residents	1,215,079	1,626,578	1,097,132	1,058,190
Administration	5,389,514	5,408,901	4,731,940	4,523,424
Nonprogram	293,385	34,318	-	-
Debt service	1,381,687	3,660,672	1,217,786	2,285,812
Capital projects	2,132,895	1,490,987	2,340,217	2,405,660
Total	\$ 36,369,175	38,486,289	40,389,154	39,308,026

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
21,496,628	20,619,095	20,385,161	19,827,742	18,144,717	17,419,098
362,423	-	-	-	-	-
1,904,668	1,999,138	1,912,716	1,880,706	1,973,998	1,862,831
147,639	147,590	156,670	171,597	167,380	143,170
8,914,618	13,631,149	14,213,647	10,582,865	10,924,361	11,994,475
57,750	61,189	36,492	78,378	40,457	216,849
1,922,434	1,789,521	1,781,908	1,717,960	1,672,853	1,614,316
203,785	186,344	231,474	356,214	568,872	1,012,820
1,206,655	794,250	588,415	387,799	839,484	378,606
36,216,600	39,228,276	39,306,483	35,003,261	34,332,122	34,642,165
9,799,170	9,584,996	9,229,314	8,711,395	8,878,577	8,486,198
2,139,504	2,056,066	2,120,685	2,375,638	1,951,645	1,828,267
5,961,907	11,504,064	11,360,978	8,717,522	8,915,724	8,951,224
2,742,873	2,940,513	2,688,040	2,741,709	2,711,564	2,421,393
5,266,727	5,270,080	5,175,040	5,140,126	5,127,571	4,798,021
1,253,493	1,099,246	1,106,071	1,067,829	1,295,172	1,064,921
4,482,138	4,273,727	4,374,058	4,105,549	4,198,036	4,173,517
-	-	-	-	-	-
2,548,320	2,034,472	1,922,532	2,211,738	1,308,990	1,204,688
1,124,660	1,916,305	4,711,482	2,238,276	2,900,504	506,700
35,318,792	40,679,469	42,688,200	37,309,782	37,287,783	33,434,929

**Schedule 6**

Story County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of the Interior: Payments in Lieu of Taxes	15.226	FY17	\$ 472
U.S. Department of Justice: State Criminal Alien Assistance Program	16.606	FY17	4,509
Bulletproof Vest Partnership Program	16.607	FY17	<u>2,529</u>
Total direct			<u>7,510</u>
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: SNAP Cluster: Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY17	<u>47,942</u>
U.S. Department of Defense: Treasurer of State: Payments to States in Lieu of Real Estate Taxes	12.112	FY17	<u>1,750</u>
U.S. Department of Justice: Iowa Department of Justice: Violence Against Women Formula Grants	16.588	VW-17-22-CJ	<u>21,996</u>
Governor's Office on Drug Control Policy: Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-JAG-156639	16,500
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-JAG-160446	<u>38,254</u>
			<u>54,754</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Constuction Cluster: Highway Planning and Construction	20.205	BROS-C085(127)--8J-85	358,644
Iowa Department of Homeland Security and Emergency Management: Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEP-16-28	428
Iowa Department of Public Safety: Governor's Traffic Safety Bureau: Highway Safety Cluster: State and Community Highway Safety	20.600	PAP 17-402-MOAL, Task 14	7,171
State and Community Highway Safety	20.600	PAP 16-402-MOAL, Task 11	<u>10,469</u>
			17,640



**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, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 13, 2018.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as item II-A-17 that we consider to be a material weakness.

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

### 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.

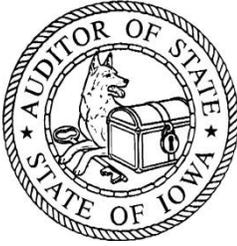
### Purpose of this Report

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 13, 2018



# 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, 2017. 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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, 2017.

## 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses.

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 13, 2018

Story County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (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 did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (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, 2017

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-17 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amount of receivables and capital asset/infrastructure additions and deletions were not properly recorded in the County's financial statements.

Cause – County procedures have not been established to insure all capital assets/infrastructure and receivable items are properly accounted for.

Effect – Lack of procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions.

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

Response – There are guidelines in place for departments to properly code receipts, the Treasurer's Office and Auditor's Office staff will continue to diligently monitor the receivables. Procedures for capital assets are being reviewed so that more oversight is part of the overall process.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

**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, 2017

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-17 Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amount budgeted by function.
- IV-B-17 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-17 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-17 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Michelle Good, Sheriff’s Office, Husband owns Good & Quick	Advertising	\$ 100
Sherry Sinclair, Sheriff’s Office, Husband owns Sinclair Construction	Mowing	450
Lauris Olson, Board of Supervisors Lauris owns 4C Promotions	Advertising	880

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Good & Quick, Sinclair Construction, and 4C Promotions do not appear to represent conflicts of interest since the total transactions for each were less than \$1,500 during the fiscal year.

- IV-E-17 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-17 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-17 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.
- IV-H-17 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-17 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

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

Story County

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Tiffany M. Ainger, CPA, Senior Auditor II  
Robert Quinn Barrett, Staff Auditor  
Malika Moutiq, Staff Auditor  
Mark D. Newhall, Staff Auditor  
Heather M. Poula, Assistant Auditor  
Ryan Manglos, 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