



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 2, 2015

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$127,047,322 for the year ended June 30, 2014, which included \$3,031,408 in tax credits from the state. The County forwarded \$103,966,605 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$23,080,717 of the local tax revenue to finance County operations, a 4.9% increase over the prior year. Other revenues included charges for service of \$3,056,610, operating grants, contributions and restricted interest of \$9,211,047, capital grants, contributions and restricted interest of \$1,563,740, tax increment financing of \$365,330, local option sales tax of \$1,902,738, unrestricted investment earnings of \$135,182 and other general revenues of \$1,414,726.

Expenses for County operations for the year ended June 30, 2014 totaled \$35,197,487, a 1.4% increase over the prior year. Expenses included \$10,350,882 for public safety and legal services, \$7,634,783 for roads and transportation and \$5,704,851 for mental health.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0085-B00F.pdf>.

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STORY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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Story County

Officials

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

Story County



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Independent Auditor's Report

To the Officials of Story County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Story County, Iowa, as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Story County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2015 on our consideration of Story County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Story County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 15, 2015

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, 2014, along with comparative data for the year ended June 30, 2013. Readers are encouraged to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Governmental activities' revenue increased approximately \$3,789,000 from fiscal year 2013. Operating grants, contributions and restricted interest, capital grants, contributions and restricted interest and charges for service increased approximately \$1,049,000, \$767,000 and \$124,000, respectively. Property tax and gain on disposition of capital assets increased approximately \$984,000 and \$740,000, respectively.
- Program expenses increased approximately \$478,000 from fiscal year 2013.
- As a result of the above, net position increased approximately \$5,532,000 during fiscal year 2014.

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

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Position and the Statement of Activities

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

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

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

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

REPORTING THE COUNTY BY FUNDS:

Fund Financial Statements

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

The County has two kinds of funds:

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

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

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

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

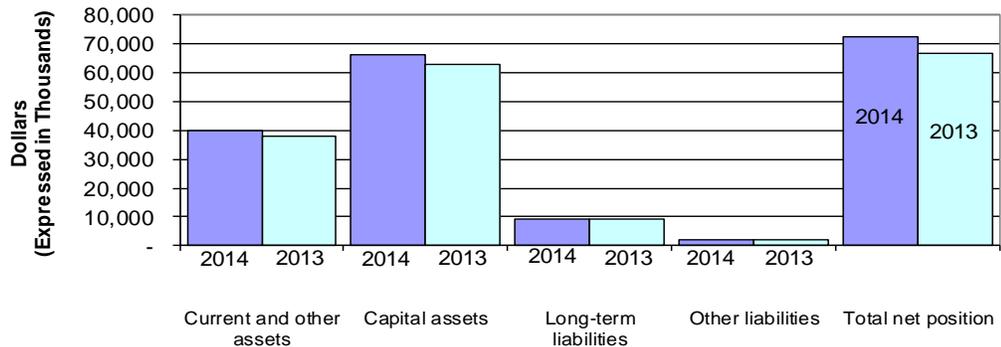
Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Story County's net position at the end of fiscal year 2014 totaled approximately \$72.2 million. This is an increase of approximately \$5.5 million compared to the end of fiscal year 2013 at approximately \$66.7 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,	
	2014	2013
Current and other assets	\$ 39,885	38,122
Capital assets	66,229	62,943
Total assets	106,114	101,065
Long-term liabilities	9,354	9,341
Other liabilities	2,093	1,883
Total liabilities	11,447	11,224
Deferred inflows of resources	22,460	23,166
Net position:		
Net investment in capital assets	58,431	57,168
Restricted	9,009	5,500
Unrestricted	4,767	4,007
Total net position	\$ 72,207	66,675

Comparison - Statement of Net Position

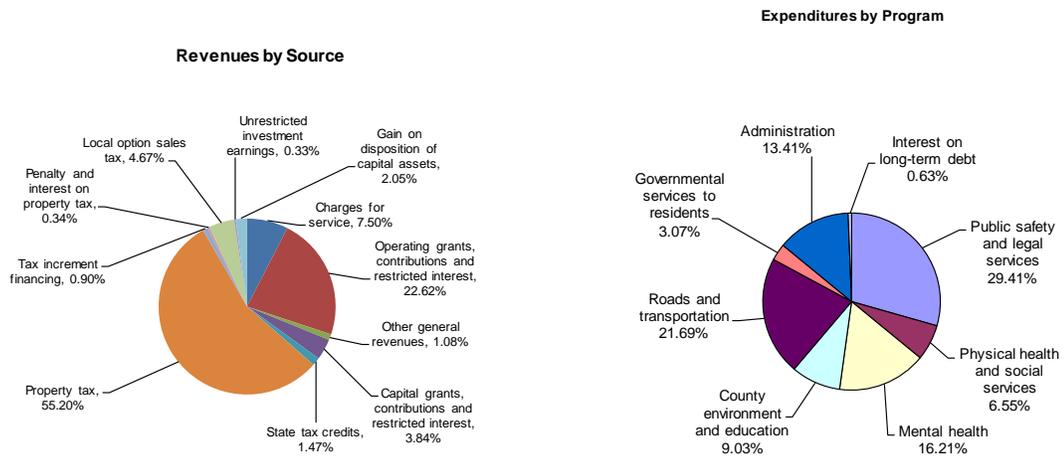


Total net position of Story County's governmental activities increased approximately \$5,532,000 from the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County's net position at approximately \$58.4 million at the end of fiscal year 2014.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased approximately \$3,509,000, or 63.8%, over the previous year. This increase is primarily due to an increase in amounts held at year end for secondary roads and mental health purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$4.0 million at June 30, 2013 to approximately \$4.8 million at the end of this year, an increase of 19%. This increase of approximately \$760,000, was primarily due to the unrestricted portion of the General Fund balance increasing over the prior year.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 3,056	2,932
Operating grants, contributions and restricted interest	9,211	8,162
Capital grants, contributions and restricted interest	1,564	797
General revenues:		
Property tax	22,484	21,500
Tax increment financing	365	362
Penalty and interest on property tax	139	137
State tax credits	597	500
Local option sales tax	1,903	1,905
Unrestricted investment earnings	135	129
Gain on disposition of capital assets	836	96
Other general revenues	440	421
Total revenues	<u>40,730</u>	<u>36,941</u>
Program expenses:		
Public safety and legal services	10,351	10,080
Physical health and social services	2,305	2,138
Mental health	5,705	6,135
County environment and education	3,179	2,833
Roads and transportation	7,635	7,428
Governmental services to residents	1,082	1,283
Administration	4,720	4,557
Interest on long-term debt	221	266
Total expenses	<u>35,198</u>	<u>34,720</u>
Change in net position	5,532	2,221
Net position beginning of year	66,675	64,454
Net position end of year	<u>\$ 72,207</u>	<u>66,675</u>



Revenues for governmental activities increased approximately \$3,789,000 from fiscal year 2013. Operating grants, contributions and restricted interest increased approximately \$1,049,000 due to an increase of approximately \$690,000 in case management funding and approximately \$316,000 in contributions and donations related to the Friends of Animals. Capital grants, contributions and restricted interest increased approximately \$767,000 due to an increase of approximately \$524,000 in infrastructure assets contributed by the Iowa Department of Transportation over the prior year and an increase of approximately \$234,000 from federal and state grants and donations towards the Country Club Bike Trail project. Charges for service increased approximately \$124,000, due primarily to increased fees for prisoner room and board, prisoner care, contract law enforcement, District Court fees and increased sheriff commissary sales.

The County's property tax revenue increased 4.6% over fiscal year 2013. Countywide taxable property valuation increased 5.1%, from \$3,531,531,855 in fiscal year 2013 to \$3,710,609,398 in fiscal year 2014. The levy rate for countywide property decreased from approximately \$5.53 per \$1,000 of taxable valuation in fiscal year 2013 to approximately \$5.50 per \$1,000 of taxable valuation in fiscal year 2014. The levy rate for rural property remained the same as fiscal year 2013 at approximately \$3.18 per \$1,000 of taxable valuation. This combination led to the increase in property tax revenue of approximately \$984,000.

Expenses in fiscal year 2014 increased approximately \$478,000, or 1.4%, over fiscal year 2013.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of approximately \$15.1 million, an increase of approximately \$2,306,000 over the combined fund balance of approximately \$12.8 million at the end of fiscal year 2013. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended fiscal year 2014 with fund balance totaling \$5,768,710. This is an increase of \$912,843, or 18.8%, over the prior year, primarily due to overall revenues increasing by a greater percentage (10.4%) than expenditures (6.8%).

Property tax and intergovernmental revenues (for various grants and case management) increased approximately \$862,000 and \$1,114,000, respectively. The largest increase in expenditures was in the mental health function for case management services, previously accounted for in the Special Revenue, Mental Health Fund and moved to the General Fund due to a change in the method the State pays for Medicaid reimbursed services.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. Fiscal year 2014 ended with a fund balance of \$2,405,029 compared to the prior year balance of \$731,314. This increase is primarily due to revenues exceeding expenditures in the current year by approximately \$1,672,000.

The Special Revenue, Rural Services Fund ended fiscal year 2014 with a \$548,952 fund balance compared to the prior year balance of \$743,653. Revenues in the fund increased 4.9% and expenditures increased 2.9%. Transfers to the Special Revenue, Secondary Roads Fund increased \$173,000, or 10.4%, over the prior year.

The Special Revenue, Secondary Roads Fund ended fiscal year 2014 with a \$3,984,132 fund balance compared to the prior year balance of \$2,794,758. Revenues in the fund increased approximately \$373,000, or 10.8%, due to an increase in road use tax and FEMA revenues of approximately \$118,000 and \$220,000, respectively. The County also received approximately \$661,000 from the disposition of ten motor graders during the year. Transfers in from the Special Revenue, Rural Services Fund also increased \$173,000. Expenditures in the fund increased approximately \$2,708,000, or 52%, primarily due to the purchase of ten motor graders in the current year.

The Debt Service Fund ended fiscal year 2014 with a \$67,446 fund balance compared to the prior year balance of \$81,451. Bond principal and interest payments were made according to the bond maturity schedules.

The Capital Projects Fund June 30, 2014 fund balance was \$913,685 compared to the prior year balance of \$2,677,089. The decrease is due to increased expenditures of approximately \$1,569,000 related to capital projects, including the Dakins Lake expansion project.

BUDGETARY HIGHLIGHTS

Story County amended the fiscal year 2014 budget two times. The first amendment was made in September 2013 and resulted in an increase in budgeted receipts of approximately \$243,000 and budgeted disbursements of approximately \$2,774,000 related to grant receipts and disbursements, capital project costs for Dakins Lake and attorney special project disbursements.

The second amendment was made in May 2014. This amendment increased budgeted receipts approximately \$890,000 and budgeted disbursements approximately \$947,000 related to increases in grant receipts and disbursements, donations, vehicle purchases and urban renewal economic development disbursements.

The County's receipts were \$521,711 less than the amended budget, a variance of 1.3%. Total disbursements were \$4,226,469 less than the amended budget, a variance of 10.3%. This was due primarily to fewer mental health and FEMA related disbursements than anticipated. Also, various projects were not completed during the year as expected, such as the Dakins Lake expansion project, needed repairs to the Justice Center and IT equipment upgrades.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, Story County had approximately \$66.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is an increase of approximately \$3,287,000 from the end of fiscal year 2013.

This year's major additions included:

Motor graders, dump truck and other equipment for the Secondary Roads Department	\$ 3,414,762
Dakins Lake expansion project	1,616,356
Infrastructure	<u>1,869,233</u>
Total	<u>\$ 6,900,351</u>

Story County had depreciation/amortization expense in fiscal year 2014 of \$4,021,938 and total accumulated depreciation/amortization of \$38,119,932 at June 30, 2014. This is an increase of \$361,767 in depreciation/amortization expense and \$1,880,643 for accumulated depreciation/amortization from fiscal year 2013. Story County takes a full year's depreciation in the year of acquisition of a capital asset and in the year of disposal. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2014, Story County had \$6,425,000 of outstanding general obligation and urban renewal revenue bonds compared to \$8,450,000 at the end of fiscal year 2013. In addition, the County entered into a capital lease purchase agreement for \$2,299,000 during the current year to lease-purchase ten motor graders for the Secondary Roads Department. The balance on the lease-purchase agreement at June 30, 2014 is \$2,042,018.

Story County's general obligation debt carries an Aa1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Story County's outstanding general obligation debt, including the capital lease purchase agreement, is significantly below its constitutional debt limit of approximately \$322 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET AND RATES

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 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 2014 stood at 3.8% versus 4.2% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1% for the same period ended June 30, 2014.

These indicators were taken into account when adopting the budget for fiscal year 2015. The County's fiscal year 2015 countywide taxable valuation increased \$34,506,808 and the rural taxable valuation increased \$13,613,625 over the respective fiscal year 2014 valuations. The fiscal year 2015 budget includes a 5.1% increase in receipts from the fiscal year 2014 budget, along with an increase in disbursements of 2.5%. The increase in receipts is due to an increase in intergovernmental receipts. The increase in disbursements is primarily due to an increase in county environment and education. Re-estimated ending fund balances were anticipated to be 34.25% of disbursements at the end of fiscal year 2014 and approximately 29.18% of disbursements by the close of fiscal year 2015.

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.

Basic Financial Statements

Exhibit A

Story County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 15,056,979
Receivables:	
Property tax:	
Delinquent	33,108
Succeeding year	21,841,000
Succeeding year tax increment financing	619,000
Interest and penalty on property tax	73,522
Accounts	49,781
Accrued interest	38,032
Drainage assessments	107,038
Due from other governments	1,315,844
Inventories	623,529
Prepaid expenses	124,556
Capital assets, net of accumulated depreciation/amortization	66,229,343
Assets in excess of net OPEB obligation	2,415
Total assets	<u>106,114,147</u>
Liabilities	
Accounts payable	840,771
Accrued interest payable	14,403
Salaries and benefits payable	846,459
Advances from grantors	48,027
Due to other governments	343,636
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	710,000
Urban renewal revenue bonds	290,000
Capital lease purchase agreement	198,522
Compensated absences	776,882
Portion due or payable after one year:	
General obligation bonds	3,130,000
Urban renewal revenue bonds	2,295,000
Capital lease purchase agreement	1,843,496
Drainage warrants	109,589
Total liabilities	<u>11,446,785</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	21,841,000
Unavailable tax increment financing revenue	619,000
Total deferred inflows of resources	<u>22,460,000</u>
Net Position	
Net investment in capital assets	58,430,865
Restricted for:	
Supplemental levy purposes	496,703
Mental health purposes	2,284,602
Community betterment	108,805
Rural services purposes	341,037
Secondary roads purposes	3,874,535
Conservation purposes	846,686
Debt service	5,254
Capital projects	245,145
Drainage warrants	182,298
Other purposes	624,916
Unrestricted	4,766,516
Total net position	<u>\$ 72,207,362</u>

See notes to financial statements.

Story County

Statement of Activities

Year ended June 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Contributions and Restricted Interest	Grants, Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 10,350,882	1,104,156	191,332	-	(9,055,394)
Physical health and social services	2,304,618	42,475	475,219	-	(1,786,924)
Mental health	5,704,851	194,014	3,331,888	-	(2,178,949)
County environment and education	3,178,597	380,523	652,385	242,954	(1,902,735)
Roads and transportation	7,634,783	145,962	3,719,834	1,320,786	(2,448,201)
Governmental services to residents Administration	1,082,150 4,720,475	1,147,237 42,243	34,451 802,693	-	99,538 (3,875,539)
Interest on long-term debt	221,131	-	3,245	-	(217,886)
Total	\$ 35,197,487	3,056,610	9,211,047	1,563,740	(21,366,090)
General Revenues:					
Property and other county tax levied for:					
General purposes					20,636,964
Debt service					1,847,024
Tax increment financing					365,330
Penalty and interest on property tax					138,575
State tax credits					596,729
Local option sales tax					1,902,738
Unrestricted investment earnings					135,182
Gain on disposition of capital assets					836,526
Miscellaneous					439,625
Total general revenues					26,898,693
Change in net position					5,532,603
Net position beginning of year					66,674,759
Net position end of year					\$ 72,207,362

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2014

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 6,320,175	2,486,412	439,379	3,106,056
Receivables:				
Property tax:				
Delinquent	20,869	3,912	7,356	-
Succeeding year	15,685,000	2,941,000	2,445,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	73,522	-	-	-
Accounts	37,890	11,048	608	235
Accrued interest	37,702	-	-	-
Drainage assessments	-	-	-	-
Advances to other funds	128,612	-	-	-
Due from other governments	323,830	168,656	308,102	515,213
Inventories	-	-	-	623,529
Prepaid expenditures	113,931	9,075	550	1,000
Total assets	\$ 22,741,531	5,620,103	3,200,995	4,246,033
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 462,467	83,023	6,207	118,590
Salaries and benefits payable	620,519	15,402	100,320	110,218
Advances from grantors	48,027	-	-	-
Due to other governments	28,806	171,737	93,160	3,908
Advances from other funds	-	-	-	-
Total liabilities	1,159,819	270,162	199,687	232,716
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	15,685,000	2,941,000	2,445,000	-
Succeeding year tax increment financing	-	-	-	-
Other	128,002	3,912	7,356	29,185
Total deferred inflows of resources	15,813,002	2,944,912	2,452,356	29,185
Fund balances:				
Nonspendable:				
Inventories	-	-	-	623,529
Prepaid expenses	113,931	9,075	550	1,000
Advances to other funds	128,612	-	-	-
Restricted for:				
Supplemental levy purposes	551,716	-	-	-
Mental health purposes	-	2,395,954	-	-
Community betterment	-	-	108,805	-
Rural services purposes	-	-	439,597	-
Secondary roads purposes	-	-	-	3,359,603
Conservation purposes	226,808	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Drainage warrants	-	-	-	-
Friends of Animals	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Administration building tower replacement	85,000	-	-	-
Content management project	53,975	-	-	-
County attorney fine collection	132,617	-	-	-
Jail commissary	110,782	-	-	-
Other purposes	195,861	-	-	-
Unassigned	4,169,408	-	-	-
Total fund balances	5,768,710	2,405,029	548,952	3,984,132
Total liabilities, deferred inflows of resources and fund balances	\$ 22,741,531	5,620,103	3,200,995	4,246,033

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
67,428	1,074,544	1,562,985	15,056,979
971	-	-	33,108
770,000	-	-	21,841,000
-	-	619,000	619,000
-	-	-	73,522
-	-	-	49,781
18	-	312	38,032
-	-	107,038	107,038
-	-	-	128,612
-	-	43	1,315,844
-	-	-	623,529
-	-	-	124,556
838,417	1,074,544	2,289,378	40,011,001
-	160,859	9,625	840,771
-	-	-	846,459
-	-	-	48,027
-	-	46,025	343,636
-	-	128,612	128,612
-	160,859	184,262	2,207,505
770,000	-	-	21,841,000
-	-	619,000	619,000
971	-	107,038	276,464
770,971	-	726,038	22,736,464
-	-	-	623,529
-	-	-	124,556
-	-	-	128,612
-	-	-	551,716
-	-	-	2,395,954
-	-	-	108,805
-	-	-	439,597
-	-	-	3,359,603
-	-	618,073	844,881
67,446	-	-	67,446
-	913,685	-	913,685
-	-	184,849	184,849
-	-	417,704	417,704
-	-	207,212	207,212
-	-	-	85,000
-	-	-	53,975
-	-	-	132,617
-	-	-	110,782
-	-	-	195,861
-	-	(48,760)	4,120,648
67,446	913,685	1,379,078	15,067,032
838,417	1,074,544	2,289,378	40,011,001

Story County

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

June 30, 2014

Total governmental fund balances (page 21)	\$ 15,067,032
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
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 \$104,349,275 and the accumulated depreciation/amortization is \$38,119,932.	66,229,343
The net OPEB assets are not an available resource and, therefore, are not reported in the funds.	2,415
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.	276,464
Long-term liabilities, including general obligation bonds payable, urban renewal revenue bonds payable, capital lease purchase agreement payable, drainage warrants payable, compensated absences payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(9,367,892)
Net position of governmental activities (page 18)	<u>\$ 72,207,362</u>

See notes to financial statements.

Story County

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

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 15,166,758	2,991,112	2,476,228	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	1,902,738	-
Interest and penalty on property tax	129,030	-	-	-
Intergovernmental	2,344,281	3,300,926	607,444	3,779,150
Licenses and permits	25,400	-	36,069	12,810
Charges for service	1,579,860	194,014	27,651	8,020
Use of money and property	190,066	-	-	-
Miscellaneous	471,575	14,162	12,552	40,780
Total revenues	19,906,970	6,500,214	5,062,682	3,840,760
Expenditures:				
Operating:				
Public safety and legal services	8,196,616	-	1,822,095	-
Physical health and social services	2,295,266	-	11,832	-
Mental health	861,732	4,828,259	-	-
County environment and education	1,550,064	-	1,333,560	-
Roads and transportation	-	-	250,000	7,581,510
Governmental services to residents	1,053,044	-	1,896	-
Administration	4,519,879	-	-	-
Debt service	-	-	-	-
Capital projects	59,276	-	-	340,026
Total expenditures	18,535,877	4,828,259	3,419,383	7,921,536
Excess (deficiency) of revenues over (under) expenditures	1,371,093	1,671,955	1,643,299	(4,080,776)
Other financing sources (uses):				
Sale of capital assets	10,750	1,760	-	664,150
Capital lease purchase agreement	-	-	-	2,299,000
Drainage warrants issued	-	-	-	-
Transfers in	-	-	-	2,307,000
Transfers out	(469,000)	-	(1,838,000)	-
Total other financing sources (uses)	(458,250)	1,760	(1,838,000)	5,270,150
Change in fund balances	912,843	1,673,715	(194,701)	1,189,374
Fund balances beginning of year	4,855,867	731,314	743,653	2,794,758
Fund balances end of year	\$ 5,768,710	2,405,029	548,952	3,984,132

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,848,343	-	-	22,482,441
-	-	365,330	365,330
-	-	-	1,902,738
-	-	-	129,030
46,439	152,231	105,700	10,336,171
-	-	-	74,279
-	-	33,142	1,842,687
3,245	-	3,225	196,536
-	90,723	659,820	1,289,612
1,898,027	242,954	1,167,217	38,618,824
-	-	29,609	10,048,320
-	-	-	2,307,098
-	-	-	5,689,991
-	-	274,397	3,158,021
-	-	-	7,831,510
-	-	3,250	1,058,190
-	-	3,545	4,523,424
1,912,032	-	373,780	2,285,812
-	2,006,358	-	2,405,660
1,912,032	2,006,358	684,581	39,308,026
(14,005)	(1,763,404)	482,636	(689,202)
-	-	-	676,660
-	-	-	2,299,000
-	-	19,636	19,636
-	-	-	2,307,000
-	-	-	(2,307,000)
-	-	19,636	2,995,296
(14,005)	(1,763,404)	502,272	2,306,094
81,451	2,677,089	876,806	12,760,938
67,446	913,685	1,379,078	15,067,032

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, 2014

Change in fund balances - Total governmental funds (page 25) \$ 2,306,094

**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	\$ 5,827,944	
Capital assets contributed by the Iowa Department of	1,320,786	
Depreciation/amortization expense	<u>(4,021,938)</u>	3,126,792

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. 159,866

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

Property tax	1,547	
Other	<u>(47,593)</u>	(46,046)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(2,318,636)	
Repaid	<u>2,317,733</u>	(903)

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	(12,146)	
Other postemployment benefits	(4,984)	
Interest on long-term debt	<u>3,930</u>	<u>(13,200)</u>

Change in net position of governmental activities (page 19) \$ 5,532,603

See notes to financial statements.

Story County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,978,051
Other County officials	193,878
Employee health insurance plan	9,449
Receivables:	
Property tax:	
Delinquent	118,016
Succeeding year	99,659,000
Accounts	83,181
Accrued interest	166
Assessments	915,507
Due from other governments	96,669
Prepaid expenses	26,703
Total assets	105,080,620

Liabilities

Accounts payable	93,257
Salaries and benefits payable	57,247
Due to other governments	104,356,074
Trusts payable	457,899
Stamped warrants payable	14,981
Compensated absences	101,162
Total liabilities	105,080,620

Net position	\$ -
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See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

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

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

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

Advances from Grantors – Advances from grantors represents grant proceeds which have been received by the County, but will be spent in succeeding fiscal years.

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable, tax increment financing receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have

resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

At June 30, 2014, the County had the following investments:

Investment	Fair Value	Maturity
Federal Home Loan Bank (FHLB)	\$ 493,275	1/22/2019
Federal Home Loan Bank (FHLB)	327,726	5/16/2018
Federal Home Loan Bank (FHLB)	345,566	6/6/2018
Federal Farm Credit Bank (FFCB)	512,883	3/7/2019
Federal National Mortgage Association (FNMA)	322,676	10/16/2017
Total	<u>\$ 2,002,126</u>	

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,975 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and stamped drainage warrants of \$90,175.

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 FHLB, FFCB and FNMA investments at June 30, 2014 are rated Aaa by Moody’s Investors Service. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk and custodial credit risk – The County places no limit on the amount that may be invested in any one issuer. More than 5% of the County’s investments are in the Federal Home Loan Bank (55.6%), Federal Farm Credit Bank (24.4%) and the Federal National Mortgage Association (15.4%).

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 469,000
	Special Revenue:	
	Rural Services	1,838,000
Total		<u>\$ 2,307,000</u>

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

(4) Interfund Assets/Liabilities

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Tax Increment Financing	<u>\$ 128,612</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 4,957,882	-	-	4,957,882
Intangibles, road network	117,327	-	-	117,327
Construction in progress, road network	396,524	2,015,461	(1,869,233)	542,752
Construction in progress, other	275,200	1,613,591	-	1,888,791
Total capital assets not being depreciated/amortized	5,746,933	3,629,052	(1,869,233)	7,506,752
Capital assets being depreciated/amortized:				
Buildings	27,101,445	195,930	(9,930)	27,287,445
Improvements other than buildings	408,444	60,159	-	468,603
Equipment and vehicles	11,802,292	3,953,489	(2,661,399)	13,094,382
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	49,997,430	1,869,233	-	51,866,663
Infrastructure, other	3,965,778	-	-	3,965,778
Total capital assets being depreciated/amortized	93,435,041	6,078,811	(2,671,329)	96,842,523
Less accumulated depreciation/amortization for:				
Buildings	8,163,620	587,317	(9,930)	8,741,007
Improvements other than buildings	105,643	21,872	-	127,515
Equipment and vehicles	7,107,572	1,234,736	(2,131,365)	6,210,943
Intangibles, other	31,930	31,930	-	63,860
Infrastructure, road network	20,225,828	2,050,258	-	22,276,086
Infrastructure, other	604,696	95,825	-	700,521
Total accumulated depreciation/amortization	36,239,289	4,021,938	(2,141,295)	38,119,932
Total capital assets being depreciated/amortized, net	57,195,752	2,056,873	(530,034)	58,722,591
Governmental activities capital assets, net	\$ 62,942,685	5,685,925	(2,399,267)	66,229,343

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 495,632
Mental health	198,222
County environment and education	167,455
Roads and transportation	2,769,002
Governmental services to residents	30,641
Administration	360,986
Total depreciation/amortization expense - governmental activities	<u>\$4,021,938</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 28,806
Special Revenue:		
Mental Health	Services	171,737
Rural Services	Services	93,160
Secondary Roads	Services	3,908
Special Law Enforcement	Services	1,025
Capital Projects	Services	45,000
		<u>314,830</u>
Total for governmental funds		<u>\$ 343,636</u>
Agency:		
County Offices	Collections	\$ 73,381
Agricultural Extension Education		294,498
County Assessor		903,328
City Assessor		1,089,006
Schools		56,274,975
Community Colleges		2,376,802
Corporations		37,130,787
Townships		540,012
City Special Assessments		904,263
Auto License and Use Tax		1,755,923
All other		3,013,099
Total for agency funds		<u>\$ 104,356,074</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Bonds	Urban Renewal Revenue Bonds	Capital Lease Purchase Agreement	Drainage Warrants	Compen- sated Absences	Net OPEB Liability	Total
Balances beginning of year	\$ 5,585,000	2,865,000	-	125,704	764,736	(7,399)	9,333,041
Increases	-	-	2,299,000	19,636	986,921	46,464	3,352,021
Decreases	1,745,000	280,000	256,982	35,751	974,775	41,480	3,333,988
Balances end of year	<u>\$ 3,840,000</u>	<u>2,585,000</u>	<u>2,042,018</u>	<u>109,589</u>	<u>776,882</u>	<u>(2,415)</u>	<u>9,351,074</u>
Due within one year	\$ 710,000	290,000	198,522	-	776,882	-	1,975,404

General Obligation Bonds

A summary of the County's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Road Improvements Issued Jun 1, 2008			Road Improvements Issued Nov 1, 2009		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2015	3.45%	\$ 200,000	39,318	2.55%	\$ 510,000	83,110
2016	3.55	205,000	32,418	2.85	530,000	70,106
2017	3.65	215,000	25,140	3.00	550,000	55,000
2018	3.75	225,000	17,292	3.20	575,000	38,500
2019	3.85	230,000	8,856	3.35	600,000	20,100
Total		<u>\$ 1,075,000</u>	<u>123,024</u>		<u>\$ 2,765,000</u>	<u>266,816</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2015	710,000	122,428	832,428
2016	735,000	102,524	837,524
2017	765,000	80,140	845,140
2018	800,000	55,792	855,792
2019	830,000	28,956	858,956
Total	<u>3,840,000</u>	<u>389,840</u>	<u>4,229,840</u>

During the year ended June 30, 2014, the County retired \$1,745,000 of general obligation bonds.

Urban Renewal Revenue Bonds

On December 1, 2012, the County issued \$3,185,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area, including improvements to Dakins Lake County Park and road improvements on County Club Road and 590th Avenue. The bonds bear interest at 1.95% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$2,819,584, payable through June 2022. For the current year, principal and interest paid and total TIF revenues were \$335,868 and \$365,330, respectively.

A summary of the County's June 30, 2014 urban renewal revenue bonded indebtedness is as follows:

Year Ending June 30,	Dakins Lake Park and Country Club and 590th Ave. Road Improvements			
	Issued Dec 1, 2012			
	Interest Rates	Principal	Interest	Total
2015	1.95%	\$ 290,000	50,407	340,407
2016	1.95	300,000	44,753	344,753
2017	1.95	310,000	38,902	348,902
2018	1.95	320,000	32,857	352,857
2019	1.95	325,000	26,618	351,618
2020-2022	1.95	1,040,000	41,047	1,081,047
Total		\$2,585,000	234,584	2,819,584

During the year ended June 30, 2014, the County retired \$280,000 of urban renewal revenue bonds.

Capital Lease Purchase Agreement

On August 13, 2013, the County entered into a capital lease purchase agreement for ten motor graders with a total cost of \$2,949,000. The County received \$1,311,140 of trade-in allowance for ten used motor graders and applied \$650,000 of this as a down payment on the lease. The agreement bears interest at 2.95% per annum and is payable in annual installments of \$259,583 over five years, with a final payment of \$1,241,600 due by March 4, 2019. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2014:

Year Ending June 30,	Amount
2015	\$ 259,583
2016	259,583
2017	259,583
2018	259,583
2019	1,241,600
Total minimum lease payments	2,279,932
Less amount representing interest	(237,914)
Present value of net minimum lease payments	<u>\$2,042,018</u>

Payments under the capital lease purchase agreement totaled \$259,582 for the year ended June 30, 2014.

Drainage Warrants Payable

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

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,610,891, \$1,566,890 and \$1,478,836, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer retiree benefit plan which provides health benefits for retirees. There are 54 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

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

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

Annual OPEB Cost and Net OPEB Obligation (Asset) - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 10 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation (asset):

Annual required contribution	\$ 45,957
Interest on net OPEB obligation	(296)
Adjustment to annual required contribution	803
Annual OPEB cost	<u>46,464</u>
Contributions made	<u>(41,480)</u>
Increase in net OPEB obligation	4,984
Net OPEB asset beginning of year	<u>(7,399)</u>
Net OPEB asset end of year	<u>\$ (2,415)</u>

For calculation of the net OPEB obligation (asset), the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation (asset) was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$41,480 to the health plan. Plan members eligible for benefits did not contribute to the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2012	\$ 24,234	150.0%	\$ 449
2013	24,230	132.4	(7,399)
2014	46,464	89.3	(2,415)

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$315,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$315,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,168,000 and the ratio of the UAAL to covered payroll was 1.95%. As of June 30, 2014, there were no trust fund assets.

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

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

As of the July 1, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual health trend rate is 9%. The ultimate health trend rate is 5%. The health trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for purposes of this calculation.

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

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

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 700 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 or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual 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 risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$298,716.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 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, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(11) Justice Center Agreements

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

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

(12) Early Childhood Iowa Area Board

Story County is the fiscal agent for BooST Together for Children (Early Childhood Iowa Area Board consisting of Story County and Boone County), an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2014 is as follows:

	Early Childhood		School	Total
	Federal	State	Ready	
Revenues:				
State grants:				
Early childhood	\$ -	123,115	-	123,115
Family support and parent education	-	-	315,867	315,867
Preschool support for low-income families	-	-	138,688	138,688
Quality improvement	-	-	57,594	57,594
Allocation for administration	-	6,480	16,880	23,360
Other grant programs	-	-	34,163	34,163
Total state grants	-	129,595	563,192	692,787
Interest on investments	18	164	815	997
Total revenues	18	129,759	564,007	693,784
Expenditures:				
Program services:				
Early childhood	25,270	116,725	-	141,995
Family support and parent education	-	-	314,533	314,533
Preschool support for low income families	-	-	153,675	153,675
Quality improvement	-	-	63,649	63,649
Other program services	-	-	37,918	37,918
Total program services	25,270	116,725	569,775	711,770
Administration	338	6,164	24,991	31,493
Total expenditures	25,608	122,889	594,766	743,263
Change in fund balance	(25,590)	6,870	(30,759)	(49,479)
Fund balance beginning of year	25,590	-	69,163	94,753
Fund balance end of year	\$ -	6,870	38,404	45,274

Findings related to the operations of BooST Together for Children are included as items II-C-14 and IV-J-14 in the Schedule of Findings and Questioned Costs.

(13) Financial Condition

The Special Revenue, Tax Increment Financing Fund reported an unassigned fund balance deficit of \$48,760 at June 30, 2014. The County plans to eliminate the deficit through the collection of future tax increment financing revenues.

(14) Construction Commitments

The County entered into a contract for \$1,275,000 for phase 2 of the Dakins Lake expansion project. As of June 30, 2014, costs of \$397,286 have been incurred on the contract. The \$877,714 balance on the contract will be paid as work on the project progresses.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting for Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

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, 2014

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 24,754,195	-	24,754,195
Interest and penalty on property tax	129,030	-	129,030
Intergovernmental	10,223,447	-	10,223,447
Licenses and permits	74,275	-	74,275
Charges for service	1,838,833	-	1,838,833
Use of money and property	195,927	-	195,927
Miscellaneous	1,292,661	161,903	1,130,758
Total receipts	38,508,368	161,903	38,346,465
Disbursements:			
Public safety and legal services	10,044,455	-	10,044,455
Physical health and social services	2,286,629	-	2,286,629
Mental health	5,730,953	-	5,730,953
County environment and education	2,988,613	122,210	2,866,403
Roads and transportation	5,730,515	-	5,730,515
Governmental services to residents	1,060,655	-	1,060,655
Administration	4,595,583	-	4,595,583
Debt service	2,285,813	37,912	2,247,901
Capital projects	2,291,072	-	2,291,072
Total disbursements	37,014,288	160,122	36,854,166
Excess (deficiency) of receipts over (under) disbursements	1,494,080	1,781	1,492,299
Other financing sources, net	693,296	19,636	673,660
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,187,376	21,417	2,165,959
Balance beginning of year	12,869,603	163,432	12,706,171
Balance end of year	\$ 15,056,979	184,849	14,872,130

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
25,002,735	25,002,735	(248,540)
53,000	53,000	76,030
9,886,237	10,578,527	(355,080)
39,870	58,870	15,405
1,987,870	1,974,160	(135,327)
172,220	172,220	23,707
592,814	1,028,664	102,094
<u>37,734,746</u>	<u>38,868,176</u>	<u>(521,711)</u>
10,198,358	10,370,858	326,403
2,277,887	2,345,591	58,962
6,789,252	6,789,252	1,058,299
2,868,985	3,346,222	479,819
5,513,200	5,962,465	231,950
1,206,202	1,206,202	145,547
4,955,659	5,110,459	514,876
2,248,401	2,248,401	500
1,301,510	3,701,185	1,410,113
<u>37,359,454</u>	<u>41,080,635</u>	<u>4,226,469</u>
375,292	(2,212,459)	3,704,758
-	7,750	665,910
375,292	(2,204,709)	4,370,668
<u>8,787,720</u>	<u>12,514,872</u>	<u>191,299</u>
<u>9,163,012</u>	<u>10,310,163</u>	<u>4,561,967</u>

Story County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 38,508,368	110,456	38,618,824
Expenditures	37,014,288	2,293,738	39,308,026
Net	1,494,080	(2,183,282)	(689,202)
Other financing sources, net	693,296	2,302,000	2,995,296
Beginning fund balances	12,869,603	(108,665)	12,760,938
Ending fund balances	\$ 15,056,979	10,053	15,067,032

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,721,181. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

Story County

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

Required Supplementary Information

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

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

See accompanying independent auditor's report.

Supplementary Information

Story County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	County Recorder's Records Management	Drainage Districts	Employee Wellness
Assets			
Cash, cash equivalents and pooled investments	\$ 147,048	184,849	9,320
Receivables:			
Succeeding year tax increment financing	-	-	-
Accrued interest	38	-	-
Drainage assessments	-	107,038	-
Due from other governments	-	-	-
Total assets	\$ 147,086	291,887	9,320
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 35	-	-
Due to other governments	-	-	-
Advances from other funds	-	-	-
Total liabilities	35	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Drainage assessments	-	107,038	-
Total deferred inflows of resources	-	107,038	-
Fund balances:			
Restricted for:			
Conservation purposes	-	-	-
Drainage purposes	-	184,849	-
Friends of Animals	-	-	-
Other purposes	147,051	-	9,320
Unassigned	-	-	-
Total fund balances	147,051	184,849	9,320
Total liabilities, deferred inflows of resources and fund balances	\$ 147,086	291,887	9,320

See accompanying independent auditor's report.

Special Revenue							
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Reserve Officers	Total	
110,437	21,152	124,852	422,916	507,800	34,611	1,562,985	
-	-	619,000	-	-	-	619,000	
29	-	-	111	134	-	312	
-	-	-	-	-	-	107,038	
-	43	-	-	-	-	43	
110,466	21,195	743,852	423,027	507,934	34,611	2,289,378	
203	3,940	-	5,323	124	-	9,625	
-	1,025	45,000	-	-	-	46,025	
-	-	128,612	-	-	-	128,612	
203	4,965	173,612	5,323	124	-	184,262	
-	-	619,000	-	-	-	619,000	
-	-	-	-	-	-	107,038	
-	-	619,000	-	-	-	726,038	
110,263	-	-	-	507,810	-	618,073	
-	-	-	-	-	-	184,849	
-	-	-	417,704	-	-	417,704	
-	16,230	-	-	-	34,611	207,212	
-	-	(48,760)	-	-	-	(48,760)	
110,263	16,230	(48,760)	417,704	507,810	34,611	1,379,078	
110,466	21,195	743,852	423,027	507,934	34,611	2,289,378	

Story County

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

Year ended June 30, 2014

	County		
	Recorder's	Drainage	Employee
	Records	Districts	Wellness
	Management		
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	12,335	-	-
Use of money and property	531	-	-
Miscellaneous	-	161,331	4,304
Total revenues	12,866	161,331	4,304
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	122,210	-
Governmental services to residents	3,250	-	-
Administration	-	-	3,545
Debt service	-	37,912	-
Total expenditures	3,250	160,122	3,545
Excess (deficiency) of revenues over (under) expenditures	9,616	1,209	759
Other financing sources:			
Drainage warrants issued	-	19,636	-
Change in fund balances	9,616	20,845	759
Fund balances beginning of year	137,435	164,004	8,561
Fund balances end of year	\$ 147,051	184,849	9,320

See accompanying independent auditor's report.

Special Revenue							
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers		Total
-	-	365,330	-	-	-	-	365,330
38,236	-	-	-	67,464	-	-	105,700
-	-	-	-	-	20,807	-	33,142
405	-	-	782	1,507	-	-	3,225
-	5,429	-	338,819	149,937	-	-	659,820
38,641	5,429	365,330	339,601	218,908	20,807	-	1,167,217
-	21,809	-	-	-	7,800	-	29,609
17,518	-	89,591	19,656	25,422	-	-	274,397
-	-	-	-	-	-	-	3,250
-	-	-	-	-	-	-	3,545
-	-	335,868	-	-	-	-	373,780
17,518	21,809	425,459	19,656	25,422	7,800	-	684,581
21,123	(16,380)	(60,129)	319,945	193,486	13,007	-	482,636
-	-	-	-	-	-	-	19,636
21,123	(16,380)	(60,129)	319,945	193,486	13,007	-	502,272
89,140	32,610	11,369	97,759	314,324	21,604	-	876,806
110,263	16,230	(48,760)	417,704	507,810	34,611	-	1,379,078

Story County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,108	273,615	381,946	240,471
Other County officials	193,878	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	390	2,069	282	79,504
Succeeding year	-	293,000	681,000	779,000	55,955,000
Accounts	99	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expense	-	-	12,652	-	-
Total assets	\$ 193,977	294,498	969,336	1,161,228	56,274,975
Liabilities					
Accounts payable	\$ -	-	1,622	1,720	-
Salaries and benefits payable	-	-	20,969	25,336	-
Due to other governments	73,381	294,498	903,328	1,089,006	56,274,975
Trusts payable	120,596	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Compensated absences	-	-	43,417	45,166	-
Total liabilities	\$ 193,977	294,498	969,336	1,161,228	56,274,975

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
10,661	143,370	3,586	3,737	1,755,923	1,163,634	3,978,051
-	-	-	-	-	-	193,878
-	-	-	-	-	9,449	9,449
3,141	28,417	1,426	-	-	2,787	118,016
2,363,000	36,959,000	535,000	-	-	2,094,000	99,659,000
-	-	-	-	-	83,082	83,181
-	-	-	-	-	166	166
-	-	-	900,526	-	14,981	915,507
-	-	-	-	-	96,669	96,669
-	-	-	-	-	14,051	26,703
2,376,802	37,130,787	540,012	904,263	1,755,923	3,478,819	105,080,620
-	-	-	-	-	89,915	93,257
-	-	-	-	-	10,942	57,247
2,376,802	37,130,787	540,012	904,263	1,755,923	3,013,099	104,356,074
-	-	-	-	-	337,303	457,899
-	-	-	-	-	14,981	14,981
-	-	-	-	-	12,579	101,162
2,376,802	37,130,787	540,012	904,263	1,755,923	3,478,819	105,080,620

Story County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets and Liabilities					
Balances beginning of year	\$ 174,963	265,738	991,672	1,220,171	57,003,403
Additions:					
Property and other county tax	-	289,478	669,433	768,182	55,133,567
E911 surcharge	-	-	-	-	-
State tax credits	-	6,545	27,161	13,464	1,439,619
Office fees and collections	1,384,977	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,320,825	-	-	-	-
Miscellaneous	-	-	6,213	106	-
Total additions	2,705,802	296,023	702,807	781,752	56,573,186
Deductions:					
Agency remittances:					
To other funds	696,526	-	-	-	-
To other governments	684,863	267,263	725,143	840,695	57,301,614
Trusts paid out	1,305,399	-	-	-	-
Total deductions	2,686,788	267,263	725,143	840,695	57,301,614
Balances end of year	\$ 193,977	294,498	969,336	1,161,228	56,274,975

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
2,554,635	36,736,809	535,840	1,121,226	1,530,968	3,841,394	105,976,819
2,327,107	36,405,280	527,289	-	-	2,063,590	98,183,926
-	-	-	-	-	514,658	514,658
62,995	811,542	20,209	-	-	53,144	2,434,679
-	-	-	-	-	-	1,384,977
-	-	-	-	20,102,069	-	20,102,069
-	-	-	22,552	-	20,012	42,564
-	-	-	-	-	1,831,821	3,152,646
-	-	-	-	-	1,300,363	1,306,682
2,390,102	37,216,822	547,498	22,552	20,102,069	5,783,588	127,122,201
-	-	-	-	621,448	-	1,317,974
2,567,935	36,822,844	543,326	239,515	19,255,666	4,286,605	123,535,469
-	-	-	-	-	1,874,539	3,179,938
2,567,935	36,822,844	543,326	239,515	19,877,114	6,161,144	128,033,381
2,376,802	37,130,787	540,012	904,263	1,755,923	3,463,838	105,065,639

Story County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 22,482,441	21,496,628	20,619,095	20,385,161
Tax increment financing	365,330	362,423	-	-
Local option sales tax	1,902,738	1,904,668	1,999,138	1,912,716
Interest and penalty on property tax	129,030	147,639	147,590	156,670
Intergovernmental	10,336,171	8,914,618	13,631,149	14,213,647
Licenses and permits	74,279	57,750	61,189	36,492
Charges for service	1,842,687	1,922,434	1,789,521	1,781,908
Use of money and property	196,536	203,785	186,344	231,474
Miscellaneous	1,289,612	1,206,655	794,250	588,415
Total	\$ 38,618,824	36,216,600	39,228,276	39,306,483
Expenditures:				
Operating:				
Public safety and legal services	\$ 10,048,320	9,799,170	9,584,996	9,229,314
Physical health and social services	2,307,098	2,139,504	2,056,066	2,120,685
Mental health	5,689,991	5,961,907	11,504,064	11,360,978
County environment and education	3,158,021	2,742,873	2,940,513	2,688,040
Roads and transportation	7,831,510	5,266,727	5,270,080	5,175,040
Governmental services to residents	1,058,190	1,253,493	1,099,246	1,106,071
Administration	4,523,424	4,482,138	4,273,727	4,374,058
Debt service	2,285,812	2,548,320	2,034,472	1,922,532
Capital projects	2,405,660	1,124,660	1,916,305	4,711,482
Total	\$ 39,308,026	35,318,792	40,679,469	42,688,200

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
19,827,742	18,144,717	17,419,098	17,204,958	16,619,561	15,924,118
-	-	-	-	-	-
1,880,706	1,973,998	1,862,831	1,893,254	1,678,208	1,641,293
171,597	167,380	143,170	175,492	165,595	174,780
10,582,865	10,924,361	11,994,475	9,123,604	10,627,342	10,479,462
78,378	40,457	216,849	38,146	35,570	34,244
1,717,960	1,672,853	1,614,316	1,733,658	1,740,150	1,678,633
356,214	568,872	1,012,820	958,174	643,740	573,746
387,799	839,484	378,606	347,969	614,733	322,436
35,003,261	34,332,122	34,642,165	31,475,255	32,124,899	30,828,712
8,711,395	8,878,577	8,486,198	8,133,511	7,619,168	7,251,375
2,375,638	1,951,645	1,828,267	1,723,515	1,831,092	1,732,944
8,717,522	8,915,724	8,951,224	8,382,751	7,899,548	7,716,964
2,741,709	2,711,564	2,421,393	2,347,314	2,393,141	2,976,832
5,140,126	5,127,571	4,798,021	4,071,732	4,145,529	4,498,123
1,067,829	1,295,172	1,064,921	1,057,778	1,223,635	1,106,653
4,105,549	4,198,036	4,173,517	4,129,527	4,043,982	3,880,953
2,211,738	1,308,990	1,204,688	1,200,123	1,203,342	1,193,858
2,238,276	2,900,504	506,700	1,004,179	1,521,996	3,489,827
37,309,782	37,287,783	33,434,929	32,050,430	31,881,433	33,847,529

Schedule 6

Story County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 459
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606	2013-AP-BX-0486	9,601
Bulletproof Vest Partnership Program	16.607		5,550
U.S. Department of Health and Human Services:			
National Association of County and City Health Officials:			
Medical Reserve Corps Small Grant Program	93.008	MRC-14-2285	3,500
Total direct			19,110
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		44,017
U.S. Department of Defense:			
Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		3,364
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	08-DRIFWP-207	77,004
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-14-70-CJ	21,663
Governor's Office on Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-JAG-58771	74,400
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-JAG-58999	16,584
			90,984
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-E-C085(117)--8V-85	127,231
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 13-04, Task 22	1,083
State and Community Highway Safety	20.600	PAP 14-402-MOPT, Task 22	6,084
			7,167

Story County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5883BT85	15,062
Public Health Emergency Preparedness	93.069	5884BT77	85,498
			<u>100,560</u>
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5884BT105	<u>3,263</u>
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		<u>101</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>12,837</u>
Foster Care_Title IV-E	93.658		<u>16,897</u>
Adoption Assistance	93.659		<u>5,743</u>
Children's Health Insurance Program	93.767		<u>185</u>
Medical Assistance Program	93.778		<u>73,472</u>
Social Services Block Grant	93.667		<u>13,733</u>
Social Services Block Grant	93.667		<u>269,355</u>
			<u>283,088</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4126-DR-IA	<u>149,729</u>
Hazard Mitigation Grant	97.039	DR-1998-0009-01	<u>19,614</u>
Emergency Management Performance Grants	97.042	2014EMPG	<u>39,000</u>
Homeland Security Grant Program	97.067	2010-SS-T0-0031-01/02/03	7,301
Homeland Security Grant Program	97.067	2011-SS-00071-S01-01/02/03	118,470
			<u>125,771</u>
Total Indirect			<u>1,201,690</u>
Total			<u>\$ 1,220,800</u>

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

See accompanying independent auditor's report.

Story County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
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, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 and II-C-14 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Story County's Responses to the Findings

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

Purpose of this Report

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

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

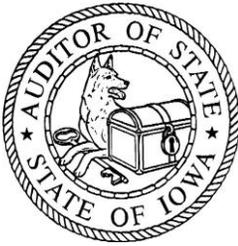

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 15, 2015

Story County

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



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STATE OF IOWA

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

To the Officials of Story County:

Report on Compliance for Each Major Federal Program

We have audited Story County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Story County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Story County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Story County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Story County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Story County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Story County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Story County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 15, 2015

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction.
 - CFDA Number 93.667 – Social Services Block Grant.
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
 - CFDA Number 97.067 – Homeland Security Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Story County did not qualify as a low-risk auditee.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Financial Reporting – During the audit, we identified material amounts of receivables, advances from grantors, prepaid expenses and capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, advances from grantors, prepaid expenses and capital asset additions are identified and included in the County’s financial statements.

Response – The County will review its internal procedures and modify where necessary.

Conclusion – Response accepted.

II-B-14 Disaster Recovery Plan – The County has not developed a disaster recovery plan.

Recommendation – The County should develop a disaster recovery plan.

Response – The Board of Supervisors will work with the Emergency Management Director and staff to develop a plan.

Conclusion – Response accepted.

II-C-14 Early Childhood Iowa – Supporting Documentation – The Early Childhood Iowa Area Board for Boone and Story counties, known as BooST Together for Children, contracts with various providers for School Ready and Early Childhood Iowa programs. The contracts require detailed monthly invoices be submitted prior to payment. The invoices are to be submitted to the Board Director, who is to verify the accuracy and adequacy of the documentation and approve the disbursement.

Two claims tested did not have adequate supporting documentation.

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

Response – The BooSt Together for Children Area Director will work with the Auditor’s office to identify the claims missing essential information. The Area Director will work with the vendors who submitted the claims to ensure future claims include all needed information.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-14 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Connie Hambly, E911 Service Board, Husband owns Hambly Heating and Cooling	Equipment repair	\$ 512

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

- IV-E-14 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-14 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-J-14 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

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

- IV-K-14 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.

- IV-L-14 Travel Policy – The County’s travel policy does not include guidance on employee use of benefits derived from County travel, such as discount coupons (including frequent flier miles), free lodging (including points earned) or cash payments.

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

Response – A revised draft will be submitted to the Board of Supervisors for review and response.

Conclusion – Response accepted.

- IV-M-14 Financial Condition – The Special Revenue, Tax Increment Financing Fund had a deficit balance of \$48,760 at June 30, 2014.

Recommendation – The County should investigate alternatives to eliminate this deficit balance.

Response – The deficit balance is a GAAP deficit not a cash deficit. The internal fund transfers and commitments will be closely monitored.

Conclusion – Response accepted.

Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Tammy A. Hollingsworth, CIA, Senior Auditor II
Michael A. Chervek, Staff Auditor
Anthony M. Heibult, Staff Auditor
Ryan Pithan, Staff Auditor
Kaylynn D. Short, Staff Auditor
Marcus B. Johnson, Assistant Auditor
Emma L. McGrane, Assistant Auditor
Ryan P. Swanson, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State