



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

June 19, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Story County, Iowa.

The County had local tax revenue of \$155,680,833 for the year ended June 30, 2018, which included \$10,427,202 in tax credits from the state. The County forwarded \$130,184,928 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$25,495,905 of the local tax revenue to finance County operations, a 3.6% increase over the prior year. Other revenues included charges for service of \$3,574,885, operating grants, contributions and restricted interest of \$5,547,900, capital grants, contributions and restricted interest of \$1,982,345, tax increment financing of \$918,319, local option sales tax of \$2,198,341, unrestricted investment earnings of \$339,656 and other general revenues of \$785,311.

Expenses for County operations for the year ended June 30, 2018 totaled \$37,099,238, a 3.9% increase over the prior year. Expenses included \$12,388,868 for public safety and legal services, \$8,240,776 for roads and transportation, and \$5,771,235 for administration.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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STORY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2018

Story County



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Rob Sand
Auditor of State

May 31, 2019

Officials of Story County
Nevada, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Story County for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Story County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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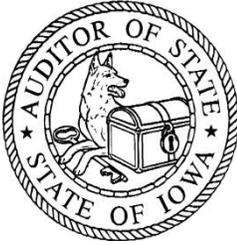
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Story County

Officials

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

Story County



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Rob Sand
Auditor of State

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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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, 2018, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability and Related Ratios on pages 9 through 15 and 54 through 63 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.

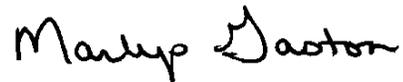
Supplementary Information

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, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2019 on our consideration of Story County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Story County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 31, 2019

Story County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Story County provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the County for the year ended June 30, 2018, along with comparative data for the year ended June 30, 2017. Readers are encouraged to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Story County's governmental activities' revenue decreased approximately \$3,097,000 from fiscal year 2017. In fiscal year 2017, the County received \$1.6 million for easements and damages along the Dakota Access pipeline. In addition, capital grants, contributions and restricted interest decreased approximately \$1,530,000 from fiscal year 2017.
- Program expenses increased approximately \$1,383,000 over fiscal year 2017. Public safety and legal services and county environment and education increased approximately \$961,000 and \$529,000, respectively.
- The County's net position at June 30, 2018 increased approximately \$3,743,000 over the June 30, 2017 balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Story County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Story County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Story County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These fund statements focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few. The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Story County's net position at the end of fiscal year 2018 totaled approximately \$78 million. This compares to the fiscal year 2017 balance of approximately \$74.3 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,	
	2018	2017
Current and other assets	\$ 50,109	50,130
Capital assets	71,704	67,552
Total assets	121,813	117,682
Deferred outflows of resources	4,315	3,660
Long-term liabilities	19,204	18,825
Other liabilities	1,091	1,268
Total liabilities	20,295	20,093
Deferred inflows of resources	27,826	26,985
Net position:		
Net investment in capital assets	67,374	62,626
Restricted	11,590	12,854
Unrestricted	(957)	(1,216)
Total net position	\$ 78,007	74,264

Net position of Story County's governmental activities increased approximately \$3,743,000 over the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County's net position at approximately \$67.4 million at the end of fiscal year 2018.

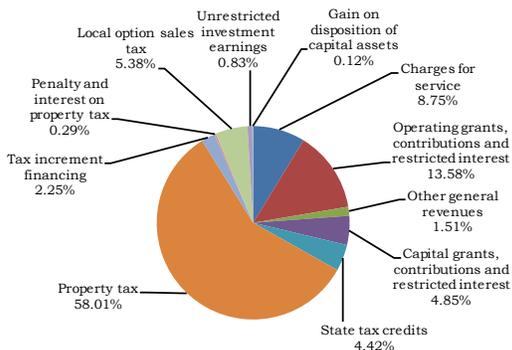
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount decreased approximately \$1,264,000, or 9.8%, from the previous year. This decrease is primarily due to decreases in amounts held at year end for roads and debt service combined with increases in amounts held for mental health and conservation.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$1.2 million at June 30, 2017 to a deficit of approximately \$957,000 at the end of this year, an increase of 21.3%.

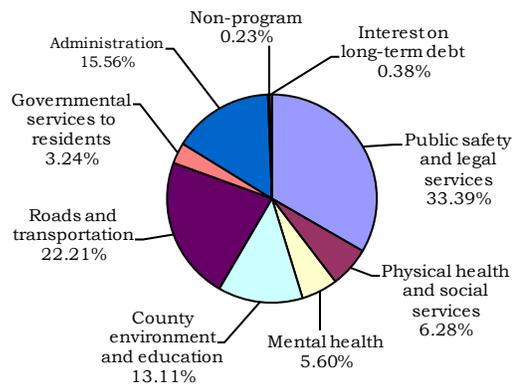
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2018	2017
Revenues:		
Program revenues:		
Charges for service	\$ 3,575	3,939
Operating grants, contributions and restricted interest	5,548	5,927
Capital grants, contributions and restricted interest	1,982	3,515
General revenues:		
Property tax	23,690	22,808
Tax increment financing	918	985
Penalty and interest on property tax	117	120
State tax credits	1,806	1,812
Local option sales tax	2,198	2,207
Unrestricted investment earnings	340	205
Gain on disposition of capital assets	51	-
Easement compensation	-	1,600
Other general revenues	617	821
Total revenues	40,842	43,939
Program expenses:		
Public safety and legal services	12,389	11,428
Physical health and social services	2,328	2,437
Mental health	2,078	2,626
County environment and education	4,865	4,336
Roads and transportation	8,241	7,755
Governmental services to residents	1,202	1,242
Administration	5,771	5,497
Non-program	84	293
Interest on long-term debt	141	102
Total expenses	37,099	35,716
Change in net position	3,743	8,223
Net position beginning of year	74,264	66,041
Net position end of year	\$ 78,007	74,264

Revenues by Source



Expenses by Program



Revenues for governmental activities increased approximately \$3,097,000 over fiscal year 2017. In fiscal year 2017 the County received \$1.6 million for easements and damages along the Dakota Access pipeline. Capital grants, contributions and restricted interest decreased approximately \$1,530,000 due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation and land contributed by Iowa State University Research Park. Property taxes increased approximately \$882,000 over fiscal year 2017 due to increased taxable property valuations.

Countywide taxable property valuation increased 3.7%, from \$4,112,101,384 in fiscal year 2017 to \$4,267,328,892 in fiscal year 2018. The levy rate for countywide property decreased from \$5.09972 per \$1,000 of taxable valuation in fiscal year 2017 to approximately \$5.08816 per \$1,000 of taxable valuation in fiscal year 2018. The levy rate for rural property remained the same as fiscal year 2017 at approximately \$3.18 per \$1,000 of taxable valuation. This combination led to the increase in property tax revenue of approximately \$882,000.

Expenses in fiscal year 2018 increased approximately \$1,383,000, or 3.9%, over fiscal year 2017.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of approximately \$22.6 million, a decrease of approximately \$649,000 from the combined fund balance of approximately \$23.3 million at the end of fiscal year 2017. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended fiscal year 2018 with a fund balance totaling \$11,466,136. This is an increase of approximately \$423,000, or 3.8%, over the prior year.

Property and other county tax increased approximately \$740,000 due to an increase in taxable property valuations; while intergovernmental revenues (for various grants and case management) increased approximately \$121,000. Use of money and property decreased approximately \$1,573,000, due to \$1.6 million received in fiscal year 2017 for easements and damages along the Dakota Access pipeline. Expenditures increased approximately \$941,000 or 4.4%.

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 2018 ended with a fund balance of \$805,663 compared to the prior year balance of \$629,396. This increase is primarily due to revenues exceeding expenditures in the current year by approximately \$176,000.

The Special Revenue, Rural Services Fund ended fiscal year 2018 with a \$1,117,898 fund balance compared to the prior year balance of \$1,075,984. Revenues in the fund increased approximately \$135,000 or 2.4%, due to an increase in property tax. Expenditures increased approximately \$256,000 or 7.4%. Transfers to the Special Revenue, Secondary Roads Fund increased \$10,000, or 0.5%, over the prior year.

The Special Revenue, Secondary Roads Fund ended fiscal year 2018 with a \$5,102,324 fund balance compared to the prior year balance of \$7,026,087. Revenues in the fund decreased approximately \$594,000, or 11.4%. Transfers in from the General Fund and the Special Revenue, Rural Services Fund increased \$30,500. Expenditures in the fund increased approximately \$2,917,000, or 47.2%, due to increased capital projects expenses for the Grant Avenue paving project and the construction of two Secondary Roads shops.

The Debt Service Fund ended fiscal year 2018 with a \$52,964 fund balance compared to the prior year balance of \$40,945. Bond principal and interest payments were made according to the bond maturity schedules.

The Capital Projects Fund June 30, 2018 fund balance was \$1,919,750 compared to the prior year balance of \$1,321,796. The increase in fund balance is due to the issuance of \$1.5 million of tax increment urban renewal revenue bonds during fiscal year 2018 to fund urban renewal projects.

BUDGETARY HIGHLIGHTS

Story County amended the fiscal year 2018 budget three times. The first amendment was made in August 2017 and resulted in an increase in budgeted receipts of approximately \$100,000, primarily in miscellaneous receipts. Budgeted disbursements increased approximately \$1,024,000 primarily for capital projects.

The second amendment was made in November 2017. This amendment increased budgeted receipts approximately \$1,478,000 related primarily to the anticipated bond proceeds. The amendment also increased budgeted disbursements approximately \$4,641,000 related primarily to increased roads and transportation and capital projects expenses.

The third amendment was made in May 2018. This amendment decreased budgeted receipts by approximately \$870,000 related primarily to intergovernmental receipts anticipated but not received. The amendment also increased budgeted disbursements approximately \$1,680,000 related to salary, benefit and insurance related adjustments, equipment purchases and changes in grant funding.

The County's receipts were \$320,937 more than the amended budget. Total disbursements were \$5,732,801 less than the amended budget. This was due primarily to fewer roadway construction related disbursements than anticipated. Also, various capital projects were not completed during the year as expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, Story County had approximately \$71.7 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 net increase of approximately \$4,152,000 from the end of fiscal year 2017.

Story County had depreciation/amortization expense in fiscal year 2018 of \$4,173,028 and total accumulated depreciation/amortization of \$50,108,373 at June 30, 2018. 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, 2018, Story County had \$4,774,800 of outstanding general obligation and urban renewal revenue bonds compared to \$4,681,000 at the end of fiscal year 2017. In addition, the County entered into a capital lease purchase agreement for \$2,299,000 during fiscal year 2016 to lease-purchase ten motor graders for the Secondary Roads Department. The balance on the lease-purchase agreement at June 30, 2018 is \$1,211,596.

Story County's general obligation debt carries an Aa2 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Story County's outstanding general obligation debt, including the capital lease purchase agreement, is significantly below its constitutional debt limit of approximately \$366 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 2019 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 2018 stood at 2.0% versus 2.4% a year ago. This compares with the State's unemployment rate of 2.7% and the national rate of 4.5% for the same period ended June 30, 2018.

These indicators were taken into account when adopting the budget for fiscal year 2019. The County's fiscal year 2019 countywide taxable valuation increased \$276,594,833 and the rural taxable valuation increased \$26,211,418 over the respective fiscal year 2018 valuations. The fiscal year 2019 budget includes a 2.56% increase in receipts from the fiscal year 2018 budget, along with an increase in disbursements of 2.65%. The increase in receipts is due to an increase in property taxes. The increase in disbursements is primarily due to public safety and legal services and roads and transportation expenses. Re-estimated ending fund balances were anticipated to be 38.67% of disbursements at the end of fiscal year 2019 and approximately 44.57% of disbursements by the close of fiscal year 2019.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Story County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Story County Auditor's Office, 900 6th Street, Nevada, Iowa 50201.

Story County

Basic Financial Statements

Story County
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	\$ 22,347,455
Receivables:	
Property tax:	
Delinquent	32,287
Succeeding year	24,819,000
Succeeding year tax increment financing	861,000
Interest and penalty on property tax	102,065
Accounts	111,104
Accrued interest	174,302
Drainage assessments	450,220
Due from other governments	657,269
Inventories	392,816
Prepaid expenses	161,826
Capital assets, net of accumulated depreciation/amortization	71,704,099
Total assets	121,813,443
Deferred Outflows of Resources	
Pension related deferred outflows	4,207,517
OPEB related deferred outflows	107,355
Total deferred outflows of resources	4,314,872
Liabilities	
Accounts payable	694,115
Accrued interest payable	8,251
Salaries and benefits payable	348,843
Due to other governments	39,971
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	815,000
Urban renewal revenue bonds	602,900
Capital lease purchase agreement	1,211,596
Compensated absences	785,973
Portion due or payable after one year:	
Urban renewal revenue bonds	3,356,900
Drainage warrants	232,220
Net pension liability	10,962,845
Total OPEB liability	1,236,407
Total liabilities	20,295,021
Deferred Inflows of Resources	
Unavailable property tax revenue	24,819,000
Unavailable tax increment financing revenue	861,000
Pension related deferred inflows	2,089,533
OPEB related deferred inflows	56,292
Total deferred inflows of resources	27,825,825
Net Position	
Net investment in capital assets	67,373,747
Restricted for:	
Supplemental levy purposes	1,572,921
Mental health purposes	787,827
Community betterment	292,198
Rural services purposes	709,657
Secondary roads purposes	4,961,641
Conservation purposes	1,621,133
Debt service	525,761
Drainage warrants	428,688
Other purposes	690,640
Unrestricted	(956,744)
Total net position	\$ 78,007,469

See notes to financial statements.

Story County

Statement of Activities

Year ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 12,388,868	1,210,377	113,446	-	(11,065,045)
Physical health and social services	2,327,956	50,434	448,059	-	(1,829,463)
Mental health	2,078,198	-	121	-	(2,078,077)
County environment and education	4,864,751	845,420	481,430	-	(3,537,901)
Roads and transportation	8,240,776	96,887	4,501,770	1,982,345	(1,659,774)
Governmental services to residents	1,202,197	1,333,506	544	-	131,853
Administration	5,771,235	38,261	-	-	(5,732,974)
Non-program	84,132	-	-	-	(84,132)
Interest on long-term debt	141,125	-	2,530	-	(138,595)
Total	\$ 37,099,238	3,574,885	5,547,900	1,982,345	(25,994,108)
General Revenues:					
Property and other county tax levied for:					
General purposes					22,903,880
Debt service					785,743
Tax increment financing					918,319
Penalty and interest on property tax					116,437
State tax credits					1,806,282
Local option sales tax					2,198,341
Unrestricted investment earnings					339,656
Rent					203,971
Gain on disposition of capital assets					51,135
Miscellaneous					413,768
Total general revenues					29,737,532
Change in net position					3,743,424
Net position beginning of year					74,264,045
Net position end of year					\$ 78,007,469

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2018

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 11,731,348	811,811	979,747	4,656,402
Receivables:				
Property tax:				
Delinquent	20,862	2,374	8,197	-
Succeeding year	19,164,000	2,053,000	2,848,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	102,065	-	-	-
Accounts	21,255	-	2,600	75,295
Accrued interest	173,453	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	141,820	-	197,174	318,275
Inventories	-	-	-	392,816
Prepaid expenditures	160,638	-	451	737
Total assets	\$ 31,515,441	2,867,185	4,036,169	5,443,525
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 334,545	366	13,974	290,812
Salaries and benefits payable	246,254	5,782	47,875	48,932
Due to other governments	34,642	-	225	1,457
Total liabilities	615,441	6,148	62,074	341,201
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	19,164,000	2,053,000	2,848,000	-
Succeeding year tax increment financing	-	-	-	-
Other	269,864	2,374	8,197	-
Total deferred inflows of resources	19,433,864	2,055,374	2,856,197	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	392,816
Prepaid expenditures	160,638	-	451	737
Restricted for:				
Supplemental levy purposes	1,642,625	-	-	-
Mental health purposes	-	805,663	-	-
Community betterment	-	-	292,198	-
Rural services purposes	-	-	825,249	-
Secondary roads purposes	-	-	-	4,708,771
Conservation purposes	588,778	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Drainage warrants	-	-	-	-
Friends of Animals	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Justice center renovation	350,000	-	-	-
Capital improvement projects	790,977	-	-	-
Board of Supervisors Audio/Video	1,600,000	-	-	-
County attorney fine collection	274,694	-	-	-
Jail commissary	134,586	-	-	-
Other purposes	180,440	-	-	-
Unassigned	5,743,398	-	-	-
Total fund balances	11,466,136	805,663	1,117,898	5,102,324
Total liabilities, deferred inflows of resources and fund balances	\$ 31,515,441	2,867,185	4,036,169	5,443,525

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
52,933	1,962,249	2,152,965	22,347,455
854	-	-	32,287
754,000	-	-	24,819,000
-	-	861,000	861,000
-	-	-	102,065
-	11,919	35	111,104
31	-	818	174,302
-	-	450,220	450,220
-	-	-	657,269
-	-	-	392,816
-	-	-	161,826
<u>807,818</u>	<u>1,974,168</u>	<u>3,465,038</u>	<u>50,109,344</u>
-	54,418	-	694,115
-	-	-	348,843
-	-	3,647	39,971
-	<u>54,418</u>	<u>3,647</u>	<u>1,082,929</u>
754,000	-	-	24,819,000
-	-	861,000	861,000
854	-	450,220	731,509
<u>754,854</u>	<u>-</u>	<u>1,311,220</u>	<u>26,411,509</u>
-	-	-	392,816
-	-	-	161,826
-	-	-	1,642,625
-	-	-	805,663
-	-	-	292,198
-	-	-	825,249
-	-	-	4,708,771
-	-	1,032,355	1,621,133
52,964	-	480,194	533,158
-	1,919,750	-	1,919,750
-	-	210,688	210,688
-	-	273,981	273,981
-	-	152,953	152,953
-	-	-	350,000
-	-	-	790,977
-	-	-	1,600,000
-	-	-	274,694
-	-	-	134,586
-	-	-	180,440
-	-	-	5,743,398
<u>52,964</u>	<u>1,919,750</u>	<u>2,150,171</u>	<u>22,614,906</u>
<u>807,818</u>	<u>1,974,168</u>	<u>3,465,038</u>	<u>50,109,344</u>

Story County

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

June 30, 2018

Total governmental fund balances (page 21) \$ 22,614,906

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 \$121,812,472 and the accumulated depreciation/amortization is \$50,108,373. 71,704,099

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 731,509

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

Deferred outflows of resources	\$ 4,314,872	
Deferred inflows of resources	<u>(2,145,825)</u>	2,169,047

Long-term liabilities, including general obligation bonds payable, urban renewal revenue bonds payable, capital lease purchase agreement payable, drainage warrants payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (19,212,092)

Net position of governmental activities (page 18) \$ 78,007,469

See notes to financial statements.

Story County

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

Year ended June 30, 2018

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 18,033,244	2,050,657	2,824,813	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	2,198,341	-
Interest and penalty on property tax	115,792	-	-	-
Intergovernmental	2,674,982	156,535	698,383	4,384,274
Licenses and permits	26,485	-	31,723	22,980
Charges for service	1,774,182	-	37,682	9,690
Use of money and property	498,501	-	-	-
Miscellaneous	426,095	2	7,270	181,714
Total revenues	23,549,281	2,207,194	5,798,212	4,598,658
Expenditures:				
Operating:				
Public safety and legal services	10,066,958	-	2,015,682	-
Physical health and social services	2,321,525	-	12,724	-
Mental health	612	2,030,927	-	-
County environment and education	2,342,254	-	1,436,576	-
Roads and transportation	-	-	259,582	6,630,300
Governmental services to residents	1,171,008	-	1,734	-
Administration	5,654,592	-	-	-
Nonprogram	84,132	-	-	-
Debt service	-	-	-	-
Capital projects	796,159	-	-	2,463,249
Total expenditures	22,437,240	2,030,927	3,726,298	9,093,549
Excess (deficiency) of revenues over (under) expenditures	1,112,041	176,267	2,071,914	(4,494,891)
Other financing sources (uses):				
Sale of capital assets	2,080	-	-	128
General obligation bonds issued	-	-	-	-
Drainage warrants issued	-	-	-	-
Transfers in	-	-	-	2,571,000
Transfers out	(691,000)	-	(2,030,000)	-
Total other financing sources (uses)	(688,920)	-	(2,030,000)	2,571,128
Change in fund balances	423,121	176,267	41,914	(1,923,763)
Fund balances beginning of year	11,043,015	629,396	1,075,984	7,026,087
Fund balances end of year	\$ 11,466,136	805,663	1,117,898	5,102,324

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
785,743	-	-	23,694,457
-	-	921,259	921,259
-	-	-	2,198,341
-	-	-	115,792
59,306	-	102,501	8,075,981
-	-	-	81,188
-	-	18,355	1,839,909
2,530	-	9,221	510,252
-	11,919	1,283,329	1,910,329
847,579	11,919	2,334,665	39,347,508
-	-	17,106	12,099,746
-	-	-	2,334,249
-	-	-	2,031,539
-	-	1,022,872	4,801,702
-	-	-	6,889,882
-	-	-	1,172,742
-	-	29,537	5,684,129
-	-	-	84,132
835,560	-	1,390,346	2,225,906
-	1,063,965	34,108	4,357,481
835,560	1,063,965	2,493,969	41,681,508
12,019	(1,052,046)	(159,304)	(2,334,000)
-	-	-	2,208
-	1,500,000	-	1,500,000
-	-	183,213	183,213
-	150,000	-	2,721,000
-	-	-	(2,721,000)
-	1,650,000	183,213	1,685,421
12,019	597,954	23,909	(648,579)
40,945	1,321,796	2,126,262	23,263,485
52,964	1,919,750	2,150,171	22,614,906

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, 2018

Change in fund balances - Total governmental funds (page 25) \$ (648,579)

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

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

Expenditures for capital assets	\$ 6,294,232	
Capital assets contributed by the Iowa Department of Transportation	1,982,345	
Depreciation/ amortization expense	<u>(4,173,028)</u>	4,103,549

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. 48,860

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax and tax increment financing	(7,774)	
Other	<u>(530,482)</u>	(538,256)

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	(1,683,213)	
Repaid	<u>2,303,085</u>	619,872

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 1,442,217

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	(61,508)	
Pension expense	(1,213,791)	
OPEB expense	(7,505)	
Interest on long-term debt	<u>(1,435)</u>	(1,284,239)

Change in net position of governmental activities (page 19) \$ 3,743,424

See notes to financial statements.

Story County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets

Cash and pooled investments:	
County Treasurer	\$ 5,693,681
Other County officials	151,651
Employee health insurance plan	4,272
Receivables:	
Property tax:	
Delinquent	114,883
Succeeding year	120,708,000
Accounts	44,807
Accrued interest	750
Assessments	1,854,064
Due from other governments	265,884
Prepaid expenses	35,125
Total assets	<u>128,873,117</u>

Liabilities

Liabilities:	
Accounts payable	115,320
Salaries and benefits payable	30,888
Due to other governments	127,431,251
Trusts payable	994,940
Stamped warrants payable	192,773
Compensated absences	107,945
Total liabilities	<u>128,873,117</u>
Net position	<u>\$ -</u>

See notes to financial statements.

Story County

Story County

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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 amortized cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

Special Assessments Receivable – Assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in no more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represent assessments which have been made but have not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit 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. Drainage assessments receivable represent assessments which are due and payable but have not been collected and remaining assessments which are payable but not yet due.

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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles - easements and right-of-ways	50,000
Intangibles - other	100,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivable that will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the physical health and social services function prior to a budget amendment.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Federal Agricultural Mortgage Corporation (FAMC)	\$ 488,405	3/11/2021
Federal Home Loan Mortgage Corporation (FHLMC)	343,805	3/30/2021
Federal Home Loan Mortgage Corporation (FHLMC)	339,938	12/30/2021
Federal Home Loan Bank Bond (FHLBB)	480,710	11/23/2021
Federal National Mortgage Association (FNMA)	288,570	7/27/2021
Federal National Mortgage Association (FNMA)	954,850	7/27/2021
	<u>\$ 2,896,278</u>	

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

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

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,019,103 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments.

The County also had investments in stamped drainage warrants of \$50,175.

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

Credit risk – The County’s FHLMC, FHLBB and FNMA investments at June 30, 2018 are rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s. The FAMC investment and the investment in the Iowa Public Agency Investment Trust are unrated.

Concentration of credit risk and custodial credit risk – The County places no limit on the amount that may be invested in any one issuer. More than 5% of the County’s investments are in the Federal Agricultural Mortgage Corporation (11%), Federal Home Loan Mortgage Corporation (15.4%), Federal Home Loan Bank Bond (10.8%) and the Federal National Mortgage Association (28%).

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 541,000
	Special Revenue:	
	Rural Services	<u>2,030,000</u>
		2,571,000
Capital Projects	General	<u>150,000</u>
Total		<u>\$ 2,721,000</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 5,668,782	171,183	-	5,839,965
Intangibles, road network	117,327	-	-	117,327
Construction in progress, road network	20,971	4,291,810	(4,044,753)	268,028
Construction in progress, other	1,206,493	2,808,848	(809,544)	3,205,797
Total capital assets not being depreciated/amortized	7,013,573	7,271,841	(4,854,297)	9,431,117
Capital assets being depreciated/amortized:				
Buildings	24,856,872	838,488	-	25,695,360
Improvements other than buildings	4,183,858	70,628	-	4,254,486
Equipment and vehicles	14,066,014	1,005,515	(437,779)	14,633,750
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	59,679,862	4,044,753	-	63,724,615
Infrastructure, other	3,913,492	-	-	3,913,492
Total capital assets being depreciated/amortized	106,859,750	5,959,384	(437,779)	112,381,355
Less accumulated depreciation/amortization for:				
Buildings	9,097,944	507,103	-	9,605,047
Improvements other than buildings	319,611	88,090	-	407,701
Equipment and vehicles	7,414,760	1,238,749	(386,288)	8,267,221
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	28,359,966	2,245,874	-	30,605,840
Infrastructure, other	969,700	93,212	-	1,062,912
Total accumulated depreciation/amortization	46,321,633	4,173,028	(386,288)	50,108,373
Total capital assets being depreciated/amortized, net	60,538,117	1,786,356	(51,491)	62,272,982
Governmental activities capital assets, net	\$ 67,551,690	9,058,197	(4,905,788)	71,704,099

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 555,019
Mental health	43,460
County environment and education	296,188
Roads and transportation	2,892,767
Governmental services to residents	9,987
Administration	375,607
Total depreciation/amortization expense - governmental activities	<u>\$ 4,173,028</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, 2018 is as follows:

Fund	Description	Amount
General	Services	\$ 34,642
Special Revenue:		
Rural Services	Services	225
Secondary Roads	Services	1,457
Special Law Enforcement	Services	3,647
		<u>5,329</u>
Total for governmental funds		<u>\$ 39,971</u>
Agency:		
County Offices	Collections	\$ 94,375
Agricultural Extension Education		354,126
County Assessor		1,067,522
City Assessor		1,409,001
Schools		67,338,170
Community Colleges		3,017,118
Corporations		44,428,368
Townships		630,851
City Special Assessments		1,665,820
Auto License and Use Tax		2,001,227
All other		5,424,673
Total for agency funds		<u>\$ 127,431,251</u>

(6) Long-Term Liabilities

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

	General Obligation Bonds	Urban Renewal Revenue Bonds	Capital Lease Purchase Agreement	Drainage Warrants	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balances beginning of year	\$ 1,630,000	3,051,000	1,428,465	729,023	724,465	10,123,359	1,138,875	18,825,187
Increases	-	1,500,000	-	183,213	232,907	839,486	97,532	2,853,138
Decreases	815,000	591,200	216,869	680,016	171,399	-	-	2,474,484
Balances end of year	<u>\$ 815,000</u>	<u>3,959,800</u>	<u>1,211,596</u>	<u>232,220</u>	<u>785,973</u>	<u>10,962,845</u>	<u>1,236,407</u>	<u>19,203,841</u>
Due within one year	\$ 815,000	602,900	1,211,596	-	785,973	-	-	3,415,469

General Obligation Bonds

A summary of the County's June 30, 2018 general obligation bonded indebtedness is as follows:

Year Ending June 30,	General Obligation Refunding Bonds			
	Issued May 26, 2016			
	Interest Rates	Principal	Interest	Total
2019	1.20%	\$ 815,000	9,780	824,780

On May 26, 2016, the County issued \$2,430,000 of general obligation bonds with an interest rate of 1.2% per annum. The bonds were issued for the purpose of refunding the outstanding balances of the County's general obligation road improvements bonds dated June 1, 2008 and November 1, 2009.

Urban Renewal Revenue Bonds

On December 1, 2012, the County issued \$3,185,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area, including improvements to Dakins Lake County Park and road improvements on Country Club Road and 590th Avenue. The bonds bear interest at 1.95% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$1,432,666, payable through June 2022.

On July 12, 2016, the County issued \$1,500,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area. The bonds bear interest at 2.15% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$1,351,042, payable through June 2026.

On October 10, 2017, the County issued \$1,500,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area. The bonds bear interest at 2.65% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$1,552,870, payable through June 2027.

A summary of the County's June 30, 2018 urban renewal revenue bonded indebtedness is as follows:

Year Ending June 30,	Dakins Lake Park and Country Club and 590th Ave. Road Improvements			Urban Renewal Area Projects		
	Issued Dec 1, 2012			Issued Jul 12, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	1.95%	\$ 325,000	26,618	2.15%	\$ 140,700	26,419
2020	1.95	335,000	20,280	2.15	144,500	23,394
2021	1.95	345,000	13,748	2.15	147,800	20,287
2022	1.95	360,000	7,020	2.15	151,500	17,110
2023-2026		-	-	2.15	644,300	35,032
Total		<u>\$ 1,365,000</u>	<u>67,666</u>		<u>\$ 1,228,800</u>	<u>122,242</u>

Year Ending June 30,	Urban Renewal Area Projects			Total		
	Issued October 10, 2017					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	2.65%	\$ 137,200	36,199	\$ 602,900	89,236	692,136
2020	2.65	140,700	32,563	620,200	76,237	696,437
2021	2.65	144,500	28,835	637,300	62,870	700,170
2022	2.65	147,800	25,005	659,300	49,135	708,435
2023-2027	2.65	795,800	64,268	1,440,100	99,300	1,539,400
Total		<u>\$ 1,366,000</u>	<u>186,870</u>	<u>\$ 3,959,800</u>	<u>376,778</u>	<u>4,336,578</u>

During the year ended June 30, 2018, principal and interest paid and total TIF revenues were \$678,039 and \$921,259, respectively. The County retired \$591,200 of urban renewal revenue bonds.

Capital Lease Purchase Agreement

On August 13, 2013, the County entered into a capital lease purchase agreement for ten motor graders with a total cost of \$2,949,000. The County received \$1,311,140 of trade-in allowance for ten used motor graders and applied \$650,000 of this as a down payment on the lease. The agreement bears interest at 2.95% per annum and is payable in annual installments of \$259,583 over five years, with a final payment of \$1,241,600 due by March 4, 2019. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2018:

Year Ending June 30,	Amount
2019	\$ 1,241,600
Less amount representing interest	<u>(30,004)</u>
Present value of net minimum lease payments	<u>\$ 1,211,596</u>

Payments under the capital lease purchase agreement totaled \$259,583, including interest, for the year ended June 30, 2018.

Drainage Warrants Payable

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

(7) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.38% of covered payroll, for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 were \$1,442,217.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of \$10,962,845 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the County's proportion was 0.164576%, which was a decrease of 0.003717% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$1,213,791. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 154,632	171,582
Changes of assumptions	2,476,518	28,275
Net difference between projected and actual earnings on IPERS' investments	-	160,888
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	134,150	1,728,788
County contributions subsequent to the measurement date	1,442,217	-
Total	<u>\$ 4,207,517</u>	<u>2,089,533</u>

\$1,442,217 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ (310,185)
2020	591,875
2021	253,597
2022	(42,676)
2023	183,156
Total	<u>\$ 675,767</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

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

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 20,510,138	10,962,845	2,950,430

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2018.

(8) Other Postemployment Benefits (OPEB)

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

OPEB Benefits – Individuals who are employed by Story County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement, which results in an implicit rate subsidy and an OPEB liability. In addition, retirees under age 65 receive single coverage at no cost for a number of months based on their years of service at retirement with a maximum of 36 months for 30 years of service, which results in an explicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement; with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2018, the following employees were covered by the benefit terms:

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

Total OPEB Liability – The County's total OPEB liability of \$1,236,407 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	4.00 to 17.00% average, including inflation plus merit/productivity increases.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	8.50% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,138,875
Changes for the year:	
Service cost	75,302
Interest	41,218
Differences between expected and actual experiences	118,091
Changes in assumptions	(23,346)
Benefit payments	<u>(113,733)</u>
Net changes	<u>97,532</u>
Total OPEB liability end of year	<u>\$ 1,236,407</u>

Changes of assumptions reflect a change in the discount rate from 3.56% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the County’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 1,312,795	1,236,407	1,163,361

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.50%) or 1% higher (9.50%) than the current healthcare cost trend rates.

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	\$ 1,110,408	1,236,407	1,385,904

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$7,505. At June 30, 2018, the County reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 107,355	-
Changes in assumptions	-	56,292
Total	\$ 107,355	56,292

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

Year Ending June 30,	Amount
2019	\$ 4,718
2020	4,718
2021	4,718
2022	4,718
2023	4,718
Thereafter	27,473
	<u>\$ 51,063</u>

(9) Risk Management

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

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were \$297,695.

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

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

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

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

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

(10) Tax Abatements

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

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Ames	Urban renewal and economic development projects	\$ 128,889
City of Nevada	Urban renewal and economic development projects	28,271
City of Huxley	Urban renewal and economic development projects	98,048
City of Story City	Urban renewal and economic development projects	706
City of Slater	Urban renewal and economic development projects	1,089
City of Colo	Urban renewal and economic development projects	709
City of Cambridge	Urban renewal and economic development projects	48,712

(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, 2018 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 82,288	-	82,288
Quality improvement	-	58,112	58,112
Allocation for administration	4,331	16,303	20,634
School ready general use	-	469,011	469,011
Total state grants	86,619	543,426	630,045
Interest on investments	213	5,373	5,586
Total revenues	86,832	548,799	635,631
Expenditures:			
Program services:			
Early childhood	89,407	-	89,407
Quality improvement	-	57,867	57,867
School ready general use	-	466,362	466,362
Total program services	89,407	524,229	613,636
Administration	4,381	15,196	19,577
Total expenditures	93,788	539,425	633,213
Change in fund balance	(6,956)	9,374	2,418
Fund balance beginning of year	15,805	12,548	28,353
Fund balance end of year	\$ 8,849	21,922	30,771

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

Central Iowa Community Services (CICS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County and Warren County. The financial activity of Story County's Special Revenue, Mental Health Fund is included in the CICS Mental Health Region for the year ended June 30, 2018 as follows:

Revenues:		
Property and other county tax		\$ 2,050,657
Intergovernmental:		
State tax credits		156,535
Miscellaneous		<u>2</u>
Total revenues		<u>2,207,194</u>
Expenditures:		
Services to persons with:		
Mental illness		131,290
General administration:		
Direct administration	\$ 175,450	
Distribution to regional fiscal agent	<u>1,724,187</u>	<u>1,899,637</u>
Total expenditures		<u>2,030,927</u>
Excess of revenues over expenditures		176,267
Fund balance beginning of year		<u>629,396</u>
Fund balance end of year		<u>\$ 805,663</u>

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 26,815,241	-	26,815,241
Interest and penalty on property tax	115,792	-	115,792
Intergovernmental	8,278,112	-	8,278,112
Licenses and permits	81,868	-	81,868
Charges for service	1,833,423	-	1,833,423
Use of money and property	500,576	-	500,576
Miscellaneous	1,843,506	1,095,931	747,575
Total receipts	<u>39,468,518</u>	<u>1,095,931</u>	<u>38,372,587</u>
Disbursements:			
Public safety and legal services	12,026,202	-	12,026,202
Physical health and social services	2,541,148	-	2,541,148
Mental health	2,030,930	-	2,030,930
County environment and education	4,813,623	550,012	4,263,611
Roads and transportation	6,869,608	-	6,869,608
Governmental services to residents	1,221,891	-	1,221,891
Administration	5,635,906	-	5,635,906
Nonprogram	92,425	-	92,425
Debt service	2,225,906	712,307	1,513,599
Capital projects	4,276,256	-	4,276,256
Total disbursements	<u>41,733,895</u>	<u>1,262,319</u>	<u>40,471,576</u>
Excess (deficiency) of receipts over (under) disbursements	(2,265,377)	(166,388)	(2,098,989)
Other financing sources, net	<u>1,698,673</u>	<u>183,213</u>	<u>1,515,460</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(566,704)	16,825	(583,529)
Balance beginning of year	<u>22,914,159</u>	<u>193,863</u>	<u>22,720,296</u>
Balance end of year	<u>\$ 22,347,455</u>	<u>210,688</u>	<u>22,136,767</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
26,914,672	27,015,620	(200,379)
57,000	57,000	58,792
9,050,539	8,101,924	176,188
67,800	67,800	14,068
1,802,850	1,813,450	19,973
512,140	518,140	(17,564)
645,170	761,665	(14,090)
<u>39,050,171</u>	<u>38,335,599</u>	<u>36,988</u>
11,862,605	12,227,871	201,669
2,585,205	2,686,379	145,231
1,796,570	2,309,520	278,590
4,078,611	4,504,192	240,581
6,526,900	7,751,900	882,292
1,217,068	1,264,618	42,727
5,590,037	6,270,565	634,659
-	100,000	7,575
1,355,532	1,519,532	5,933
<u>3,764,680</u>	<u>7,569,800</u>	<u>3,293,544</u>
<u>38,777,208</u>	<u>46,204,377</u>	<u>5,732,801</u>
272,963	(7,868,778)	5,769,789
<u>2,000</u>	<u>1,513,300</u>	<u>2,160</u>
274,963	(6,355,478)	5,771,949
<u>17,423,574</u>	<u>22,578,317</u>	<u>141,979</u>
<u>17,698,537</u>	<u>16,222,839</u>	<u>5,913,928</u>

Story County

Story County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 39,468,518	(121,010)	39,347,508
Expenditures	41,733,895	(52,387)	41,681,508
Net	(2,265,377)	(68,623)	(2,334,000)
Other financing sources, net	1,698,673	(13,252)	1,685,421
Beginning fund balances	22,914,159	349,326	23,263,485
Ending fund balances	<u>\$ 22,347,455</u>	<u>267,451</u>	<u>22,614,906</u>

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units 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 \$7,427,169. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

Story County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.164576%	0.160859%	0.191537%	0.190907%
County's proportionate share of the net pension liability	\$ 10,963	10,123	9,463	7,571
County's covered payroll	\$ 15,605	14,622	17,396	17,542
County's proportionate share of the net pension liability as a percentage of its covered payroll	70.25%	69.23%	54.40%	43.16%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Story County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,442	1,427	1,343	1,600
Contributions in relation to the statutorily required contribution	<u>(1,442)</u>	<u>(1,427)</u>	<u>(1,343)</u>	<u>(1,600)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 15,798	15,605	14,622	17,396
Contributions as a percentage of covered payroll	9.13%	9.14%	9.18%	9.20%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
1,608	1,567	1,479	1,281	1,182	1,120
(1,608)	(1,567)	(1,479)	(1,281)	(1,182)	(1,120)
-	-	-	-	-	-
17,542	17,423	17,439	17,076	16,848	16,725
9.17%	8.99%	8.48%	7.50%	7.02%	6.70%

Story County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

Story County

Schedule of Changes in the County's
Total OPEB Liability and Related Ratios
For the Last Two Years

Required Supplementary Information

	2018	2017
Service cost	\$ 75,302	80,859
Interest cost	41,218	32,737
Difference between expected and actual experiences	118,091	-
Changes in assumptions	(23,346)	(43,293)
Benefit payments	(113,733)	(104,342)
Net change in total OPEB liability	97,532	(34,039)
Total OPEB liability beginning of year	1,138,875	1,172,914
Total OPEB liability end of year	\$ 1,236,407	1,138,875
Covered-employee payroll	\$ 14,593,861	14,032,559
Total OPEB liability as a percentage of covered-employee payroll	8.47%	8.12%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.56%
Year ended June 30, 2016	2.92%

Story County

Supplementary Information

Story County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

	Special		
	County Recorder's Records Management	Drainage Districts	Employee Wellness
Assets			
Cash, cash equivalents and pooled investments	\$ 88,372	210,688	3,780
Receivables:			
Property tax:			
Succeeding year tax increment financing	-	-	-
Accounts	-	-	-
Accrued interest	53	-	-
Drainage assessments	-	450,220	-
Total assets	\$ 88,425	660,908	3,780
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Due to other governments	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Drainage assessments	-	450,220	-
Total deferred inflows of resources	-	450,220	-
Fund balances:			
Restricted for:			
Conservation purposes	-	-	-
Debt service	-	-	-
Drainage purposes	-	210,688	-
Friends of Animals	-	-	-
Other purposes	88,425	-	3,780
Total fund balances	88,425	210,688	3,780
Total liabilities, deferred inflows of resources and fund balances	\$ 88,425	660,908	3,780

See accompanying independent auditor's report.

Revenue							
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers		Total
98,738	20,943	480,194	273,786	933,012	43,452		2,152,965
-	-	861,000	-	-	-		861,000
-	-	-	35	-	-		35
58	-	-	160	547	-		818
-	-	-	-	-	-		450,220
<u>98,796</u>	<u>20,943</u>	<u>1,341,194</u>	<u>273,981</u>	<u>933,559</u>	<u>43,452</u>		<u>3,465,038</u>
-	3,647	-	-	-	-		3,647
-	-	861,000	-	-	-		861,000
-	-	-	-	-	-		450,220
-	-	861,000	-	-	-		1,311,220
98,796	-	-	-	933,559	-		1,032,355
-	-	480,194	-	-	-		480,194
-	-	-	-	-	-		210,688
-	-	-	273,981	-	-		273,981
-	17,296	-	-	-	43,452		152,953
<u>98,796</u>	<u>17,296</u>	<u>480,194</u>	<u>273,981</u>	<u>933,559</u>	<u>43,452</u>		<u>2,150,171</u>
<u>98,796</u>	<u>20,943</u>	<u>1,341,194</u>	<u>273,981</u>	<u>933,559</u>	<u>43,452</u>		<u>3,465,038</u>

Story County

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

Year ended June 30, 2018

	Special		
	County Recorder's Records Management	Drainage Districts	Employee Wellness
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	12,269	-	-
Use of money and property	544	-	-
Miscellaneous	-	1,095,930	-
Total revenues	12,813	1,095,930	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	550,012	-
Administration	24,133	-	5,404
Debt service	-	712,307	-
Capital projects	-	-	-
Total expenditures	24,133	1,262,319	5,404
Excess (deficiency) of revenues over (under) expenditures	(11,320)	(166,389)	(5,404)
Other financing sources:			
Drainage warrants issued	-	183,213	-
Change in fund balances	(11,320)	16,824	(5,404)
Fund balances beginning of year	99,745	193,864	9,184
Fund balances end of year	\$ 88,425	210,688	3,780

See accompanying independent auditor's report.

Revenue							
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers		Total
-	-	921,259	-	-	-		921,259
41,941	-	30,955	-	29,605	-		102,501
-	-	-	-	-	6,086		18,355
525	-	-	1,684	6,468	-		9,221
-	14,933	-	27,873	144,593	-		1,283,329
42,466	14,933	952,214	29,557	180,666	6,086		2,334,665
-	15,466	-	-	-	1,640		17,106
1,344	-	416,108	23,335	32,073	-		1,022,872
-	-	-	-	-	-		29,537
-	-	678,039	-	-	-		1,390,346
-	-	-	-	34,108	-		34,108
1,344	15,466	1,094,147	23,335	66,181	1,640		2,493,969
41,122	(533)	(141,933)	6,222	114,485	4,446		(159,304)
-	-	-	-	-	-		183,213
41,122	(533)	(141,933)	6,222	114,485	4,446		23,909
57,674	17,829	622,127	267,759	819,074	39,006		2,126,262
98,796	17,296	480,194	273,981	933,559	43,452		2,150,171

Story County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	730	355,068	613,562	136,026
Other County officials	151,651	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	396	1,910	229	78,144
Succeeding year	-	353,000	754,000	844,000	67,124,000
Accounts	577	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expense	-	-	15,120	14,594	-
Total assets	\$ 152,228	354,126	1,126,098	1,472,385	67,338,170
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	3,203	612	-
Salaries and benefits payable	-	-	12,014	13,649	-
Due to other governments	94,375	354,126	1,067,522	1,409,001	67,338,170
Trusts payable	57,853	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Compensated absences	-	-	43,359	49,123	-
Total liabilities	\$ 152,228	354,126	1,126,098	1,472,385	67,338,170

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
5,908	97,572	1,237	4,355	2,001,227	2,477,996	5,693,681
-	-	-	-	-	-	151,651
-	-	-	-	-	4,272	4,272
3,210	25,796	1,614	-	-	3,584	114,883
3,008,000	44,305,000	628,000	-	-	3,692,000	120,708,000
-	-	-	-	-	44,230	44,807
-	-	-	-	-	750	750
-	-	-	1,661,465	-	192,599	1,854,064
-	-	-	-	-	265,884	265,884
-	-	-	-	-	5,411	35,125
3,017,118	44,428,368	630,851	1,665,820	2,001,227	6,686,726	128,873,117
-	-	-	-	-	111,505	115,320
-	-	-	-	-	5,225	30,888
3,017,118	44,428,368	630,851	1,665,820	2,001,227	5,424,673	127,431,251
-	-	-	-	-	937,087	994,940
-	-	-	-	-	192,773	192,773
-	-	-	-	-	15,463	107,945
3,017,118	44,428,368	630,851	1,665,820	2,001,227	6,686,726	128,873,117

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

Year ended June 30, 2018

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Balances beginning of year	\$ 191,317	338,503	1,096,198	1,549,207	63,646,350
Additions:					
Property and other county tax	-	356,543	769,167	845,317	67,689,394
911 surcharge	-	-	-	-	-
State tax credits	-	26,001	56,517	61,285	4,801,693
Office fees and collections	1,651,397	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,876,466	-	-	-	-
Miscellaneous	-	-	858	-	-
Total additions	3,527,863	382,544	826,542	906,602	72,491,087
Deductions:					
Agency remittances:					
To other funds	710,374	-	-	-	-
To other governments	960,629	366,921	796,642	983,424	68,799,267
Trusts paid out	1,895,949	-	-	-	-
Total deductions	3,566,952	366,921	796,642	983,424	68,799,267
Balances end of year	\$ 152,228	354,126	1,126,098	1,472,385	67,338,170

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
2,747,854	41,969,998	610,182	429,643	2,041,209	5,045,060	119,665,521
3,033,113	44,410,177	642,642	-	-	3,817,655	121,564,008
-	-	-	-	-	230,855	230,855
210,673	3,283,742	44,201	-	-	136,808	8,620,920
-	-	-	-	-	-	1,651,397
-	-	-	-	23,549,363	-	23,549,363
-	-	-	1,726,419	-	394,192	2,120,611
-	-	-	-	-	4,854,126	6,730,592
-	-	-	-	-	1,538,690	1,539,548
3,243,786	47,693,919	686,843	1,726,419	23,549,363	10,972,326	166,007,294
-	-	-	-	728,872	-	1,439,246
2,974,522	45,235,549	666,174	490,242	22,860,473	5,125,573	149,259,416
-	-	-	-	-	4,397,860	6,293,809
2,974,522	45,235,549	666,174	490,242	23,589,345	9,523,433	156,992,471
3,017,118	44,428,368	630,851	1,665,820	2,001,227	6,493,953	128,680,344

Story County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	\$ 23,694,457	22,804,363	24,001,196	22,069,411
Tax increment financing	921,259	982,361	802,605	612,399
Local option sales tax	2,198,341	2,206,814	2,241,205	2,288,611
Interest and penalty on property tax	115,792	105,109	123,483	102,467
Intergovernmental	8,075,981	8,600,246	9,520,715	9,890,941
Licenses and permits	81,188	85,488	55,514	53,983
Charges for service	1,839,909	1,824,028	1,761,351	1,866,733
Use of money and property	510,252	2,080,054	755,325	281,396
Miscellaneous	1,910,329	1,034,738	758,491	837,706
Total	\$ 39,347,508	39,723,201	40,019,885	38,003,647
Expenditures:				
Operating:				
Public safety and legal services	\$ 12,099,746	11,348,017	11,031,889	10,469,437
Physical health and social services	2,334,249	2,448,548	2,315,177	2,320,342
Mental health	2,031,539	2,034,835	4,054,405	8,675,130
County environment and education	4,801,702	4,302,414	3,580,630	3,574,712
Roads and transportation	6,889,882	5,822,801	5,282,732	5,962,458
Governmental services to residents	1,172,742	1,215,079	1,626,578	1,097,132
Administration	5,684,129	5,389,514	5,408,901	4,731,940
Nonprogram	84,132	293,385	34,318	-
Debt service	2,225,906	1,381,687	3,660,672	1,217,786
Capital projects	4,357,481	2,132,895	1,490,987	2,340,217
Total	\$ 41,681,508	36,369,175	38,486,289	40,389,154

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
22,482,441	21,496,628	20,619,095	20,385,161	19,827,742	18,144,717
365,330	362,423	-	-	-	-
1,902,738	1,904,668	1,999,138	1,912,716	1,880,706	1,973,998
129,030	147,639	147,590	156,670	171,597	167,380
10,336,171	8,914,618	13,631,149	14,213,647	10,582,865	10,924,361
74,279	57,750	61,189	36,492	78,378	40,457
1,842,687	1,922,434	1,789,521	1,781,908	1,717,960	1,672,853
196,536	203,785	186,344	231,474	356,214	568,872
1,289,612	1,206,655	794,250	588,415	387,799	839,484
<u>38,618,824</u>	<u>36,216,600</u>	<u>39,228,276</u>	<u>39,306,483</u>	<u>35,003,261</u>	<u>34,332,122</u>
10,048,320	9,799,170	9,584,996	9,229,314	8,711,395	8,878,577
2,307,098	2,139,504	2,056,066	2,120,685	2,375,638	1,951,645
5,689,991	5,961,907	11,504,064	11,360,978	8,717,522	8,915,724
3,158,021	2,742,873	2,940,513	2,688,040	2,741,709	2,711,564
7,831,510	5,266,727	5,270,080	5,175,040	5,140,126	5,127,571
1,058,190	1,253,493	1,099,246	1,106,071	1,067,829	1,295,172
4,523,424	4,482,138	4,273,727	4,374,058	4,105,549	4,198,036
-	-	-	-	-	-
2,285,812	2,548,320	2,034,472	1,922,532	2,211,738	1,308,990
2,405,660	1,124,660	1,916,305	4,711,482	2,238,276	2,900,504
<u>39,308,026</u>	<u>35,318,792</u>	<u>40,679,469</u>	<u>42,688,200</u>	<u>37,309,782</u>	<u>37,287,783</u>

Story County



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Rob Sand
Auditor of State

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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Story County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Story County's internal control. Accordingly, we do not express an opinion on the effectiveness of Story County's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. No deficiencies in internal control over financial reporting were noted that we consider to be material weaknesses.

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 an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

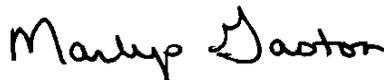
Story County's Responses to the Finding

Story County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. Story County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 31, 2019

Story County

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Story County

Schedule of Findings

Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the physical health and social services function prior to the approval of a budget amendment.

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

Response – The budget amendment occurred before the end of the month. We will be more conscious of timing of expenses and amendments in the future.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Michelle Good, Sheriff’s Office, Husband owns Good & Quick	Advertising	\$ 200
Lauris Olson, Board of Supervisors, Lauris owns 4C Promotions	Advertising	880

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

- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Story County

Schedule of Findings

Year ended June 30, 2018

- (8) 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).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2018 for the County Extension Office did not exceed the amount budgeted.

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

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

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

Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Tiffany M. Ainger, CPA, Senior Auditor II
Mark D. Newhall, Senior Auditor
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Bianca M. Cleary, Assistant Auditor
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