



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 22, 2016

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 \$131,753,978 for the year ended June 30, 2015, which included \$6,284,462 in tax credits from the state. The County forwarded \$108,549,066 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$23,204,912 of the local tax revenue to finance County operations, a 1% increase over the prior year. Other revenues included charges for service of \$3,072,411, operating grants, contributions and restricted interest of \$8,176,830, capital grants, contributions and restricted interest of \$899,367, tax increment financing of \$612,399, local option sales tax of \$2,288,611, unrestricted investment earnings of \$221,007 and other general revenues of \$576,688.

Expenses for County operations for the year ended June 30, 2015 totaled \$38,876,738, a 10.5% increase over the prior year. Expenses included \$10,356,524 for public safety and legal services, \$8,607,976 for mental health and \$8,024,503 for roads and transportation.

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/1510-0085-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, 2015

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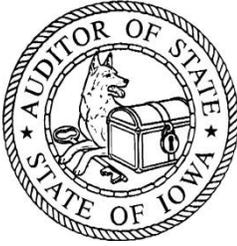
**Story County
Officials
(Before January 2015)**

<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

(After January 2015)

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

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, 2015, 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, 2015, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15, Story County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 52 through 62 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, 2014 (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 February 23, 2016 on our consideration of Story County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Story County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 23, 2016

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, 2015, along with comparative data for the year ended June 30, 2014. Readers are encouraged to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated by \$11,426,512 to retroactively report the net pension liability as of July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.
- Governmental activities' revenue decreased approximately \$1,678,000 from fiscal year 2014. Operating grants, contributions and restricted interest, gain on disposition of capital assets, capital grants, contributions and restricted interest and property tax decreased approximately \$1,034,000, \$795,000, \$665,000 and \$416,000, respectively. State tax credits and local option sales tax increased approximately \$540,000 and \$386,000, respectively.
- Program expenses increased approximately \$3,679,000 from fiscal year 2014. Mental health and county environment and education expenses increased approximately \$2,903,000 and \$444,000, respectively.
- The County's net position at June 30, 2015 increased approximately \$175,000 over the restated June 30, 2014 balance.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Story County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Story County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Story County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

- Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The County has two kinds of funds:

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

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

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

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

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

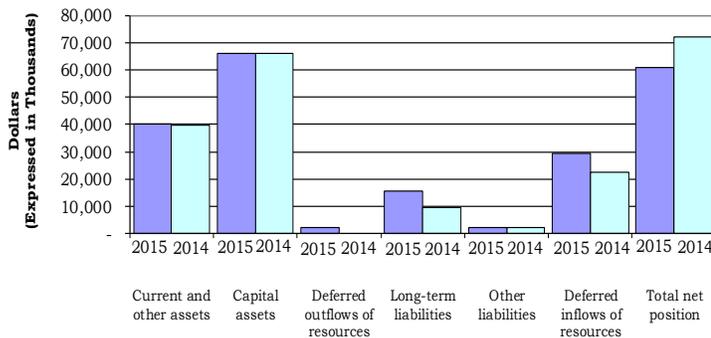
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Story County's net position at the end of fiscal year 2015 totaled approximately \$61 million. This is a decrease of approximately \$11.2 million compared to the end of fiscal year 2014 at approximately \$72.2 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,	
	2015	2014 (Not Restated)
Current and other assets	\$ 39,991	39,885
Capital assets	66,197	66,229
Total assets	106,188	106,114
Deferred outflows of resources	2,049	-
Long-term liabilities	15,634	9,354
Other liabilities	2,263	2,093
Total liabilities	17,897	11,447
Deferred inflows of resources	29,384	22,460
Net position:		
Net investment in capital assets	58,929	58,431
Restricted	7,958	9,009
Unrestricted	(5,931)	4,767
Total net position	\$ 60,956	72,207

Comparison - Statement of Net Position

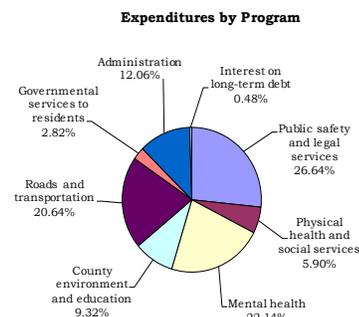
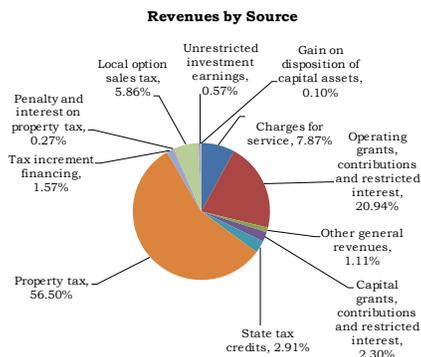


Prior to restatement, the net position of Story County's governmental activities decreased approximately \$11.2 million from the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County's net position at approximately \$58.9 million at the end of fiscal year 2015.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount decreased approximately \$1,051,000, or 11.7%, from the previous year. This decrease is primarily due to decreases in amounts held at year end for mental health and capital projects purposes.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$4.8 million at June 30, 2014 to a deficit of approximately \$5.9 million at the end of this year, a decrease of 224%, primarily due to recording the net pension liability as of July 1, 2014.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2015	2014 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 3,072	3,056
Operating grants, contributions and restricted interest	8,177	9,211
Capital grants, contributions and restricted interest	899	1,564
General revenues:		
Property tax	22,068	22,484
Tax increment financing	612	365
Penalty and interest on property tax	104	139
State tax credits	1,137	597
Local option sales tax	2,289	1,903
Unrestricted investment earnings	221	135
Gain on disposition of capital assets	41	836
Other general revenues	432	440
Total revenues	39,052	40,730
Program expenses:		
Public safety and legal services	10,357	10,351
Physical health and social services	2,295	2,305
Mental health	8,608	5,705
County environment and education	3,623	3,179
Roads and transportation	8,025	7,635
Governmental services to residents	1,095	1,082
Administration	4,688	4,720
Interest on long-term debt	186	221
Total expenses	38,877	35,198
Change in net position	175	5,532
Net position beginning of year, as restated	60,781	66,675
Net position end of year	\$ 60,956	72,207



Revenues for governmental activities decreased approximately \$1,678,000 from fiscal year 2014. Operating grants, contributions and restricted interest decreased approximately \$1,034,000 due to a decrease of approximately \$1,173,000 in mental health property tax relief funding received in the prior year. The gain on disposition of capital assets decreased approximately \$795,000 due to a gain of approximately \$808,000 recognized in the prior year for the disposition of a fleet of motor graders. Capital grants, contributions and restricted interest decreased approximately \$665,000 due to a decrease of approximately \$421,000 in infrastructure assets contributed by the Iowa Department of Transportation from the prior year and a decrease of approximately \$243,000 in federal and state grants and donations collected for the Country Club Bike Trail project in the prior year. In addition, state tax credits increased approximately \$540,000 due to an increase of approximately \$368,000 for the commercial and industrial tax replacement funding received in fiscal year 2015.

The County's property tax revenue decreased 1.9% from fiscal year 2014. Countywide taxable property valuation increased 0.9%, from \$3,710,609,398 in fiscal year 2014 to \$3,745,116,206 in fiscal year 2015. The levy rate for countywide property decreased from approximately \$5.50 per \$1,000 of taxable valuation in fiscal year 2014 to approximately \$5.39 per \$1,000 of taxable valuation in fiscal year 2015. The levy rate for rural property remained the same as fiscal year 2014 at approximately \$3.18 per \$1,000 of taxable valuation. This combination led to the decrease in property tax revenue of approximately \$416,000.

Expenses in fiscal year 2015 increased approximately \$3,679,000, or 10.5%, over fiscal year 2014. This increase was primarily due to an increase in mental health county provided services and county environment and education expenses.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of approximately \$12.8 million, a decrease of approximately \$2,247,000 from the combined fund balance of approximately \$15.1 million at the end of fiscal year 2014. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended fiscal year 2015 with fund balance totaling \$5,760,020. This is a decrease of \$8,690, or .02%, from the prior year.

Property tax and intergovernmental revenues (for various grants and case management) increased approximately \$659,000 and \$2,257,000, 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 2015 ended with a fund balance of \$642,712 compared to the prior year balance of \$2,405,029. This decrease is primarily due to expenditures exceeding revenues in the current year by approximately \$1,766,000.

The Special Revenue, Rural Services Fund ended fiscal year 2015 with a \$808,255 fund balance compared to the prior year balance of \$548,952. Revenues in the fund increased 7.7% and expenditures decreased 2.3%. Transfers to the Special Revenue, Secondary Roads Fund increased \$12,000, or 0.7%, over the prior year.

The Special Revenue, Secondary Roads Fund ended fiscal year 2015 with a \$3,958,022 fund balance compared to the prior year balance of \$3,984,132. Revenues in the fund increased approximately \$350,000, or 9.1%, due to an increase in road use tax and state payment revenues of approximately \$251,000 and \$254,000, respectively. FEMA revenues decreased approximately \$190,000. Transfers in from the General Fund and the Special Revenue, Rural Services Fund increased \$93,000. Expenditures in the fund decreased approximately \$1,301,000, or 16.4%, primarily due to the purchase of ten motor graders in the prior year.

The Debt Service Fund ended fiscal year 2015 with a \$50,183 fund balance compared to the prior year balance of \$67,446. Bond principal and interest payments were made according to the bond maturity schedules.

The Capital Projects Fund June 30, 2015 fund balance was \$98,531 compared to the prior year balance of \$913,685. The decrease is due to additional expenditures of approximately \$931,000 related to capital projects, including the Dakins Lake expansion project.

BUDGETARY HIGHLIGHTS

Story County amended the fiscal year 2015 budget two times. The first amendment was made in September 2014 and resulted in an increase in budgeted receipts of approximately \$423,000 and budgeted disbursements of approximately \$2,222,000 related to grant receipts and disbursements and capital project costs for Dakins Lake.

The second amendment was made in May 2015. This amendment decreased budgeted receipts approximately \$588,000 related to the net change between an increase in local option sales tax and interest on investments and a decrease in community life program receipts. The amendment also increased budgeted disbursements approximately \$3,398,000 related to mental health region payments.

The County's receipts were \$1,663,502 less than the amended budget, a variance of 4.2%. This was due primarily to the discontinuance of the community life program during fiscal year 2015. Total disbursements were \$4,041,422 less than the amended budget, a variance of 9.2%. This was due primarily to fewer mental health and roadway construction related disbursements than anticipated. Also, various projects related to conservation and watershed improvement projects were not completed during the year as expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, 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 a decrease of approximately \$32,000 from the end of fiscal year 2014.

This year's major additions included:

Dakins Lake expansion project	\$ 1,296,134
Infrastructure	1,154,992
Secondary Roads vehicles and equipment	<u>435,229</u>
Total	<u>\$ 2,886,355</u>

Story County had depreciation/amortization expense in fiscal year 2015 of \$3,926,311 and total accumulated depreciation/amortization of \$40,796,062 at June 30, 2015. 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, 2015, Story County had \$5,425,000 of outstanding general obligation and urban renewal revenue bonds compared to \$6,425,000 at the end of fiscal year 2014. In addition, the County entered into a capital lease purchase agreement for \$2,299,000 during fiscal year 2014 to lease-purchase ten motor graders for the Secondary Roads Department. The balance on the lease-purchase agreement at June 30, 2015 is \$1,843,496.

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

ECONOMIC FACTS AND NEXT YEAR'S BUDGET AND RATES

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 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 2015 stood at 3.1% versus 3.8% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 5.3% for the same period ended June 30, 2015.

These indicators were taken into account when adopting the budget for fiscal year 2016. The County's fiscal year 2016 countywide taxable valuation increased \$161,623,205 and the rural taxable valuation increased \$42,624,950 over the respective fiscal year 2014 valuations. The fiscal year 2016 budget includes a 0.4% increase in receipts from the fiscal year 2015 budget, along with an increase in disbursements of 3.8%. The increase in receipts is due to an increase in property tax. The increase in disbursements is primarily due to an increase in capital projects. Re-estimated ending fund balances were anticipated to be 30.12% of disbursements at the end of fiscal year 2015 and approximately 31.26% of disbursements by the close of fiscal year 2016.

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

Story County

Exhibit A

Story County
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 12,900,350
Receivables:	
Property tax:	
Delinquent	31,724
Succeeding year	23,727,000
Succeeding year tax increment financing	806,000
Interest and penalty on property tax	75,034
Accounts	17,542
Accrued interest	37,959
Drainage assessments	119,231
Due from other governments	1,670,190
Inventories	480,495
Prepaid expenses	123,824
Capital assets, net of accumulated depreciation/amortization	66,197,549
Assets in excess of net OPEB obligation	1,516
Total assets	<u>106,188,414</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>2,048,953</u>
Liabilities	
Accounts payable	1,143,468
Accrued interest payable	12,273
Salaries and benefits payable	815,896
Due to other governments	291,820
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	735,000
Urban renewal revenue bonds	300,000
Capital lease purchase agreement	204,459
Compensated absences	685,366
Portion due or payable after one year:	
General obligation bonds	2,395,000
Urban renewal revenue bonds	1,995,000
Capital lease purchase agreement	1,639,037
Drainage warrants	108,783
Net pension liability	7,571,183
Total liabilities	<u>17,897,285</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	23,727,000
Unavailable tax increment financing revenue	806,000
Pension related deferred inflows	4,850,745
Total deferred inflows of resources	<u>29,383,745</u>
Net Position	
Net investment in capital assets	58,929,053
Restricted for:	
Supplemental levy purposes	798,581
Mental health purposes	630,724
Community betterment	211,835
Rural services purposes	497,001
Secondary roads purposes	3,954,313
Conservation purposes	852,994
Debt service	137,618
Capital projects	98,531
Drainage warrants	177,711
Other purposes	599,402
Unrestricted	(5,931,426)
Total net position	<u>\$ 60,956,337</u>

See notes to financial statements.

Story County

Statement of Activities

Year ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 10,356,524	1,072,235	494,321	-	(8,789,968)
Physical health and social services	2,294,913	54,204	590,504	-	(1,650,205)
Mental health	8,607,976	326,035	2,350,210	-	(5,931,731)
County environment and education	3,623,562	340,478	607,121	-	(2,675,963)
Roads and transportation	8,024,503	119,227	4,132,493	899,367	(2,873,416)
Governmental services to residents	1,094,784	1,120,494	569	-	26,279
Administration	4,688,410	39,738	-	-	(4,648,672)
Interest on long-term debt	186,066	-	1,612	-	(184,454)
Total	\$ 38,876,738	3,072,411	8,176,830	899,367	(26,728,130)
General Revenues:					
Property and other county tax levied for:					
General purposes					21,292,478
Debt service					775,549
Tax increment financing					612,399
Penalty and interest on property tax					103,978
State tax credits					1,136,885
Local option sales tax					2,288,611
Unrestricted investment earnings					221,007
Gain on disposition of capital assets					40,714
Miscellaneous					431,996
Total general revenues					26,903,617
Change in net position					175,487
Net position beginning of year, as restated					60,780,850
Net position end of year					\$ 60,956,337

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 6,397,533	696,940	569,509	3,491,118
Receivables:				
Property tax:				
Delinquent	21,016	3,483	6,354	-
Succeeding year	17,478,000	2,917,000	2,567,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	75,034	-	-	-
Accounts	12,453	572	2,891	399
Accrued interest	37,528	-	-	-
Drainage assessments	-	-	-	-
Advances to other funds	85,641	-	-	-
Due from other funds	-	-	-	-
Due from other governments	486,258	68,809	352,260	762,863
Inventories	-	-	-	480,495
Prepaid expenditures	120,486	976	458	1,904
Total assets	\$ 24,713,949	3,687,780	3,498,472	4,736,779
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 542,949	54,730	5,487	521,378
Salaries and benefits payable	585,380	3,433	103,101	123,982
Due to other funds	100,000	-	-	-
Due to other governments	119,710	66,422	8,275	6,265
Advances from other funds	-	-	-	-
Total liabilities	1,348,039	124,585	116,863	651,625
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	17,478,000	2,917,000	2,567,000	-
Succeeding year tax increment financing	-	-	-	-
Other	127,890	3,483	6,354	127,132
Total deferred inflows of resources	17,605,890	2,920,483	2,573,354	127,132
Fund balances:				
Nonspendable:				
Inventories	-	-	-	480,495
Prepaid expenditures	120,486	976	458	1,904
Advances to other funds	85,641	-	-	-
Restricted for:				
Supplemental levy purposes	856,018	-	-	-
Mental health purposes	-	641,736	-	-
Community betterment	-	-	211,835	-
Rural services purposes	-	-	595,962	-
Secondary roads purposes	-	-	-	3,475,623
Conservation purposes	216,015	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Drainage warrants	-	-	-	-
Friends of Animals	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Capital improvement projects	98,584	-	-	-
McFarland energy efficiency	50,000	-	-	-
County attorney fine collection	188,161	-	-	-
Jail commissiary	126,571	-	-	-
Other purposes	73,915	-	-	-
Unassigned	3,944,629	-	-	-
Total fund balances	5,760,020	642,712	808,255	3,958,022
Total liabilities, deferred inflows of resources and fund balances	\$ 24,713,949	3,687,780	3,498,472	4,736,779

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
50,165	2,191	1,692,894	12,900,350
871	-	-	31,724
765,000	-	-	23,727,000
-	-	806,000	806,000
-	-	-	75,034
-	-	1,227	17,542
18	-	413	37,959
-	-	119,231	119,231
-	-	-	85,641
-	100,000	-	100,000
-	-	-	1,670,190
-	-	-	480,495
-	-	-	123,824
816,054	102,191	2,619,765	40,174,990
-	3,660	15,264	1,143,468
-	-	-	815,896
-	-	-	100,000
-	-	91,148	291,820
-	-	85,641	85,641
-	3,660	192,053	2,436,825
765,000	-	-	23,727,000
-	-	806,000	806,000
871	-	119,231	384,961
765,871	-	925,231	24,917,961
-	-	-	480,495
-	-	-	123,824
-	-	-	85,641
-	-	-	856,018
-	-	-	641,736
-	-	-	211,835
-	-	-	595,962
-	-	-	3,475,623
-	-	636,979	852,994
50,183	-	98,837	149,020
-	98,531	-	98,531
-	-	167,263	167,263
-	-	418,063	418,063
-	-	181,339	181,339
-	-	-	98,584
-	-	-	50,000
-	-	-	188,161
-	-	-	126,571
-	-	-	73,915
-	-	-	3,944,629
50,183	98,531	1,502,481	12,820,204
816,054	102,191	2,619,765	40,174,990

Story County

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

June 30, 2015

Total governmental fund balances (page 21)		\$ 12,820,204
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$106,993,611 and the accumulated depreciation/amortization is \$40,796,062.		66,197,549
The net OPEB assets are not an available resource and, therefore, are not reported in the funds.		1,516
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.		384,961
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 2,048,953	
Deferred inflows of resources	<u>(4,850,745)</u>	(2,801,792)
Long-term liabilities, including general obligation bonds payable, urban renewal revenue bonds payable, capital lease purchase agreement payable, drainage warrants payable, compensated absences payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(15,646,101)</u>
Net position of governmental activities (page 18)		<u><u>\$ 60,956,337</u></u>

See notes to financial statements.

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

Year ended June 30, 2015

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 15,825,789	2,964,431	2,503,543	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	2,288,611	-
Interest and penalty on property tax	102,467	-	-	-
Intergovernmental	4,601,634	498,596	605,693	4,070,427
Licenses and permits	19,850	-	21,098	13,035
Charges for service	1,808,241	2,582	27,083	7,519
Use of money and property	274,738	-	-	-
Miscellaneous	420,270	708	5,285	99,293
Total revenues	<u>23,052,989</u>	<u>3,466,317</u>	<u>5,451,313</u>	<u>4,190,274</u>
Expenditures:				
Operating:				
Public safety and legal services	8,652,232	-	1,789,035	-
Physical health and social services	2,305,902	-	14,440	-
Mental health	3,442,998	5,232,132	-	-
County environment and education	1,946,713	-	1,227,276	-
Roads and transportation	-	-	309,582	5,652,876
Governmental services to residents	1,062,967	-	1,677	-
Administration	4,731,940	-	-	-
Debt service	-	-	-	-
Capital projects	370,924	-	-	967,908
Total expenditures	<u>22,513,676</u>	<u>5,232,132</u>	<u>3,342,010</u>	<u>6,620,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>539,313</u>	<u>(1,765,815)</u>	<u>2,109,303</u>	<u>(2,430,510)</u>
Other financing sources (uses):				
Sale of capital assets	101,997	3,498	-	4,400
Drainage warrants issued	-	-	-	-
Transfers in	-	-	-	2,400,000
Transfers out	(650,000)	-	(1,850,000)	-
Total other financing sources (uses)	<u>(548,003)</u>	<u>3,498</u>	<u>(1,850,000)</u>	<u>2,404,400</u>
Change in fund balances	(8,690)	(1,762,317)	259,303	(26,110)
Fund balances beginning of year	5,768,710	2,405,029	548,952	3,984,132
Fund balances end of year	<u>\$ 5,760,020</u>	<u>642,712</u>	<u>808,255</u>	<u>3,958,022</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
775,648	-	-	22,069,411
-	-	612,399	612,399
-	-	-	2,288,611
-	-	-	102,467
39,404	-	75,187	9,890,941
-	-	-	53,983
-	-	21,308	1,866,733
1,612	-	5,046	281,396
-	-	312,150	837,706
816,664	-	1,026,090	38,003,647
-	-	28,170	10,469,437
-	-	-	2,320,342
-	-	-	8,675,130
-	-	400,723	3,574,712
-	-	-	5,962,458
-	-	32,488	1,097,132
-	-	-	4,731,940
833,927	-	383,859	1,217,786
-	931,301	70,084	2,340,217
833,927	931,301	915,324	40,389,154
(17,263)	(931,301)	110,766	(2,385,507)
-	-	-	109,895
-	-	28,784	28,784
-	116,147	-	2,516,147
-	-	(16,147)	(2,516,147)
-	116,147	12,637	138,679
(17,263)	(815,154)	123,403	(2,246,828)
67,446	913,685	1,379,078	15,067,032
50,183	98,531	1,502,481	12,820,204

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, 2015

Change in fund balances - Total governmental funds (page 25) \$ (2,246,828)

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

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

Expenditures for capital assets	\$ 3,064,331	
Capital assets contributed by the Iowa Department of Transportation	899,367	
Depreciation/amortization expense	<u>(3,926,311)</u>	37,387

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. (69,181)

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	(1,384)	
Other	<u>109,881</u>	108,497

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

Issued	(28,784)	
Repaid	<u>1,228,112</u>	1,199,328

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 1,599,837

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	91,516	
Other postemployment benefits	(899)	
Pension expense	(546,300)	
Interest on long-term debt	<u>2,130</u>	<u>(453,553)</u>

Change in net position of governmental activities (page 19) \$ 175,487

See notes to financial statements.

Story County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

Assets

Cash and pooled investments:	
County Treasurer	\$ 4,364,649
Other County officials	265,011
Employee health insurance plan	6,909
Receivables:	
Property tax:	
Delinquent	114,392
Succeeding year	102,621,000
Accounts	60,218
Accrued interest	257
Assessments	983,671
Due from other governments	370,491
Prepaid expenses	17,870
Total assets	108,804,468

Liabilities

Accounts payable	85,287
Salaries and benefits payable	61,270
Due to other governments	107,787,640
Trusts payable	677,801
Stamped warrants payable	84,285
Compensated absences	108,185
Total liabilities	108,804,468

Net position	\$ -
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See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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, 2015, the County had the following investments:

Investment	Fair Value	Maturity
Federal Home Loan Bank (FHLB)	\$ 328,327	5/16/2018
Federal Home Loan Bank (FHLB)	348,708	6/6/2018
Federal Home Loan Bank (FHLB)	500,345	1/22/2019
Federal Farm Credit Bank (FFCB)	513,424	3/7/2019
Federal Farm Credit Bank (FFCB)	500,795	12/16/2019
Federal Farm Credit Bank (FFCB)	499,070	3/3/2020
Federal National Mortgage Association (FNMA)	324,877	10/16/2017
Total	<u>\$ 3,015,546</u>	

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,976 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and stamped drainage warrants of \$80,175.

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, 2015 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 Farm Credit Bank (42.0%), Federal Home Loan Bank (32.7%) and the Federal National Mortgage Association (9.1%).

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 550,000
	Special Revenue:	
	Rural Services	1,850,000
		<u>2,400,000</u>
Capital Projects	General	100,000
	Special Revenue:	
	Tax Increment Financing	16,147
		<u>116,147</u>
Total		<u>\$ 2,516,147</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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing	\$ 85,641

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, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 4,957,882	-	-	4,957,882
Intangibles, road network	117,327	-	-	117,327
Intangibles in progress, other	-	-	-	-
Construction in progress, road network	542,752	1,687,624	(1,154,992)	1,075,384
Construction in progress, other	1,888,791	1,296,134	-	3,184,925
Total capital assets not being depreciated/amortized	7,506,752	2,983,758	(1,154,992)	9,335,518
Capital assets being depreciated/amortized:				
Buildings	27,287,445	-	-	27,287,445
Improvements other than buildings	468,603	22,736	-	491,339
Equipment and vehicles	13,094,382	992,359	(1,354,517)	12,732,224
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	51,866,663	1,154,992	-	53,021,655
Infrastructure, other	3,965,778	-	-	3,965,778
Total capital assets being depreciated/amortized	96,842,523	2,170,087	(1,354,517)	97,658,093
Less accumulated depreciation/amortization for:				
Buildings	8,741,007	587,316	-	9,328,323
Improvements other than buildings	127,515	23,104	-	150,619
Equipment and vehicles	6,210,943	1,153,214	(1,250,181)	6,113,976
Intangibles, other	63,860	31,931	-	95,791
Infrastructure, road network	22,276,086	2,034,919	-	24,311,005
Infrastructure, other	700,521	95,827	-	796,348
Total accumulated depreciation/amortization	38,119,932	3,926,311	(1,250,181)	40,796,062
Total capital assets being depreciated/amortized, net	58,722,591	(1,756,224)	(104,336)	56,862,031
Governmental activities capital assets, net	\$ 66,229,343	1,227,534	(1,259,328)	66,197,549

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 501,730
Physical health and social services	2,090
Mental health	195,317
County environment and education	166,535
Roads and transportation	2,629,592
Governmental services to residents	30,641
Administration	400,406
Total depreciation/amortization expense - governmental activities	<u>\$3,926,311</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, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 119,710
Special Revenue:		
Mental Health	Services	66,422
Rural Services	Services	8,275
Secondary Roads	Services	6,265
Special Law Enforcement	Services	1,467
Tax Increment Financing	Services	88,995
Friends of Conservation	Services	686
		<u>172,110</u>
Total for governmental funds		<u>\$ 291,820</u>
Agency:		
County Offices	Collections	\$ 82,409
Agricultural Extension Education		315,295
County Assessor		982,506
City Assessor		1,175,623
Schools		57,846,867
Community Colleges		2,524,426
Corporations		38,003,529
Townships		553,800
City Special Assessments		904,564
Auto License and Use Tax		1,788,775
All other		3,609,846
Total for agency funds		<u>\$ 107,787,640</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	General Obligation Bonds	Urban Renewal Bonds	Capital Lease Purchase Agreement	Drainage Warrants	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balances beginning of year, as restated	\$ 3,840,000	2,585,000	2,042,018	109,589	776,882	13,034,254	(2,415)	22,385,328
Increases	-	-	-	28,784	850,427	-	46,112	925,323
Decreases	710,000	290,000	198,522	29,590	941,943	5,463,071	45,213	7,678,339
Balances end of year	<u>\$ 3,130,000</u>	<u>2,295,000</u>	<u>1,843,496</u>	<u>108,783</u>	<u>685,366</u>	<u>7,571,183</u>	<u>(1,516)</u>	<u>15,632,312</u>
Due within one year	\$ 735,000	300,000	204,459	-	685,366	-	-	1,924,825

General Obligation Bonds

A summary of the County's June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Road Improvements Issued Jun 1, 2008			Road Improvements Issued Nov 1, 2009		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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		\$ 875,000	83,706		\$ 2,255,000	183,706

Year Ending June 30,	Total		
	Principal	Interest	Total
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	3,130,000	267,412	3,397,412

During the year ended June 30, 2015, the County retired \$710,000 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 Country Club Road and 590th Avenue. The bonds bear interest at 1.95% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$2,479,177, payable through June 2022. For the current year, principal and interest paid and total TIF revenues were \$340,407 and \$612,399, respectively.

A summary of the County's June 30, 2015 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
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	1.95	335,000	20,280	355,280
2021-2022	1.95	705,000	20,767	725,767
Total		\$2,295,000	184,177	2,479,177

During the year ended June 30, 2015, the County retired \$290,000 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, 2015:

Year Ending June 30,	Amount
2016	\$ 259,583
2017	259,583
2018	259,583
2019	1,241,600
Total minimum lease payments	2,020,349
Less amount representing interest	(176,853)
Present value of net minimum lease payments	<u>\$ 1,843,496</u>

Payments under the capital lease purchase agreement totaled \$259,583 for the year ended June 30, 2015.

Drainage Warrants Payable

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

(8) Pension Plan

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

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

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

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

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff and deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.7%. Protection occupation members contributed 6.76% of covered payroll and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$1,599,837.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$7,571,183 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.190907%, which was a decrease of 0.036104% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$546,300. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,176	126,509
Changes of assumptions	358,061	104,012
Net difference between projected and actual earnings on pension plan investments	-	4,297,680
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	2,879	322,544
County contributions subsequent to the measurement date	1,599,837	-
Total	<u>\$ 2,048,953</u>	<u>4,850,745</u>

\$1,599,837 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (1,098,707)
2017	(1,098,707)
2018	(1,098,707)
2019	(1,098,707)
2020	(6,801)
Total	<u>\$ (4,401,629)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):	\$ 17,360,568	\$7,571,183	\$ (683,733)

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

Payables to IPERS - At June 30, 2015, the County had no payables to IPERS for legally required County contributions and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer benefit plan which provides health benefits for employees and retirees. There are 36 active and 9 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, 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	(97)
Adjustment to annual required contribution	<u>252</u>
Annual OPEB cost	46,112
Contributions made	<u>(45,213)</u>
Increase in net OPEB obligation	899
Net OPEB asset beginning of year	<u>(2,415)</u>
Net OPEB asset end of year	<u><u>\$ (1,516)</u></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, 2015.

For the year ended June 30, 2015, the County contributed \$45,213 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)
2013	\$ 24,230	132.4%	\$ (7,399)
2014	46,464	89.3	(2,415)
2015	46,112	98.1	(1,516)

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$16,183,000 and the ratio of the UAAL to covered payroll was 1.95%. As of June 30, 2015, 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.

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, 2015 were \$321,210.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, 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.

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

(12) Early Childhood Iowa Area Board

Story County is the fiscal agent for BooST Together for Children (Early Childhood Iowa Area Board consisting of Story County and Boone County), an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the other Agency Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2015 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 123,448	-	123,448
Family support and parent education	-	323,130	323,130
Preschool support for low-income families	-	141,877	141,877
Quality improvement	-	57,255	57,255
Allocation for administration	6,497	17,218	23,715
Other grant programs	-	35,106	35,106
Total state grants	129,945	574,586	704,531
Interest on investments	153	546	699
Total revenues	130,098	575,132	705,230
Expenditures:			
Program services:			
Early childhood	117,868	-	117,868
Family support and parent education	-	325,512	325,512
Preschool support for low income families	-	133,902	133,902
Quality improvement	-	55,250	55,250
Other program services	-	37,353	37,353
Total program services	117,868	552,017	669,885
Administration	6,535	17,966	24,501
Total expenditures	124,403	569,983	694,386
Change in fund balance	5,695	5,149	10,844
Fund balance beginning of year	6,870	38,404	45,274
Fund balance end of year	\$ 12,565	43,553	56,118

(13) Commitments

The County entered into the following contracts: \$321,554 for the construction of several culverts, \$402,869 for phase 1 of the Hickory Grove Watershed Improvements project and \$520,398 for the purchase of election systems equipment, including training and technical support services. As of June 30, 2015, no costs have been incurred on the contracts.

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

Central Iowa Community Services (CICS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 17, 2013, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County and Warren County. The financial activity of Story County's Special Revenue, Mental Health Fund is included in the CICS Mental Health Region for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax		\$ 2,964,431
Intergovernmental:		
State tax credits	\$ 152,413	
Mental health and disability services transition	-	
Social services block grant	277,801	
Medicaid	39,225	
Other	29,157	498,596
Charges for service		2,582
Miscellaneous		4,206
Total revenues		<u>3,469,815</u>
Expenditures:		
Services to persons with:		
Mental illness	764,749	
Intellectual disabilities	234,914	999,663
General administration:		
Direct administration	147,252	
Distribution to regional fiscal agent	3,677,801	3,825,053
County provided case management		208,194
County provided services		199,222
Total expenditures		<u>5,232,132</u>
Excess of expenditures over revenues		(1,762,317)
Fund balance beginning of year		<u>2,405,029</u>
Fund balance end of year		<u>\$ 642,712</u>

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 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, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental</u> <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 72,207,362
Net pension liability at June 30, 2014	(13,034,254)
Deferred outflows of resources	
related to prior year contributions made after	
the June 30, 2013 measurement date	<u>1,607,742</u>
Net position July 1, 2014, as restated	<u>\$ 60,780,850</u>

Required Supplementary Information

Story County

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

Required Supplementary Information

Year ended June 30, 2015

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 24,926,836	-	24,926,836
Interest and penalty on property tax	102,467	-	102,467
Intergovernmental	9,630,713	-	9,630,713
Licenses and permits	54,049	-	54,049
Charges for service	1,890,568	-	1,890,568
Use of money and property	272,379	-	272,379
Miscellaneous	837,945	108,325	729,620
Total receipts	<u>37,714,957</u>	<u>108,325</u>	<u>37,606,632</u>
Disbursements:			
Public safety and legal services	10,443,921	-	10,443,921
Physical health and social services	2,238,842	-	2,238,842
Mental health	8,848,300	-	8,848,300
County environment and education	3,619,702	122,285	3,497,417
Roads and transportation	5,553,426	-	5,553,426
Governmental services to residents	1,091,939	-	1,091,939
Administration	4,681,531	-	4,681,531
Debt service	1,206,746	32,410	1,174,336
Capital projects	2,329,624	-	2,329,624
Total disbursements	<u>40,014,031</u>	<u>154,695</u>	<u>39,859,336</u>
Excess (deficiency) of receipts over (under) disbursements	(2,299,074)	(46,370)	(2,252,704)
Other financing sources, net	142,444	28,784	113,660
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,156,630)	(17,586)	(2,139,044)
Balance beginning of year	15,056,980	184,849	14,872,131
Balance end of year	<u>\$ 12,900,350</u>	<u>167,263</u>	<u>12,733,087</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
22,061,189	25,218,697	(291,861)
2,792,364	53,000	49,467
11,863,561	10,879,891	(1,249,178)
55,730	55,730	(1,681)
2,014,760	2,089,160	(198,592)
207,805	238,105	34,274
658,635	735,551	(5,931)
<u>39,654,044</u>	<u>39,270,134</u>	<u>(1,663,502)</u>
10,486,069	10,759,024	315,103
2,368,133	2,525,551	286,709
6,676,472	9,736,022	887,722
3,488,012	3,835,214	337,797
5,771,200	5,866,200	312,774
1,353,957	1,352,457	260,518
4,959,320	5,248,295	566,764
1,228,349	1,228,349	54,013
1,948,949	3,349,646	1,020,022
<u>38,280,461</u>	<u>43,900,758</u>	<u>4,041,422</u>
1,373,583	(4,630,624)	2,377,920
62,012	6,400	107,260
1,435,595	(4,624,224)	2,485,180
<u>11,564,463</u>	<u>14,696,121</u>	<u>176,010</u>
<u>13,000,058</u>	<u>10,071,897</u>	<u>2,661,190</u>

Story County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 37,714,957	288,690	38,003,647
Expenditures	40,014,031	375,123	40,389,154
Net	(2,299,074)	(86,433)	(2,385,507)
Other financing sources, net	142,444	(3,765)	138,679
Beginning fund balances	15,056,980	10,052	15,067,032
Ending fund balances	<u>\$ 12,900,350</u>	<u>(80,146)</u>	<u>12,820,204</u>

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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 \$5,620,297. 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, 2015, disbursements did not exceed the amounts budgeted.

Story County

Story County

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.190907%
County's collective proportionate share of the net pension liability (asset)	\$ 7,571
County's covered-employee payroll	\$ 17,542
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	43.16%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Story County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 1,600	1,608	1,567	1,479
Contributions in relation to the statutorily required contribution	<u>(1,600)</u>	<u>(1,608)</u>	<u>(1,567)</u>	<u>(1,479)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 17,396	17,542	17,423	17,439
Contributions as a percentage of covered-employee payroll	9.20%	9.17%	8.99%	8.48%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,281	1,182	1,120	1,018	959	948
<u>(1,281)</u>	<u>(1,182)</u>	<u>(1,120)</u>	<u>(1,018)</u>	<u>(959)</u>	<u>(948)</u>
-	-	-	-	-	-
17,076	16,848	16,725	16,189	15,661	15,492
7.50%	7.02%	6.70%	6.29%	6.12%	6.12%

Story County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Story County

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

Required Supplementary Information

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

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, 2015

	County Recorder's Records Management	Drainage Districts	Employee Wellness
Assets			
Cash, cash equivalents and pooled investments	\$ 127,254	167,263	12,045
Receivables:			
Succeeding year tax increment financing	-	-	-
Accounts	-	-	-
Accrued interest	44	-	-
Drainage assessments	-	119,231	-
Total assets	\$ 127,298	286,494	12,045
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	-	119,231	-
Total deferred inflows of resources	-	119,231	-
Fund balances:			
Restricted for:			
Conservation purposes	-	-	-
Drainage purposes	-	167,263	-
Friends of Animals	-	-	-
Debt service	-	-	-
Other purposes	127,263	-	12,045
Unassigned	-	-	-
Total fund balances	127,263	167,263	12,045
Total liabilities, deferred inflows of resources and fund balances	\$ 127,298	286,494	12,045

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
5,103	15,260	273,473	419,677	644,835	27,984	1,692,894
-	-	806,000	-	-	-	806,000
-	465	-	762	-	-	1,227
2	-	-	145	222	-	413
-	-	-	-	-	-	119,231
5,105	15,725	1,079,473	420,584	645,057	27,984	2,619,765
-	211	-	2,521	12,497	-	15,264
-	1,467	88,995	-	686	-	91,148
-	-	85,641	-	-	-	85,641
-	1,678	174,636	2,521	13,183	-	192,053
-	-	806,000	-	-	-	806,000
-	-	-	-	-	-	119,231
-	-	806,000	-	-	-	925,231
5,105	-	-	-	631,874	-	636,979
-	-	-	-	-	-	167,263
-	-	-	418,063	-	-	418,063
-	-	98,837	-	-	-	98,837
-	14,047	-	-	-	27,984	181,339
-	-	-	-	-	-	-
5,105	14,047	98,837	418,063	631,874	27,984	1,502,481
5,105	15,725	1,079,473	420,584	645,057	27,984	2,619,765

Story County

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

Year ended June 30, 2015

	County		
	Recorder's Records Management	Drainage Districts	Employee Wellness
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	12,131	-	-
Use of money and property	569	-	-
Miscellaneous	-	108,325	2,725
Total revenues	12,700	108,325	2,725
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	122,285	-
Governmental services to residents	32,488	-	-
Debt service	-	32,410	-
Capital projects	-	-	-
Total expenditures	32,488	154,695	-
Excess (deficiency) of revenues over (under) expenditures	(19,788)	(46,370)	2,725
Other financing sources (uses):			
Drainage warrants issued	-	28,784	-
Transfers out	-	-	-
Total other financing sources (uses)	-	28,784	-
Change in fund balances	(19,788)	(17,586)	2,725
Fund balances beginning of year	147,051	184,849	9,320
Fund balances end of year	\$ 127,263	167,263	12,045

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
-	-	612,399	-	-	-	-	612,399
37,503	-	6,964	-	30,720	-	-	75,187
-	-	-	-	-	9,177	-	21,308
314	-	-	1,754	2,409	-	-	5,046
-	10,183	-	20,370	170,547	-	-	312,150
37,817	10,183	619,363	22,124	203,676	9,177	-	1,026,090
-	12,366	-	-	-	15,804	-	28,170
72,891	-	104,170	21,765	79,612	-	-	400,723
-	-	-	-	-	-	-	32,488
-	-	351,449	-	-	-	-	383,859
70,084	-	-	-	-	-	-	70,084
142,975	12,366	455,619	21,765	79,612	15,804	-	915,324
(105,158)	(2,183)	163,744	359	124,064	(6,627)	-	110,766
-	-	-	-	-	-	-	28,784
-	-	(16,147)	-	-	-	-	(16,147)
-	-	(16,147)	-	-	-	-	12,637
(105,158)	(2,183)	147,597	359	124,064	(6,627)	-	123,403
110,263	16,230	(48,760)	417,704	507,810	34,611	-	1,379,078
5,105	14,047	98,837	418,063	631,874	27,984	-	1,502,481

Story County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	920	330,116	351,558	189,439
Other County officials	265,011	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	375	2,017	231	75,428
Succeeding year	-	314,000	716,000	891,000	57,582,000
Accounts	166	-	69	10	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expense	-	-	17,370	-	-
Total assets	\$ 265,177	315,295	1,065,572	1,242,799	57,846,867
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	3,120	829	-
Salaries and benefits payable	-	-	26,976	21,756	-
Due to other governments	82,409	315,295	982,506	1,175,623	57,846,867
Trusts payable	182,768	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Compensated absences	-	-	52,970	44,591	-
Total liabilities	\$ 265,177	315,295	1,065,572	1,242,799	57,846,867

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
7,428	85,931	4,643	6,475	1,788,775	1,599,364	4,364,649
-	-	-	-	-	-	265,011
-	-	-	-	-	6,909	6,909
2,998	29,598	1,157	-	-	2,588	114,392
2,514,000	37,888,000	548,000	-	-	2,168,000	102,621,000
-	-	-	-	-	59,973	60,218
-	-	-	-	-	257	257
-	-	-	898,089	-	85,582	983,671
-	-	-	-	-	370,491	370,491
-	-	-	-	-	500	17,870
2,524,426	38,003,529	553,800	904,564	1,788,775	4,293,664	108,804,468
-	-	-	-	-	81,338	85,287
-	-	-	-	-	12,538	61,270
2,524,426	38,003,529	553,800	904,564	1,788,775	3,609,846	107,787,640
-	-	-	-	-	495,033	677,801
-	-	-	-	-	84,285	84,285
-	-	-	-	-	10,624	108,185
2,524,426	38,003,529	553,800	904,564	1,788,775	4,293,664	108,804,468

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

Year ended June 30, 2015

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Balances beginning of year	\$ 193,977	294,498	969,336	1,161,228	56,274,975
Additions:					
Property and other county tax	-	316,299	731,312	890,870	58,120,243
E911 surcharge	-	-	-	-	-
State tax credits	-	15,183	42,397	35,770	2,904,711
Office fees and collections	1,464,971	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,547,066	-	-	-	-
Miscellaneous	-	-	654	10	-
Total additions	3,012,037	331,482	774,363	926,650	61,024,954
Deductions:					
Agency remittances:					
To other funds	668,142	-	-	-	-
To other governments	787,801	310,685	678,127	845,079	59,453,062
Trusts paid out	1,484,894	-	-	-	-
Total deductions	2,940,837	310,685	678,127	845,079	59,453,062
Balances end of year	\$ 265,177	315,295	1,065,572	1,242,799	57,846,867

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
2,376,802	37,130,787	540,012	904,263	1,755,923	3,463,838	105,065,639
2,534,213	38,059,766	563,224	-	-	2,185,562	103,401,489
-	-	-	-	-	429,251	429,251
122,514	1,889,617	28,811	-	-	108,574	5,147,577
-	-	-	-	-	-	1,464,971
-	-	-	-	21,295,959	-	21,295,959
-	-	-	193,885	-	113,745	307,630
-	-	-	-	-	1,612,638	3,159,704
-	-	-	-	-	2,568,922	2,569,586
2,656,727	39,949,383	592,035	193,885	21,295,959	7,018,692	137,776,167
-	-	-	-	650,372	28,213	1,346,727
2,509,103	39,076,641	578,247	193,584	20,612,735	4,729,425	129,774,489
-	-	-	-	-	1,515,513	3,000,407
2,509,103	39,076,641	578,247	193,584	21,263,107	6,273,151	134,121,623
2,524,426	38,003,529	553,800	904,564	1,788,775	4,209,379	108,720,183

Story County

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

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 22,069,411	22,482,441	21,496,628	20,619,095
Tax increment financing	612,399	365,330	362,423	-
Local option sales tax	2,288,611	1,902,738	1,904,668	1,999,138
Interest and penalty on property tax	102,467	129,030	147,639	147,590
Intergovernmental	9,890,941	10,336,171	8,914,618	13,631,149
Licenses and permits	53,983	74,279	57,750	61,189
Charges for service	1,866,733	1,842,687	1,922,434	1,789,521
Use of money and property	281,396	196,536	203,785	186,344
Miscellaneous	837,706	1,289,612	1,206,655	794,250
Total	\$ 38,003,647	38,618,824	36,216,600	39,228,276
Expenditures:				
Operating:				
Public safety and legal services	\$ 10,469,437	10,048,320	9,799,170	9,584,996
Physical health and social services	2,320,342	2,307,098	2,139,504	2,056,066
Mental health	8,675,130	5,689,991	5,961,907	11,504,064
County environment and education	3,574,712	3,158,021	2,742,873	2,940,513
Roads and transportation	5,962,458	7,831,510	5,266,727	5,270,080
Governmental services to residents	1,097,132	1,058,190	1,253,493	1,099,246
Administration	4,731,940	4,523,424	4,482,138	4,273,727
Debt service	1,217,786	2,285,812	2,548,320	2,034,472
Capital projects	2,340,217	2,405,660	1,124,660	1,916,305
Total	\$ 40,389,154	39,308,026	35,318,792	40,679,469

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
20,385,161	19,827,742	18,144,717	17,419,098	17,204,958	16,619,561
-	-	-	-	-	-
1,912,716	1,880,706	1,973,998	1,862,831	1,893,254	1,678,208
156,670	171,597	167,380	143,170	175,492	165,595
14,213,647	10,582,865	10,924,361	11,994,475	9,123,604	10,627,342
36,492	78,378	40,457	216,849	38,146	35,570
1,781,908	1,717,960	1,672,853	1,614,316	1,733,658	1,740,150
231,474	356,214	568,872	1,012,820	958,174	643,740
588,415	387,799	839,484	378,606	347,969	614,733
39,306,483	35,003,261	34,332,122	34,642,165	31,475,255	32,124,899
9,229,314	8,711,395	8,878,577	8,486,198	8,133,511	7,619,168
2,120,685	2,375,638	1,951,645	1,828,267	1,723,515	1,831,092
11,360,978	8,717,522	8,915,724	8,951,224	8,382,751	7,899,548
2,688,040	2,741,709	2,711,564	2,421,393	2,347,314	2,393,141
5,175,040	5,140,126	5,127,571	4,798,021	4,071,732	4,145,529
1,106,071	1,067,829	1,295,172	1,064,921	1,057,778	1,223,635
4,374,058	4,105,549	4,198,036	4,173,517	4,129,527	4,043,982
1,922,532	2,211,738	1,308,990	1,204,688	1,200,123	1,203,342
4,711,482	2,238,276	2,900,504	506,700	1,004,179	1,521,996
42,688,200	37,309,782	37,287,783	33,434,929	32,050,430	31,881,433

Story County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

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		\$ 418
Outdoor Recreation_Acquisition, Development and Planning	15.916	19-01296	175,000
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606	2014-AP-BX-0159	8,438
Bulletproof Vest Partnership Program	16.607		2,960
Total direct			<u>186,816</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>47,990</u>
U.S. Department of Defense:			
Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>3,012</u>
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	08-DRIFWP-207	<u>71,177</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-15-70-CJ	<u>21,996</u>
Governor's Office on Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-JAG-78044	44,640
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-JAG-79107	<u>18,000</u>
			<u>62,640</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C085(118)--8J-85	315,923
Highway Planning and Construction	20.205	BROS-C085(123)--8J-85	<u>102,324</u>
			<u>418,247</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 14-402-MOPT, Task 22	1,511
State and Community Highway Safety	20.600	PAP 15-402-MOAL, Task 10	<u>10,078</u>
			<u>11,589</u>

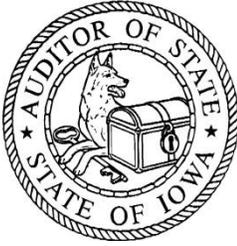
Story County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT77	148,100
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566		107
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		12,380
Foster Care_Title IV-E	93.658		18,378
Adoption Assistance	93.659		5,802
Social Services Block Grant	93.667		14,775
Children's Health Insurance Program	93.767		294
Medical Assistance Program	93.778		90,338
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	85,751
Emergency Management Performance Grants	97.042	EMPG-15-PT-85	39,000
Homeland Security Grant Program	97.067	HSGP-13-SHSP-62	5,853
Total indirect			1,057,429
Total			<u>\$ 1,244,245</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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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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, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 23, 2016.

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-15 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-15 through II-E-15 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.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Story County's Responses to the Findings

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

Purpose of this Report

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

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

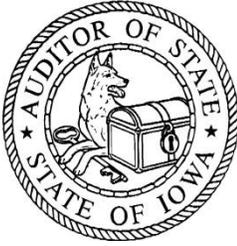

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 23, 2016

Story County

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



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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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, 2015. 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, 2015.

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

February 23, 2016

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

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 15.916 – Outdoor Recreation Acquisition, Development and Planning.
 - CFDA Number 20.205 – Highway Planning and Construction.
 - CFDA Number 93.074 – Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements.
- (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, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Financial Reporting – During the audit, we identified material amounts of receivables, payables 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, payables and capital asset additions are identified and included in the County’s financial statements.

Response – Very few items were noted and brought to our attention during the audit. The receivables and payables identified were related to bridge projects being completed by the Secondary Roads department that required numerous phone calls to the State of Iowa by the on-site Auditor to get clarification.

In addition to the capital asset spreadsheet and instructions provided by the Auditor of State, the following procedures are used. At the end of the fiscal year a report of vendors with whom we have spent more than \$5,000 is produced. This listing is then reviewed to determine if there are single purchases from these vendors that meet the \$5,000 threshold for capital asset reporting. Considerations for review also include if items purchased replace items that should be removed from the listing and, if so, what was the disposition of the replaced item – traded-in, salvaged and/or properly removed from the listing. After analyzing the vendor listing, it is then compared to the capital asset listing to ensure all transactions have been captured during the course of the fiscal year.

Conclusion – Response accepted.

II-B-15 Disaster Recovery Plan – The County has not developed a disaster recovery plan.

Recommendation – The County should develop a disaster recovery plan.

Response – The County is currently in the process of developing its Continuity of Operations/Continuity of Government (COOP/COG) Program. The Board approved the process and timeline at its June 9, 2015 meeting. Subsequently, the COOP/COG Committee met on July 22, 2015 to implement the work plan. All departments and offices provided data on critical functions and necessary resources by October 30, 2015. A draft plan is estimated to be ready for review in January-February 2016 and shall be included in the fiscal year 2017 budget work sessions. Final adoption of the plan is estimated to be in March-April of 2016.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- II-C-15 Story County Community Life Program Reconciliations – As of May 1, 2015, Story County Community Life Program services transitioned to Optima Life Services. The County maintained three accounts in providing these services, including the Client Personal Spending account, the Memorial Fund account and the Activities Fund account. The County is in the process of closing these accounts during fiscal year 2016. During fiscal year 2015, there was no evidence the accounts were reconciled with the respective book balances each month, causing variances to exist as of June 30, 2015.

Recommendation – All accounts should be reconciled with the book balances each month and should include a listing of outstanding checks.

Response – With the Community Life Program financial duties assigned to a succession of staff between December 2014 and July 2015, locating the account files took longer than expected. The location was determined after the on-site portion of the audit. Once they were located in the Community Life Program files, we found that the accounts had been reconciled. The County Auditor's Assistant forwarded these to the Office of Auditor of State and then re-reconciled the accounts to check the work performed by several individuals.

Conclusion - Response accepted.

- II-D-15 Board of Supervisors – One warrant for \$27,224 was written and held for a year.

Recommendation – Warrants should not be written and held prior to receiving goods and services since this can weaken the control the Board has over disbursements.

Response – The E911 Coordinator requested this warrant be held until a phase of work was completed. The Auditor's Office checked monthly with the E911 Coordinator regarding the status. After monthly checks occurring for one year, the warrant was ultimately cancelled and voided. The practice of issuing and holding checks is not standard.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-E-15 County Sheriff – A seized funds report is prepared by the Sheriff’s Office. Although the receipts and disbursements reported reconcile to the County’s general ledger, the balance of the fund does not agree. Additionally, while monthly bank reconciliations and daily receipt logs are maintained, there is no evidence of an independent review.

Recommendation – The seized funds report should be reconciled to the County’s general ledger, including the fund balance. Review of monthly bank reconciliations and daily receipt logs should be evidenced by the independent reviewer’s initials and date of review.

Response – A transfer is being made from the Central Iowa Drug Task Force Fund to the Seized Property Fund to rectify the fund balance. The Seized Property Fund is balanced monthly. The monthly bank reconciliation and daily receipt logs maintained are now being reviewed and initialed.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
- IV-B-15 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-15 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-15 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Michelle Good, Sheriff's Office, Husband owns Good & Quick	Fuel	\$ 116
Connie Hambly, E911 Service Board, Husband owns Hambly Heating and Cooling	Equipment repair	613

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

- IV-E-15 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-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-15 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-15 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- IV-I-15 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, 2015 for the County Extension Office did not exceed the amount budgeted.

- IV-J-15 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-15 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Story County

Staff

This audit was performed by:

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Jenny R. Lawrence, Senior Auditor
Ryan M. Barrett, Assistant Auditor
Christian E. Cottingham, Assistant Auditor
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Emma L. McGrane, Assistant Auditor
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