



**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 27, 2014

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 \$124,040,409 for the year ended June 30, 2013, which included \$2,515,248 in tax credits from the state. The County forwarded \$102,040,756 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$21,999,653 of the local tax revenue to finance County operations, a 4.7% increase over the prior year. Other revenues included charges for service of \$2,931,631, operating grants, contributions and restricted interest of \$8,161,860, capital grants, contributions and restricted interest of \$796,770, tax increment financing of \$362,423, local option sales tax of \$1,904,668, unrestricted investment earnings of \$129,323 and other general revenues of \$654,468.

Expenses for County operations for the year ended June 30, 2013 totaled \$34,719,713, a 9.2% decrease from the prior year. Expenses included \$10,080,044 for public safety and legal services, \$7,428,230 for roads and transportation and \$6,135,074 for mental health.

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 <http://auditor.iowa.gov/reports/1310-0085-B00F.pdf>.

# # #



**STORY COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

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## Story County

### Officials

#### (Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Wayne E. Clinton	Board of Supervisors	Jan 2013
Rick Sanders	Board of Supervisors	Jan 2015
Paul Toot	Board of Supervisors	Jan 2015
Lucy Martin	County Auditor	Nov 2012
Renee M. Twedt	County Treasurer	Jan 2015
Susan Vande Kamp	County Recorder	Jan 2015
Paul H. Fitzgerald	County Sheriff	Jan 2013
Stephen Holmes	County Attorney	Jan 2015
Wayne Schwickerath	County Assessor	Jan 2016
Gregory P. Lynch	City Assessor	Jan 2015

#### (After January 2013)

Rick Sanders	Board of Supervisors	Jan 2015
Paul Toot	Board of Supervisors	Jan 2015
Wayne E. Clinton	Board of Supervisors	Jan. 2017
Lucy Martin	County Auditor	Jan. 2017
Renee M. Twedt	County Treasurer	Jan 2015
Susan Vande Kamp	County Recorder	Jan 2015
Paul H. Fitzgerald	County Sheriff	Jan 2017
Stephen Holmes	County Attorney	Jan 2015
Wayne Schwickerath	County Assessor	Jan 2016
Gregory P. Lynch	City Assessor	Jan 2015

## **Story County**



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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, 2013, 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, 2013, 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 and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 46 through 50 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, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

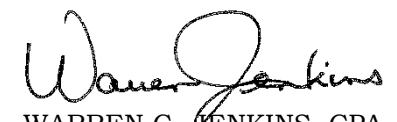
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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 February 25, 2014 on our consideration of Story County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Story County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2014

## **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, 2013, along with comparative data for the year ended June 30, 2012. Readers are encouraged to consider this information in conjunction with the County's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Governmental activities' revenue decreased approximately \$5,319,000 from fiscal year 2012. Operating grants, contributions and restricted interest, capital grants, contributions and restricted interest and charges for service decreased approximately \$4,467,000, \$1,833,000 and \$367,000, respectively. Property tax and tax increment financing increased approximately \$881,000 and \$362,000, respectively.
- Program expenses decreased approximately \$3,505,000 from fiscal year 2012.
- As a result of the above, net position increased approximately \$2,221,000 during fiscal year 2013.

### 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 statements provide financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **REPORTING THE COUNTY AS A WHOLE:**

### *The Statement of Net Position and the Statement of Activities*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities 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 all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

## **REPORTING THE COUNTY BY FUNDS:**

### *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.

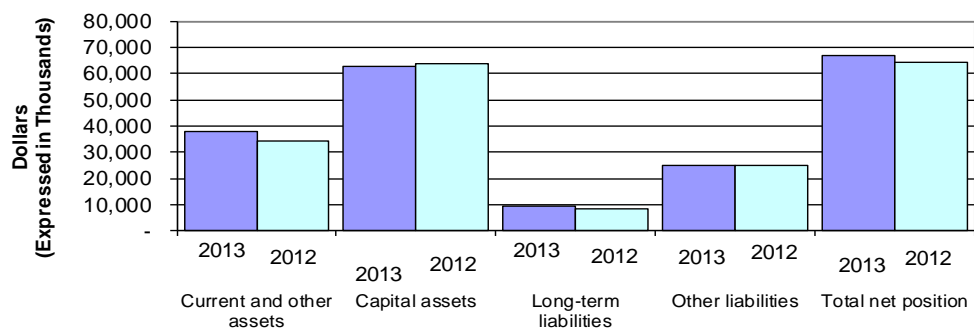
Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## 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 2013 totaled approximately \$66.7 million. This is an increase of approximately \$2.2 million compared to the end of fiscal year 2012 at approximately \$64.5 million. The analysis that follows focuses on the changes in net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)			
		June 30,	
		2013	2012
Current and other assets	\$	38,122	\$ 34,173
Capital assets		62,943	63,780
Total assets		101,065	97,953
Long-term liabilities		9,341	8,348
Other liabilities		25,049	25,151
Total liabilities		34,390	33,499
Net position:			
Net investment in capital assets		57,168	56,486
Restricted		5,500	5,326
Unrestricted		4,007	2,642
Total net position	\$	66,675	\$ 64,454

### Comparison - Statement of Net Position

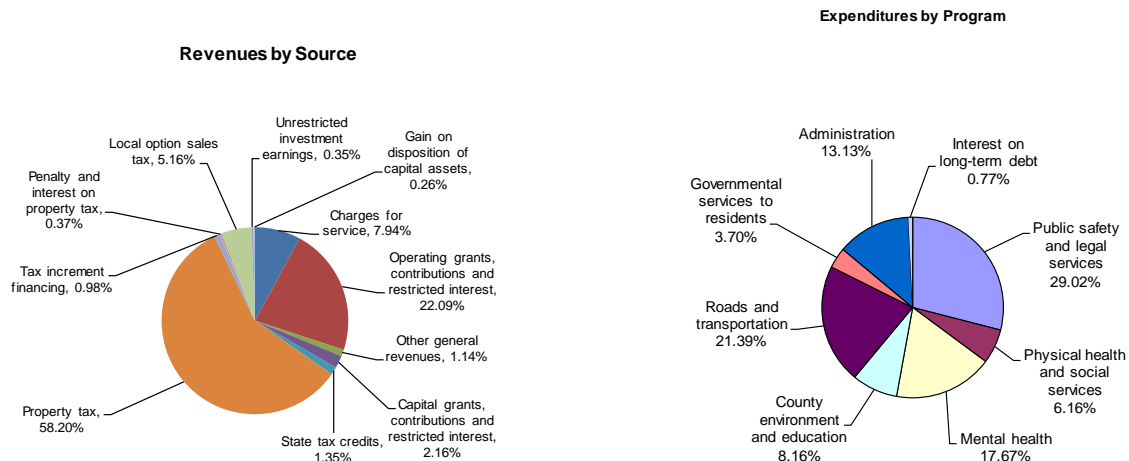


Total net position of Story County's governmental activities increased approximately \$2,221,000 from the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County's net position at approximately \$57.2 million at the end of fiscal year 2013.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased approximately \$174,000, or 3.3%, over the previous year.

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 approximately \$2.6 million at June 30, 2012 to approximately \$4.0 million at the end of this year, an increase of 51.7%. This increase of approximately \$1,365,000 was primarily due to deficits totaling approximately \$697,000 in the Special Revenue, Mental Health and Tax Increment Financing Funds at June 30, 2012 being eliminated in fiscal year 2013 with the collection of State mental health transition funds and transfers to the Tax Increment Financing Fund. In addition, the unrestricted portion of the General Fund balance increased approximately \$600,000 over the prior year.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 2,932	\$ 3,299
Operating grants, contributions and restricted interest	8,162	12,629
Capital grants, contributions and restricted interest	797	2,630
General revenues:		
Property tax	21,500	20,619
Tax increment financing	362	-
Penalty and interest on property tax	137	157
State tax credits	500	398
Local option sales tax	1,905	1,999
Unrestricted investment earnings	129	101
Gain on disposition of capital assets	96	92
Other general revenues	421	336
Total revenues	36,941	42,260
Program expenses:		
Public safety and legal services	10,080	9,520
Physical health and social services	2,138	2,056
Mental health	6,135	11,016
County environment and education	2,833	2,990
Roads and transportation	7,428	6,778
Governmental services to residents	1,283	1,129
Administration	4,557	4,474
Interest on long-term debt	266	262
Total expenses	34,720	38,225
Change in net position	2,221	4,035
Net position beginning of year	64,454	60,419
Net position end of year	\$ 66,675	\$ 64,454



Revenues for governmental activities decreased approximately \$5,319,000 from fiscal year 2012. Operating grants, contributions and restricted interest decreased approximately \$4,467,000 due to a decrease of approximately \$4.6 million in mental health funding, including mental health property tax relief funds, social services block grant funds and state mental health allocations. This decrease was offset by an increase in funding of approximately \$752,000 in transition funds and \$626,000 of miscellaneous state grants. Capital grants, contributions and restricted interest decreased approximately \$1,833,000 due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation. Charges for service decreased approximately \$367,000 due to a decrease in drainage assessments of approximately \$506,000 and an increase of approximately \$55,000 for an insurance settlement received in fiscal year 2013, along with various other increases in the public safety and legal services and mental health functions.

The County's property tax revenue increased 4.3% over fiscal year 2012. Valuation of countywide property increased from \$3,393,291,609 in fiscal year 2012 to \$3,531,531,855 in fiscal year 2013. The levy rate for countywide property increased from approximately \$5.50 per \$1,000 of taxable valuation in fiscal year 2012 to approximately \$5.53 per \$1,000 of taxable valuation in fiscal year 2013. The levy rate for rural property increased from approximately \$3.16 per \$1,000 of taxable valuation in fiscal year 2012 to approximately \$3.18 per \$1,000 of taxable valuation in fiscal year 2013. This combination led to the increase in property tax asking of \$1,019,086.

Expenses in fiscal year 2013 decreased approximately \$3,505,000, or 9.2%, from fiscal year 2012. This decrease was primarily due to a decrease in mental health expenses due to a change in the method the State pays for Medicaid reimbursed services.

### INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of approximately \$12.8 million, an increase of approximately \$4,212,000 over the combined fund balance of approximately \$8.5 million at the end of fiscal year 2012. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended fiscal year 2013 with an ending fund balance totaling \$4,855,867. This is an increase of \$235,418, or 5.1%, over June 30, 2012.

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 2013 ended with a fund balance of \$731,314 compared to deficit fund balance of (\$196,770) at the end of fiscal year 2012. This increase is primarily due to receipt of approximately \$752,000 from the State's Transition Fund for one-time assistance with mental health and disability services not funded with Medicaid.

The Special Revenue, Rural Services Fund ended fiscal year 2013 with a \$743,653 fund balance compared to the prior year balance of \$906,863. Expenditures in the fund increased approximately \$127,000 compared to the prior year, primarily due to public safety and secondary roads equipment purchases and increased public safety payroll costs.

The Special Revenue, Secondary Roads Fund ended fiscal year 2013 with a \$2,794,758 fund balance compared to the prior year balance of \$2,421,650. Expenditures in the fund decreased approximately \$382,000 compared to the prior year, primarily due to a decrease in equipment purchases.

The Debt Service Fund ended fiscal year 2013 with an \$81,451 fund balance compared to the prior year balance of \$49,498. Bond principal and interest payments were made according to the bond maturity schedule.

The Capital Projects Fund fiscal year 2013 ending fund balance was \$2,677,089 compared to the prior year balance of \$463,477. The increase is due to the issuance of tax increment urban renewal revenue bonds during fiscal year 2013 to fund urban renewal projects. Approximately \$2,675,000 of the proceeds from that issuance were unspent at June 30, 2013.

## **BUDGETARY HIGHLIGHTS**

Story County amended the fiscal year 2013 budget three times. The first amendment was made in August 2012 and resulted in an increase in budgeted receipts of approximately \$166,000 and budgeted disbursements of approximately \$1,191,000 related to grant revenues and expenses, vehicle purchases, capital projects expenses and a land purchase.

The second amendment was made in December 2012. This amendment increased budgeted receipts approximately \$4,347,000 and budgeted disbursements approximately \$3,937,000 related to increases in grant revenues and expenses, tax increment revenue bond proceeds, general election costs and capital project expenses.

The third amendment was made in May 2013. This amendment increased budgeted receipts approximately \$314,000 and budgeted disbursements approximately \$164,000 related to grant revenues and expenses, conservation costs, computer equipment purchases, litigation and unemployment costs.

The County's receipts were \$3,224,970 less than the amended budget, a variance of 8.2%. This was primarily due to the County receiving less in intergovernmental receipts than anticipated due to changes made to mental health service funding pertaining to allowable growth, property tax relief, social services block grant and transition funding. Total disbursements were \$7,928,741 less than the amended budget, a variance of 17.8%. This was due primarily to decreased mental health disbursements and capital projects not completed during the year.



## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2013, Story County had approximately \$62.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a decrease of approximately \$837,000 from the end of fiscal year 2012.

Story County had depreciation/amortization expense in fiscal year 2013 of \$3,660,171 and total accumulated depreciation/amortization of \$36,239,289 on the capital assets at June 30, 2013. This is an increase of \$297,347 in depreciation/amortization expense and \$3,011,639 for accumulated depreciation/amortization from fiscal year 2012. 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, 2013, Story County had \$8,450,000 of outstanding general obligation and urban renewal revenue bonds compared to \$7,300,000 at the end of fiscal year 2012. Debt increased as a result of the County issuing \$3,185,000 of urban renewal tax increment revenue bonds.

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 is significantly below its constitutional debt limit of approximately \$306 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 2014 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 2013 stood at 4.2% versus 4.5% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 7.6% for the same period ended June 30, 2013.

These indicators were taken into account when adopting the budget for fiscal year 2014. The County's fiscal year 2014 countywide valuation increased \$179,077,543 and the rural valuation increased \$51,834,255 over the respective fiscal year 2013 valuations. The fiscal year 2014 budget includes a 2.5% decrease in receipts from the fiscal year 2013 budget, along with a decrease in disbursements of 7.1%. The decrease in receipts is due to a decrease in intergovernmental revenues offset by increased revenues from property and other county tax and charges for service. The decrease in disbursements is due to a decrease in mental health, offset by increases in county environment and education and capital projects. Re-estimated ending fund balances were anticipated to be 22.6% of disbursements at the end of fiscal year 2013 and approximately 24.5% of disbursements by the close of fiscal year 2014.

## **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**

**Exhibit A**

Story County  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 12,869,599
Receivables:	
Property tax:	
Delinquent	31,561
Succeeding year	22,801,000
Succeeding year tax increment financing	365,000
Interest and penalty on property tax	63,977
Accounts	104,046
Accrued interest	17,224
Drainage assessments	119,362
Due from other governments	1,165,725
Inventories	568,962
Prepaid expenses	8,019
Capital assets, net of accumulated depreciation/amortization	62,942,685
Assets in excess of net OPEB obligation	7,399
<b>Total assets</b>	<u>101,064,559</u>
<b>Liabilities</b>	
Accounts payable	937,315
Accrued interest payable	18,333
Salaries and benefits payable	775,531
Due to other governments	152,181
Deferred revenue:	
Succeeding year property tax	22,801,000
Succeeding year tax increment financing	365,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,745,000
Urban renewal revenue bonds	280,000
Compensated absences	764,736
Portion due or payable after one year:	
General obligation bonds	3,840,000
Urban renewal revenue bonds	2,585,000
Drainage warrants	125,704
<b>Total liabilities</b>	<u>34,389,800</u>
<b>Net Position</b>	
Net investment in capital assets	57,167,583
Restricted for:	
Supplemental levy purposes	422,507
Mental health purposes	580,788
Rural services purposes	483,683
Community betterment	166,257
Secondary roads purposes	2,757,920
Conservation purposes	465,612
Debt service	76,777
Capital projects	2,191
Drainage warrants	157,662
Other purposes	387,109
Unrestricted	4,006,670
<b>Total net position</b>	<u>\$ 66,674,759</u>

See notes to financial statements.

Story County  
Statement of Activities  
Year ended June 30, 2013

	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	\$ 10,080,044	1,047,059	213,498	5,011	(8,814,476)
Physical health and social services	2,137,758	31,047	420,319	-	(1,686,392)
Mental health	6,135,074	218,571	3,574,565	-	(2,341,938)
County environment and education	2,833,549	292,075	406,513	9,000	(2,125,961)
Roads and transportation	7,428,230	123,092	3,431,413	782,759	(3,090,966)
Governmental services to residents	1,282,639	1,173,818	429	-	(108,392)
Administration	4,556,593	45,969	112,513	-	(4,398,111)
Interest on long-term debt	265,826	-	2,610	-	(263,216)
Total	\$ 34,719,713	2,931,631	8,161,860	796,770	(22,829,452)
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					19,624,295
Debt service					1,875,694
Tax increment financing					362,423
Penalty and interest on property tax					137,211
State tax credits					499,664
Local option sales tax					1,904,668
Unrestricted investment earnings					129,323
Gain on disposition of capital assets					96,374
Miscellaneous					420,883
Total general revenues					25,050,535
Change in net position					2,221,083
Net position beginning of year					64,453,676
Net position end of year					\$ 66,674,759

See notes to financial statements.

Story County  
Balance Sheet  
Governmental Funds

June 30, 2013

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 5,473,490	862,560	533,374	2,325,683
Receivables:				
Property tax:				
Delinquent	18,335	3,805	7,131	-
Succeeding year	15,377,000	3,035,000	2,513,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	63,977	-	-	-
Accounts	30,172	58,214	694	13,988
Accrued interest	17,030	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	175,066	286,612	309,839	357,958
Inventories	-	-	-	568,962
Prepaid expenditures	8,019	-	-	-
<b>Total assets</b>	<b>\$ 21,163,089</b>	<b>4,246,191</b>	<b>3,364,038</b>	<b>3,266,591</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 350,127	225,123	4,985	283,209
Salaries and benefits payable	434,812	153,708	95,072	91,939
Due to other governments	49,174	97,241	197	2,872
Deferred revenue:				
Succeeding year property tax	15,377,000	3,035,000	2,513,000	-
Succeeding year tax increment financing	-	-	-	-
Other	96,109	3,805	7,131	93,813
Total liabilities	16,307,222	3,514,877	2,620,385	471,833
Fund balances:				
Nonspendable:				
Inventories	-	-	-	568,962
Prepaid expenditures	8,019	-	-	-
Restricted for:				
Supplemental levy purposes	474,155	-	-	-
Mental health purposes	-	731,314	-	-
Community betterment	-	-	166,257	-
Rural services purposes	-	-	577,396	-
Secondary roads purposes	-	-	-	2,225,796
Conservation purposes	151,288	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Drainage warrants	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Content management project	60,000	-	-	-
Analysis of social services evaluation team (ASSET)	9,061	-	-	-
County attorney fine collection	74,568	-	-	-
Jail commissary	86,464	-	-	-
Unassigned	3,992,312	-	-	-
Total fund balances	4,855,867	731,314	743,653	2,794,758
<b>Total liabilities and fund balances</b>	<b>\$ 21,163,089</b>	<b>4,246,191</b>	<b>3,364,038</b>	<b>3,266,591</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
81,429	2,715,890	877,173	12,869,599
2,290	-	-	31,561
1,876,000	-	-	22,801,000
-	-	365,000	365,000
-	-	-	63,977
-	-	978	104,046
22	-	172	17,224
-	-	119,362	119,362
-	-	36,250	1,165,725
-	-	-	568,962
-	-	-	8,019
1,959,741	2,715,890	1,398,935	38,114,475
-	38,801	35,070	937,315
-	-	-	775,531
-	-	2,697	152,181
1,876,000	-	-	22,801,000
-	-	365,000	365,000
2,290	-	119,362	322,510
1,878,290	38,801	522,129	25,353,537
-	-	-	568,962
-	-	-	8,019
-	-	-	474,155
-	-	-	731,314
-	-	-	166,257
-	-	-	577,396
-	-	-	2,225,796
-	-	314,324	465,612
81,451	-	11,369	92,820
-	2,677,089	-	2,677,089
-	-	164,004	164,004
-	-	387,109	387,109
-	-	-	60,000
-	-	-	9,061
-	-	-	74,568
-	-	-	86,464
-	-	-	3,992,312
81,451	2,677,089	876,806	12,760,938
1,959,741	2,715,890	1,398,935	38,114,475

## **Story County**



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

June 30, 2013

**Total governmental fund balances (page 21)** \$ 12,760,938

***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 \$99,181,974 and the accumulated depreciation/amortization is \$36,239,289.

62,942,685

The net OPEB assets are not an available resource and, therefore, are not reported in the funds.

7,399

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.

322,510

Long-term liabilities, including general obligation bonds payable, urban renewal revenue bonds payable, drainage warrants payable, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(9,358,773)

**Net assets of governmental activities (page 18)**

\$ 66,674,759

See notes to financial statements.

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

Year ended June 30, 2013

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 14,304,430	2,996,493	2,320,189	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	1,904,668	-
Interest and penalty on property tax	147,639	-	-	-
Intergovernmental	1,230,209	3,639,694	540,053	3,402,106
Licenses and permits	20,645	-	24,500	12,605
Charges for service	1,632,736	218,571	33,049	9,072
Use of money and property	198,984	-	-	-
Miscellaneous	493,114	35,233	2,518	44,054
Total revenues	18,027,757	6,889,991	4,824,977	3,467,837
Expenditures:				
Operating:				
Public safety and legal services	7,950,457	-	1,823,815	-
Physical health and social services	2,124,879	-	14,625	-
Mental health	-	5,961,907	-	-
County environment and education	1,311,879	-	1,192,966	-
Roads and transportation	-	-	290,000	4,976,727
Governmental services to residents	1,247,980	-	1,781	-
Administration	4,481,797	-	-	-
Debt service	-	-	-	-
Capital projects	245,347	-	-	236,002
Total expenditures	17,362,339	5,961,907	3,323,187	5,212,729
Excess (deficiency) of revenues over (under) expenditures	665,418	928,084	1,501,790	(1,744,892)
Other financing sources (uses):				
Sale of capital assets	-	-	-	23,000
General obligation bonds issued	-	-	-	-
Drainage warrants issued	-	-	-	-
Operating transfers in	-	-	-	2,095,000
Operating transfers out	(430,000)	-	(1,665,000)	-
Total other financing sources (uses)	(430,000)	-	(1,665,000)	2,118,000
Change in fund balances	235,418	928,084	(163,210)	373,108
Fund balances beginning of year	4,620,449	(196,770)	906,863	2,421,650
Fund balances end of year	\$ 4,855,867	731,314	743,653	2,794,758

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,875,516	-	-	21,496,628
-	-	362,423	362,423
-	-	-	1,904,668
-	-	-	147,639
40,618	-	61,938	8,914,618
-	-	-	57,750
-	-	29,006	1,922,434
2,610	110	2,081	203,785
-	-	631,736	1,206,655
1,918,744	110	1,087,184	36,216,600
-	-	24,898	9,799,170
-	-	-	2,139,504
-	-	-	5,961,907
-	-	238,028	2,742,873
-	-	-	5,266,727
-	-	3,732	1,253,493
-	-	341	4,482,138
1,921,022	17,664	609,634	2,548,320
-	419,603	223,708	1,124,660
1,921,022	437,267	1,100,341	35,318,792
(2,278)	(437,157)	(13,157)	897,808
-	-	-	23,000
-	3,185,000	-	3,185,000
-	-	106,010	106,010
34,231	-	500,000	2,629,231
-	(534,231)	-	(2,629,231)
34,231	2,650,769	606,010	3,314,010
31,953	2,213,612	592,853	4,211,818
49,498	463,477	283,953	8,549,120
81,451	2,677,089	876,806	12,760,938

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, 2013

**Change in fund balances - Total governmental funds (page 25)** \$ 4,211,818

***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. Depreciation/amortization expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 1,954,247	
Capital assets contributed by the State of Iowa and others	796,660	
Depreciation/amortization expense	<u>(3,660,171)</u>	(909,264)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		71,809
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Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	3,360	
Other	<u>(170,633)</u>	(167,273)

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	(3,291,010)	
Repaid	<u>2,283,825</u>	(1,007,185)

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	14,661	
Other post employment benefits	7,848	
Interest on long-term debt	<u>(1,331)</u>	21,178

**Change in net position of governmental activities (page 19)** \$ 2,221,083

See notes to financial statements.

Story County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2013

**Assets**

## Cash and pooled investments:

County Treasurer	\$ 4,111,960
Other County officials	174,654
Employee health insurance plan	9,709

## Receivables:

## Property tax:

Delinquent	108,170
Succeeding year	100,194,000

Accounts	87,865
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Accrued interest	285
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Assessments	1,117,604
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Due from other governments	170,811
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Prepaid expense	1,761
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<b>Total assets</b>	<b>105,976,819</b>
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**Liabilities**

Accounts payable	435,636
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Salaries and benefits payable	49,526
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Due to other governments	105,013,070
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Trusts payable	382,533
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Compensated absences	96,054
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<b>Total liabilities</b>	<b>105,976,819</b>
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<b>Net position</b>	<b>\$ -</b>
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See notes to financial statements.

Story County  
Notes to Financial Statements  
June 30, 2013

**(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 agriculture and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Story County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts which are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Story County Auditor's Office.

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

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

B. Basis of Presentation

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

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

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants 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 used 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.

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 programs. 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, Liabilities and Fund Equity

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be

collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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

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

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

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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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

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.

Deferred Revenue – 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 revenue in the governmental fund financial statements represents 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 revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax and tax increment financing receivables that will not be recognized as revenue until the year for which it is levied.

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, 2013. 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.

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 and Pooled Investments**

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2013 the County had the following investments:

Investment	Fair Value	Maturity
Federal Home Loan Bank (FHLB)	\$ 321,070	5/16/2014
Federal Home Loan Bank (FHLB)	339,906	6/6/2014
Federal National Mortgage Association (FNMA)	318,315	10/16/2013
Total	<u>\$ 979,291</u>	

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,975 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and stamped drainage warrants of \$104,710.

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 FHLB and FNMA investments at June 30, 2013 are rated Aaa by Moody’s Investors Service. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk and custodial credit risk – The County places no limit on the amount that may be invested in any one issuer. More than 5% of the County’s investments are in the Federal Home Loan Bank (60.6%) and the Federal National Mortgage Association (29.2%).

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 430,000
	Special Revenue:	
	Rural Services	1,665,000
Tax Increment Financing	Capital Projects	500,000
Debt Service	Capital Projects	34,231
Total		<u>\$ 2,629,231</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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 4,564,382	393,500	-	4,957,882
Intangibles, road network	117,327	-	-	117,327
Intangibles in progress, other	116,187	-	(116,187)	-
Construction in progress, road network	345,387	1,014,532	(963,395)	396,524
Construction in progress, other	2,956,388	220,656	(2,901,844)	275,200
Total capital assets not being depreciated/amortized	8,099,671	1,628,688	(3,981,426)	5,746,933
Capital assets being depreciated/amortized:				
Buildings	26,583,895	517,550	-	27,101,445
Improvements other than buildings	339,435	69,009	-	408,444
Equipment and vehicles	11,429,735	1,029,930	(657,373)	11,802,292
Intangibles, other	-	159,652	-	159,652
Infrastructure, road network	49,034,035	963,395	-	49,997,430
Infrastructure, other	1,521,019	2,444,759	-	3,965,778
Total capital assets being depreciated/amortized	88,908,119	5,184,295	(657,373)	93,435,041
Less accumulated depreciation/amortization for:				
Buildings	7,586,101	577,519	-	8,163,620
Improvements other than buildings	85,557	20,086	-	105,643
Equipment and vehicles	6,829,501	926,603	(648,532)	7,107,572
Intangibles, other	-	31,930	-	31,930
Infrastructure, road network	18,217,621	2,008,207	-	20,225,828
Infrastructure, other	508,870	95,826	-	604,696
Total accumulated depreciation/amortization	33,227,650	3,660,171	(648,532)	36,239,289
Total capital assets being depreciated/amortized, net	55,680,469	1,524,124	(8,841)	57,195,752
Governmental activities capital assets, net	\$63,780,140	3,152,812	(3,990,267)	62,942,685

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 471,666
Mental health	193,437
County environment and education	154,231
Roads and transportation	2,468,666
Governmental services to residents	30,344
Administration	341,827
Total depreciation/amortization expense - governmental activities	<u>\$3,660,171</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, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 49,174
Special Revenue:		
Mental Health	Services	97,241
Rural Services	Services	197
Secondary Roads	Services	2,872
Special Law Enforcement	Services	1,308
Friends of Conservation	Services	1,389
		<u>103,007</u>
Total for governmental funds		<u>\$ 152,181</u>
Agency:		
County Offices	Collections	\$ 70,722
Agricultural Extension Education		265,738
County Assessor		927,888
City Assessor		1,147,331
Schools		57,003,403
Community Colleges		2,554,635
Corporations		36,736,809
Townships		535,840
City Special Assessments		1,121,226
Auto License and Use Tax		1,530,968
All other		3,118,510
Total for agency funds		<u>\$ 105,013,070</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Bonds	Urban Renewal Revenue Bonds	Drainage Warrants	Compen- sated Absences	Net OPEB Liability	Total
Balances beginning of year	\$ 7,300,000	-	268,519	779,397	449	8,348,365
Increases	-	3,185,000	106,010	977,454	24,230	4,292,694
Decreases	1,715,000	320,000	248,825	992,115	32,078	3,308,018
Balances end of year	<u>\$ 5,585,000</u>	<u>2,865,000</u>	<u>125,704</u>	<u>764,736</u>	<u>(7,399)</u>	<u>9,333,041</u>
Due within one year	<u>\$ 1,745,000</u>	<u>280,000</u>	<u>-</u>	<u>764,736</u>	<u>-</u>	<u>2,789,736</u>

### General Obligation Bonds

A summary of the County's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Road Improvements			Justice Center Refunding		
	Issued Jun 1, 2008			Issued Apr 1, 2009		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	3.40%	\$ 195,000	45,948	2.40%	\$ 1,060,000	25,440
2015	3.45	200,000	39,318		-	-
2016	3.55	205,000	32,418		-	-
2017	3.65	215,000	25,140		-	-
2018	3.75	225,000	17,292		-	-
2019	3.85	230,000	8,856		-	-
Total		<u>\$ 1,270,000</u>	<u>168,972</u>		<u>\$ 1,060,000</u>	<u>25,440</u>

Year Ending June 30,	Road Improvements					
	Issued Nov 1, 2009			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	2.15%	\$ 490,000	93,646	1,745,000	165,034	1,910,034
2015	2.55	510,000	83,110	710,000	122,428	832,428
2016	2.85	530,000	70,106	735,000	102,524	837,524
2017	3.00	550,000	55,000	765,000	80,140	845,140
2018	3.20	575,000	38,500	800,000	55,792	855,792
2019	3.35	600,000	20,100	830,000	28,956	858,956
Total		<u>\$ 3,255,000</u>	<u>360,462</u>	<u>5,585,000</u>	<u>554,874</u>	<u>6,139,874</u>

During the year ended June 30, 2013, the County retired \$1,715,000 of general obligation bonds.

### 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 with the urban renewal area, including improvements to Dakins Lake County Park and road improvements on County 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 bond is \$3,155,452, payable through June 2022. For the current year, principal and interest paid and total TIF revenues were \$351,054 and \$362,423, respectively.



A summary of the County's June 30, 2013 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
2014	1.95%	\$ 280,000	55,868	335,868
2015	1.95	290,000	50,407	340,407
2016	1.95	300,000	44,753	344,753
2017	1.95	310,000	38,902	348,902
2018	1.95	320,000	32,857	352,857
2019-2022	1.95	1,365,000	67,665	1,432,665
Total		\$2,865,000	290,452	3,155,452

During the year ended June 30, 2013, the County retired \$320,000 of urban renewal revenue bonds.

#### 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 and Retirement Benefits**

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,566,890, \$1,478,836 and \$1,280,996, respectively, equal to the required contributions for each year.

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

Plan Description. The County operates a single-employer retiree benefit plan which provides health benefits for retirees. There are 52 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement with the exception of special service participants who must be age 50 with 22 years of service.

The health coverage is administered by TASC. Retirees receive single coverage at no cost for a number of months based on years of service at retirement with a maximum of 36 months for 30 years of service. Otherwise, retirees under age 65 pay the same premium

for the health benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation asset:

Annual required contribution	\$ 24,230
Interest on net OPEB obligation	18
Adjustment to annual required contribution	(18)
Annual OPEB cost	24,230
Contributions made	(32,078)
Decrease in net OPEB obligation	(7,848)
Net OPEB obligation beginning of year	449
Net OPEB asset end of year	\$ (7,399)

For calculation of the net OPEB obligation (asset), the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation (asset) was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$32,078 to the health plan. Plan members eligible for benefits did not contribute to the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2011	\$ 24,235	126.5%	\$ 12,566
2012	24,234	150.0	449
2013	24,230	132.4	(7,399)

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$279,703, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$279,703. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,167,000 and the ratio of the UAAL to covered payroll was 1.73%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations

and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table projected to 2010 using scale AA. Annual retirement and termination probabilities mirror those used for IPERS.

Projected claim costs of the health plan are \$987 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(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 with over 679 members from 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 official's 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 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 due and payable in the current 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 the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current 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 risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$307,522.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with crime, bond and fidelity supplement in the amount of \$100,000, \$50,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(10) Justice Center Agreements**

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

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

**(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, 2013 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 124,175	-	124,175
Family support and parent education	-	331,996	331,996
Preschool support for low-income families	-	164,839	164,839
Quality improvement	-	53,770	53,770
Allocation for administration	6,535	26,199	32,734
Other grant programs	-	68,385	68,385
Total state grants	130,710	645,189	775,899
Interest on investments	219	668	887
Total revenues	130,929	645,857	776,786
Expenditures:			
Program services:			
Early childhood	120,731	-	120,731
Family support and parent education	-	317,754	317,754
Preschool support for low income families	-	148,351	148,351
Quality improvement	-	47,720	47,720
Other program services	-	38,192	38,192
Total program services	120,731	552,017	672,748
Administration	8,177	24,677	32,854
Total expenditures	128,908	576,694	705,602
Change in fund balance	2,021	69,163	71,184
Fund balance beginning of year	23,569	-	23,569
Fund balance end of year	\$ 25,590	69,163	94,753

Findings related to the operations of BooST Together for Children are included as items II-C-13, II-D-13 and IV-J-13 in the Schedule of Findings and Questioned Costs.

**(12) Subsequent Event**

On August 20, 2013, the Board approved a contract totaling \$978,890 for phase I of the Dakins Lake expansion project. Project costs will be paid from proceeds of the December 2012 urban renewal bond issuance.

## **Story County**

### **Required Supplementary Information**

Story County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 23,761,361	-	23,761,361
Interest and penalty on property tax	147,639	-	147,639
Intergovernmental	9,076,379	-	9,076,379
Licenses and permits	57,295	-	57,295
Charges for service	1,917,446	-	1,917,446
Use of money and property	202,436	-	202,436
Miscellaneous	1,221,412	295,807	925,605
Total receipts	36,383,968	295,807	36,088,161
Disbursements:			
Public safety and legal services	9,865,839	-	9,865,839
Physical health and social services	2,088,178	-	2,088,178
Mental health	7,532,315	-	7,532,315
County environment and education	2,722,577	140,788	2,581,789
Roads and transportation	5,249,760	-	5,249,760
Governmental services to residents	1,253,788	-	1,253,788
Administration	4,503,063	-	4,503,063
Debt service	2,530,657	258,580	2,272,077
Capital projects	1,188,145	-	1,188,145
Total disbursements	36,934,322	399,368	36,534,954
Deficiency of receipts under disbursements	(550,354)	(103,561)	(446,793)
Other financing sources, net	3,314,010	106,010	3,208,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,763,656	2,449	2,761,207
Balance beginning of year	10,105,943	160,983	9,944,960
Balance end of year	\$ 12,869,599	163,432	12,706,167

See accompanying independent auditor's report.



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Budgeted Amounts		Final to
Original	Final	Net
		Variance
23,923,097	23,923,097	(161,736)
55,000	55,000	92,639
12,276,824	12,604,680	(3,528,301)
36,750	36,750	20,545
1,771,650	1,771,650	145,796
177,850	174,384	28,052
463,270	747,570	178,035
38,704,441	39,313,131	(3,224,970)
10,000,722	10,237,772	371,933
2,170,960	2,229,070	140,892
10,927,075	10,954,075	3,421,760
2,592,150	2,737,725	155,936
5,563,250	5,563,250	313,490
1,240,990	1,331,990	78,202
4,763,145	4,884,345	381,282
2,280,126	2,280,126	8,049
667,000	4,245,342	3,057,197
40,205,418	44,463,695	7,928,741
(1,500,977)	(5,150,564)	4,703,771
-	3,185,000	23,000
(1,500,977)	(1,965,564)	4,726,771
8,255,462	9,760,997	183,963
6,754,485	7,795,433	4,910,734

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Story County  
Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 36,383,968	(167,368)	36,216,600
Expenditures	36,934,322	(1,615,530)	35,318,792
Net	(550,354)	1,448,162	897,808
Other financing sources, net	3,314,010	-	3,314,010
Beginning fund balances	10,105,943	(1,556,823)	8,549,120
Ending fund balances	<u>\$ 12,869,599</u>	<u>(108,661)</u>	<u>12,760,938</u>

See accompanying independent auditor's report.

## Story County

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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, three budget amendments increased budgeted disbursements by \$4,258,277. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted.

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

Required Supplementary Information

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

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

### **Supplementary Information**

Story County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management			Drainage Districts	Employee Wellness
<b>Assets</b>					
Cash and pooled investments	\$	137,430		163,432	8,561
Receivables:					
Succeeding year tax increment financing		-		-	-
Accounts		-		572	-
Accrued interest		37		-	-
Drainage assessments		-		119,362	-
Due from other governments		-		-	-
<b>Total assets</b>	<b>\$</b>	<b>137,467</b>		<b>283,366</b>	<b>8,561</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$	32		-	-
Due to other governments		-		-	-
Deferred revenue:					
Succeeding year tax increment financing		-		-	-
Drainage assessments		-		119,362	-
Total liabilities		32		119,362	-
Fund balances:					
Restricted for:					
Conservation purposes		-		-	-
Debt service		-		-	-
Drainage purposes		-		164,004	-
Other purposes		137,435		-	8,561
Total fund balances		137,435		164,004	8,561
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>137,467</b>		<b>283,366</b>	<b>8,561</b>

See accompanying independent auditor's report.

Special Revenue						
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Total
53,036	33,758	11,369	97,738	345,940	25,909	877,173
-	-	365,000	-	-	-	365,000
-	-	-	-	-	406	978
14	-	-	27	94	-	172
-	-	-	-	-	-	119,362
36,090	160	-	-	-	-	36,250
89,140	33,918	376,369	97,765	346,034	26,315	1,398,935
-	-	-	6	30,321	4,711	35,070
-	1,308	-	-	1,389	-	2,697
-	-	365,000	-	-	-	365,000
-	-	-	-	-	-	119,362
-	1,308	365,000	6	31,710	4,711	522,129
-	-	-	-	314,324	-	314,324
-	-	11,369	-	-	-	11,369
-	-	-	-	-	-	164,004
89,140	32,610	-	97,759	-	21,604	387,109
89,140	32,610	11,369	97,759	314,324	21,604	876,806
89,140	33,918	376,369	97,765	346,034	26,315	1,398,935

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

Year ended June 30, 2013

	County Recorder's Records Management	Drainage Districts	Employee Wellness
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	16,212	-	-
Use of money and property	429	-	-
Miscellaneous	-	296,379	3,218
Total revenues	16,641	296,379	3,218
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	140,788	-
Governmental services to residents	3,732	-	-
Administration	-	-	341
Debt service	-	258,580	-
Capital projects	-	-	-
Total expenditures	3,732	399,368	341
Excess (deficiency) of revenues over (under) expenditures	12,909	(102,989)	2,877
Other financing sources:			
Drainage warrants issued	-	106,010	-
Operating transfers in	-	-	-
Total other financing sources	-	106,010	-
Change in fund balances	12,909	3,021	2,877
Fund balances beginning of year	124,526	160,983	5,684
Fund balances end of year	\$ 137,435	164,004	8,561

See accompanying independent auditor's report.



Special Revenue						
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Total
-	-	362,423	-	-	-	362,423
61,938	-	-	-	-	-	61,938
-	-	-	-	-	12,794	29,006
243	-	-	307	1,102	-	2,081
-	33,308	-	23,352	275,479	-	631,736
62,181	33,308	362,423	23,659	276,581	12,794	1,087,184
-	15,481	-	-	-	9,417	24,898
1,000	-	-	17,146	79,094	-	238,028
-	-	-	-	-	-	3,732
-	-	-	-	-	-	341
-	-	351,054	-	-	-	609,634
39,500	-	-	-	184,208	-	223,708
40,500	15,481	351,054	17,146	263,302	9,417	1,100,341
21,681	17,827	11,369	6,513	13,279	3,377	(13,157)
-	-	-	-	-	-	106,010
-	-	500,000	-	-	-	500,000
-	-	500,000	-	-	-	606,010
21,681	17,827	511,369	6,513	13,279	3,377	592,853
67,459	14,783	(500,000)	91,246	301,045	18,227	283,953
89,140	32,610	11,369	97,759	314,324	21,604	876,806

Story County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,380	275,790	423,899	271,068
Other County officials	174,654	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	358	1,930	272	74,335
Succeeding year	-	264,000	712,000	796,000	56,658,000
Accounts	309	-	191	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expense	-	-	1,761		
<b>Total assets</b>	<b>\$ 174,963</b>	<b>265,738</b>	<b>991,672</b>	<b>1,220,171</b>	<b>57,003,403</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	3,117	6,463	-
Salaries and benefits payable	-	-	18,646	21,100	-
Due to other governments	70,722	265,738	927,888	1,147,331	57,003,403
Trusts payable	104,241	-	-	-	-
Compensated absences	-	-	42,021	45,277	-
<b>Total liabilities</b>	<b>\$ 174,963</b>	<b>265,738</b>	<b>991,672</b>	<b>1,220,171</b>	<b>57,003,403</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
10,051	164,039	3,463	3,622	1,530,968	1,427,680	4,111,960
-	-	-	-	-	-	174,654
-	-	-	-	-	9,709	9,709
2,584	24,770	1,377	-	-	2,544	108,170
2,542,000	36,548,000	531,000	-	-	2,143,000	100,194,000
-	-	-	-	-	87,365	87,865
-	-	-	-	-	285	285
-	-	-	1,117,604	-	-	1,117,604
-	-	-	-	-	170,811	170,811
						1,761
2,554,635	36,736,809	535,840	1,121,226	1,530,968	3,841,394	105,976,819
-	-	-	-	-	426,056	435,636
-	-	-	-	-	9,780	49,526
2,554,635	36,736,809	535,840	1,121,226	1,530,968	3,118,510	105,013,070
-	-	-	-	-	278,292	382,533
-	-	-	-	-	8,756	96,054
2,554,635	36,736,809	535,840	1,121,226	1,530,968	3,841,394	105,976,819

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

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 168,872	281,732	895,558	1,195,523	54,254,178
Additions:					
Property and other county tax	-	263,552	720,784	788,323	56,648,340
E911 surcharge	-	-	-	-	-
State tax credits	-	6,075	22,683	12,354	1,210,130
Office fees and collections	1,583,512	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,052,559	-	-	-	-
Miscellaneous	-	-	1,990	876	-
Total additions	2,636,071	269,627	745,457	801,553	57,858,470
Deductions:					
Agency remittances:					
To other funds	775,890	-	-	-	-
To other governments	803,081	285,621	649,343	776,905	55,109,245
Trusts paid out	1,051,009	-	-	-	-
Total deductions	2,629,980	285,621	649,343	776,905	55,109,245
Balances end of year	\$ 174,963	265,738	991,672	1,220,171	57,003,403

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
2,036,338	35,391,572	491,579	1,355,080	1,560,953	3,471,975	101,103,360
2,540,137	36,383,093	538,477	-	-	2,142,466	100,025,172
-	-	-	-	-	375,557	375,557
43,988	657,814	19,305	-	-	43,235	2,015,584
-	-	-	-	-	-	1,583,512
-	-	-	-	19,257,762	-	19,257,762
-	-	-	148,816	-	831	149,647
-	-	-	-	-	1,824,238	2,876,797
-	-	-	-	-	2,386,648	2,389,514
2,584,125	37,040,907	557,782	148,816	19,257,762	6,772,975	128,673,545
-	-	-	-	612,623	-	1,388,513
2,065,828	35,695,670	513,521	382,670	18,675,124	4,371,068	119,328,076
-	-	-	-	-	2,032,488	3,083,497
2,065,828	35,695,670	513,521	382,670	19,287,747	6,403,556	123,800,086
2,554,635	36,736,809	535,840	1,121,226	1,530,968	3,841,394	105,976,819

Story County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 21,496,628	20,619,095	20,385,161	\$ 19,827,742
Tax increment financing	362,423	-	-	-
Local option sales tax	1,904,668	1,999,138	1,912,716	1,880,706
Interest and penalty on property tax	147,639	147,590	156,670	171,597
Intergovernmental	8,914,618	13,631,149	14,213,647	10,582,865
Licenses and permits	57,750	61,189	36,492	78,378
Charges for service	1,922,434	1,789,521	1,781,908	1,717,960
Use of money and property	203,785	186,344	231,474	356,214
Miscellaneous	1,206,655	794,250	588,415	387,799
Total	\$ 36,216,600	39,228,276	39,306,483	35,003,261
Expenditures:				
Operating:				
Public safety and legal services	\$ 9,799,170	9,584,996	9,229,314	8,711,395
Physical health and social services	2,139,504	2,056,066	2,120,685	2,375,638
Mental health	5,961,907	11,504,064	11,360,978	8,717,522
County environment and education	2,742,873	2,940,513	2,688,040	2,741,709
Roads and transportation	5,266,727	5,270,080	5,175,040	5,140,126
Governmental services to residents	1,253,493	1,099,246	1,106,071	1,067,829
Administration	4,482,138	4,273,727	4,374,058	4,105,549
Debt service	2,548,320	2,034,472	1,922,532	2,211,738
Capital projects	1,124,660	1,916,305	4,711,482	2,238,276
Total	\$ 35,318,792	40,679,469	42,688,200	37,309,782

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
18,144,717	17,419,098	17,204,958	16,619,561	15,924,118	16,412,591
-	-	-	-	-	-
1,973,998	1,862,831	1,893,254	1,678,208	1,641,293	1,698,346
167,380	143,170	175,492	165,595	174,780	216,990
10,924,361	11,994,475	9,123,604	10,627,342	10,479,462	9,911,479
40,457	216,849	38,146	35,570	34,244	30,820
1,672,853	1,614,316	1,733,658	1,740,150	1,678,633	1,714,981
568,872	1,012,820	958,174	643,740	573,746	417,697
839,484	378,606	347,969	614,733	322,436	358,339
34,332,122	34,642,165	31,475,255	32,124,899	30,828,712	30,761,243
8,878,577	8,486,198	8,133,511	7,619,168	7,251,375	7,194,684
1,951,645	1,828,267	1,723,515	1,831,092	1,732,944	1,702,512
8,915,724	8,951,224	8,382,751	7,899,548	7,716,964	7,881,446
2,711,564	2,421,393	2,347,314	2,393,141	2,976,832	2,441,499
5,127,571	4,798,021	4,071,732	4,145,529	4,498,123	4,350,040
1,295,172	1,064,921	1,057,778	1,223,635	1,106,653	1,067,021
4,198,036	4,173,517	4,129,527	4,043,982	3,880,953	3,848,303
1,308,990	1,204,688	1,200,123	1,203,342	1,193,858	1,191,462
2,900,504	506,700	1,004,179	1,521,996	3,489,827	713,520
37,287,783	33,434,929	32,050,430	31,881,433	33,847,529	30,390,487

Story County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 429
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0486	12,328
Bulletproof Vest Partnership Program	16.607		6,270
U.S. Department of Health and Human Services:			
National Association of County and City Health Officials:			
Medical Reserve Corps Small Grant Program	93.008	MRC-13-2285	4,000
Total direct			<u>23,027</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561		<u>38,963</u>
U.S. Department of Defense:			
Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>10,975</u>
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's			
program and Non-Entitlement Grants in Hawaii	14.228	08-DRIFWP-207	<u>3,625</u>
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
North American Wetlands Conservation Fund	15.623	IA-N111B	<u>76,000</u>
Outdoor Recreation Acquisition, Development			
and Planning	15.916	19-01284	<u>36,090</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-13-59	<u>22,389</u>
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	09-HOTSPOTS-01	6,244
Public Safety Partnership and Community Policing Grants	16.710	09-HOTSPOOTS-Interdiction-06	1,551
			<u>7,795</u>
Edward Byrne Memorial Justice Assistance Grant			
Program	16.738	10JAG/43021	<u>75,240</u>
U.S. Department of Labor:			
Iowa Department of Vocational Rehabilitation Services:			
Disability Employment Policy Development	17.720		<u>12,500</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Recreational Trails Program	20.219	2005-NT-003	<u>2,707</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 12-04, Task 22	4,455
State and Community Highway Safety	20.600	PAP 13-04, Task 22	4,545
			<u>9,000</u>



Story County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT85	6,509
Public Health Emergency Preparedness	93.069	5883BT85	82,939
			<u>89,448</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State			
Administered Programs	93.566		<u>173</u>
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		<u>9,051</u>
Foster Care_Title IV-E	93.658		<u>13,615</u>
Adoption Assistance	93.659		<u>3,809</u>
Social Services Block Grant	93.667		<u>11,855</u>
Children's Health Insurance Program	93.767		<u>146</u> **
Medical Assistance Program	93.778		<u>38,686</u>
Children's Health Insurance Program	93.767		<u>752,700</u> **
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA-4126-DR-IA	<u>82,777</u>
Hazard Mitigation Grant	97.039	DR-1998-0009-01	<u>49,423</u>
Emergency Management Performance Grants	97.042	2013EMPG	<u>39,000</u>
Homeland Security Grant Program	97.067	2010-SS-T0-00031-28	<u>15,142</u>
Homeland Security Grant Program	97.067	2009-SS-T9-0034-001	<u>39,350</u>
Homeland Security Grant Program	97.067	2010-SS-T0-0031-01/02/03	<u>539,419</u>
Homeland Security Grant Program	97.067	2011-SS-00071-S01-01/02/03	<u>399,105</u>
Homeland Security Grant Program	97.067	EMW-2012-SS-00028-07	<u>69,756</u>
			<u>1,062,772</u>
Total indirect			<u>2,448,739</u>
Total			<u>\$ 2,471,766</u>

\*\* Total for CFDA Number 93.767 is \$752,846.

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Story County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

## **Story County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 25, 2014.

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.

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

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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 through II-D-13 to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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

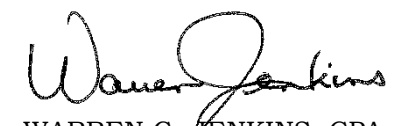
Story County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Story County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion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

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2014

## **Story County**

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**



**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

**Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133**

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) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Story County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Story County's major federal programs 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 each major federal program. However, our audit does not provide a legal determination of Story County's compliance.

**Opinion on Each 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 each of its major federal programs for the year ended June 30, 2013.

## 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 each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 were not identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13, we consider to be a significant deficiency.

Story County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Story County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2014



Story County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed a finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 93.767 – Children's Health Insurance Program.
  - CFDA Number 97.067 – Homeland Security Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Story County did not qualify as a low-risk auditee.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-13 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset additions and deletions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and capital asset additions and deductions are identified and included in the County's financial statements.

Response – The Treasurer and Auditor will review receivables for determination of inclusion in the financial statements. Capital assets will be closely monitored.

Conclusion – Response accepted.

- II-B-13 Disaster Recovery Plan – The County has not developed a disaster recovery plan.

Recommendation – The County should develop a disaster recovery plan.

Response – The Board of Supervisors will continue to work with Department Heads and elected officials to develop a comprehensive disaster recovery plan. Such a plan takes considerable time and the proper input to finalize.

Conclusion – Response accepted.

- II-C-13 Early Childhood Iowa – Supporting Documentation – The Early Childhood Iowa Area Board for Boone and Story counties, known as BooST Together for Children, contracts with various providers for School Ready and Early Childhood Iowa programs. The contracts require detailed monthly invoices be submitted prior to payment. The invoices are to be submitted to the Board Director, who is to verify the accuracy and adequacy of the documentation and approve the disbursement.

Two claims tested did not have adequate supporting documentation.

Recommendation – All contract payments should be supported by detailed invoices or other supporting documentation as required by the provider contracts and to document the public purpose served by the disbursement.

Response – The BooSt Board's contracts detail the supporting documentation that should be submitted with each contract. The Area Director will review each invoice and check to see if all the required supporting documents is supplied. If any invoices lack needed supporting documents, he will work with the contractor to assure any needed documentation is supplied.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

II-D-13 Early Childhood Iowa Annual Financial Report – The annual financial report required by Chapter 256I.8 of the Code of Iowa and submitted for the year ended June 30, 2013 reconciled in total to the Board's financial activity. However, the detailed line item revenue and expenditure amounts reported could not be traced to underlying support.

Recommendation – The Board should prepare the annual financial report from the reconciled underlying financial activity and supporting documentation should be maintained for the detailed amounts reported.

Response – The Area Director and the Board Treasurer will work with the Story County Auditor's office to develop procedures to assure the Annual Report is based on reconciled expenditures and revenues and supporting documents are adequate to test all expenses.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 97.067: Homeland Security Grant Program**

**Pass-through Agency Number: 2009-SS-T9-0034-001, 2010-SS-T0-0031-01/02/03,  
2011-SS-00071-S01/02/03, EMW-2012-SS-00028-07**

**Federal Award Year: 2009, 2010, 2011, 2012**

**U.S Department of Homeland Security – Passed through Iowa Department of Public  
Defense – Iowa Homeland Security and Emergency Management Division**

III-A-13      Interest Earned – The Homeland Security Grant Program agreement  
(2013-001)      allows the County to submit a request for payment prior to anticipated  
expenditures. Pursuant to the agreement, grant revenue must be  
placed in an interest bearing account. The County may retain interest  
earned on federal grant funds up to \$100 per fiscal year. The County  
is required to report all interest earned to the Iowa Department of  
Public Defense – Iowa Homeland Security and Emergency Management  
Division at least quarterly.

During fiscal year 2013, the County earned interest of approximately  
\$359 on federal revenues. The County did not report the interest  
earned on the submitted quarterly reports and did not remit interest  
earned in excess of \$100 to the Iowa Department of Public Defense –  
Iowa Homeland Security and Emergency Management Division.

Recommendation – The County should report interest earned on the  
Homeland Security Grant and remit amounts earned in excess of \$100  
to the Iowa Department of Public Defense – Iowa Homeland Security  
and Emergency Management Division, as required.

Response and Corrective Action Planned – The interest has been  
remitted. Guidance from IHSE was requested numerous times as to  
what format the interest should be reported/remitted with limited  
responses.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

IV-B-13 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-13 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-13 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	Fuel	\$313
Connie Hambly, E911 Service Board, Husband owns Hambly Heating and Cooling	Equipment repair	638

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Good & Quick and Hambly Heating and Cooling do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

IV-E-13 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-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-13 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-13 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).

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- IV-I-13 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, 2013 for the County Extension Office did not exceed the amount budgeted.

- IV-J-13 Early Childhood Iowa Area Board – Story 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-13 Travel Policy – The County's travel policy does not include guidance on employee use of benefits derived from County travel, such as discount coupons (including frequent flier miles), free lodging (including points earned) or cash payments.

Recommendation – The County should modify the travel policy to require benefits received by employees while traveling on County business be used for future County travel rather than personal use.

Response – A proposed draft was reviewed but not adopted due to the many issues it raised. The travel policy will be reviewed again to ascertain whether the benefits can be documented.

Conclusion – Response accepted.

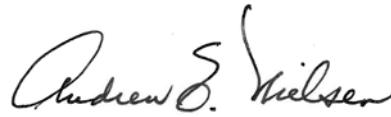
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Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, CGFM, Manager  
Tammy A. Hollingsworth, Senior Auditor II  
Jenny R. Lawrence, Senior Auditor  
Jessica L. Barloon, Assistant Auditor  
Melissa E. Janssen, Assistant Auditor  
Laura M. Wernimont, Assistant Auditor  
Marcus B. Johnson, Auditor Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA  
Deputy Auditor of State