



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE _____ March 30, 2020 _____

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$43,980,035 for the year ended June 30, 2019, a 7.7% increase over the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$38,508,750, a 3.8% increase over the prior year.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 88 through 93 of this report. The findings address a lack of segregation of duties and material amounts of payables, prepaid expenditures, capital asset additions and corrective transfers not properly recorded in the County's financial statements. Sand provided the County with recommendations to address each of these findings.

The County Board of Supervisors and other elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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STORY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

Story County



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Rob Sand
Auditor of State

March 25, 2020

Officials of Story County
Nevada, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Story County for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

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Story County

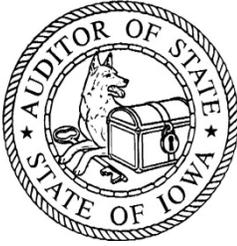
Officials

(Before January 2019)

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

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Lauris Olson	Board of Supervisors	Jan 2021
Linda Murken	Board of Supervisors	Jan 2023
Rick Sanders	Board of Supervisors	(Resigned May 2019)
Lisa Heddens (Appointed)	Board of Supervisors	Nov 2020
Lucy Martin	County Auditor	Jan 2021
Ted Rasmusson	County Treasurer	Jan 2023
Stacie Herridge	County Recorder	Jan 2023
Paul H. Fitzgerald	County Sheriff	Jan 2021
Jessica A. Reynolds	County Attorney	Jan 2023
Wayne Schwickerath	County Assessor	Jan 2022
Gregory P. Lynch	City Assessor	Jan 2021



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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, 2019, 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, 2019, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability and Related Ratios on pages 8 through 14 and 56 through 65 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.

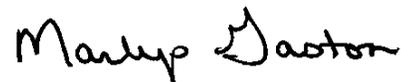
Supplementary Information

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, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2020 on our consideration of Story County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Story County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 25, 2020

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, 2019, along with comparative data for the year ended June 30, 2018. Readers are encouraged to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Story County's governmental activities' revenue increased approximately \$3,139,000 over fiscal year 2018. Property tax revenue increased approximately \$1,430,000 over fiscal year 2018, and capital grants, contributions and restricted interest increased approximately \$1,260,000 over fiscal year 2018.
- Program expenses increased approximately \$1,410,000 over fiscal year 2018. Roads and transportation expenses and administration expenses increased approximately \$614,000 and \$489,000, respectively. Nonprogram expenses increased approximately \$491,000 due primarily to the conversion of the County's health insurance and dental insurance funds from fiduciary funds to proprietary, internal service funds. County environment and education expenses decreased approximately \$568,000.
- The County's net position at June 30, 2019 increased approximately \$5,472,000 over the June 30, 2018 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and 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 which 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, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

The County's governmental activities are presented 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, non-program activities, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These 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 current financial resources measurement focus and 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) A Proprietary Fund accounts for the County’s Internal Service, Employee Group Health Insurance and Dental Self-Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County’s various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which 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 2019 totaled approximately \$83.5 million. This compares to the fiscal year 2018 balance of approximately \$78 million. The analysis that follows focuses on the changes in net position of governmental activities.

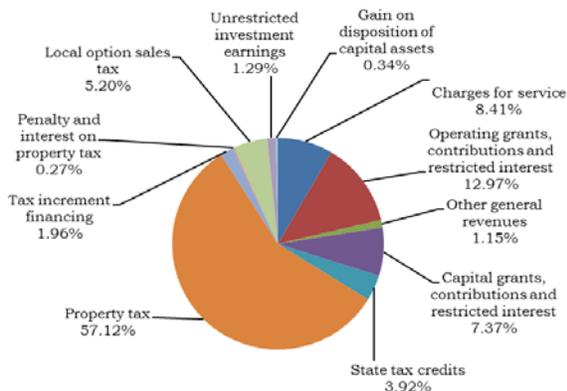
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 54,276	50,109
Capital assets	75,668	71,704
Total assets	129,944	121,813
Deferred outflows of resources	4,042	4,315
Long-term liabilities	18,333	19,204
Other liabilities	1,540	1,091
Total liabilities	19,873	20,295
Deferred inflows of resources	30,634	27,826
Net position:		
Net investment in capital assets	71,224	67,374
Restricted	10,872	11,590
Unrestricted	1,383	(957)
Total net position	\$ 83,479	78,007

Net position of Story County’s governmental activities increased approximately \$5,472,000 over the previous year. The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$957,000 at June 30, 2018 to approximately \$1,383,000 at the end of this year, an increase of 244.5%. This increase is primarily due to a decrease in pension liability of approximately \$1,358,000.

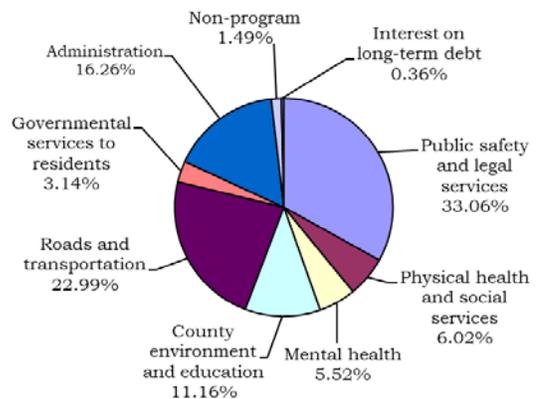
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 3,701	3,575
Operating grants, contributions and restricted interest	5,706	5,548
Capital grants, contributions and restricted interest	3,242	1,982
General revenues:		
Property tax	25,120	23,690
Tax increment financing	861	918
Penalty and interest on property tax	120	117
State tax credits	1,722	1,806
Local option sales tax	2,287	2,198
Unrestricted investment earnings	568	340
Gain on disposition of capital assets	149	51
Other general revenues	505	617
Total revenues	43,981	40,842
Program expenses:		
Public safety and legal services	12,727	12,389
Physical health and social services	2,320	2,328
Mental health	2,127	2,078
County environment and education	4,297	4,865
Roads and transportation	8,855	8,241
Governmental services to residents	1,210	1,202
Administration	6,260	5,771
Non-program	575	84
Interest on long-term debt	138	141
Total expenses	38,509	37,099
Change in net position	5,472	3,743
Net position beginning of year	78,007	74,264
Net position end of year	\$ 83,479	78,007

Revenues by Source



Expenses by Program



Revenues for governmental activities increased approximately \$3,139,000 over fiscal year 2018. Capital grants, contributions and restricted interest increased approximately \$1,260,000 due to an increase in conservation grants funding land acquisitions and capital project expenses, as well as increased assets contributed by the Iowa Department of Natural Resources, offsetting a decrease in assets contributed by the Iowa Department of Transportation. Property taxes increased approximately \$1,430,000 over fiscal year 2018 due to increased taxable property valuations.

Countywide taxable property valuation increased 6.5%, from \$4,267,328,892 in fiscal year 2018 to \$4,543,923,725 in fiscal year 2019. The levy rate for countywide property decreased from \$5.08816 per \$1,000 of taxable valuation in fiscal year 2018 to approximately \$5.06487 per \$1,000 of taxable valuation in fiscal year 2019. The levy rate for rural property remained the same as fiscal year 2018 at approximately \$3.18 per \$1,000 of taxable valuation. This combination led to the increase in property tax revenue of approximately \$1,430,000.

Expenses in fiscal year 2019 increased approximately \$1,410,000, or 3.8%, over fiscal year 2018.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of approximately \$22.5 million, a decrease of approximately \$80,000 from the combined fund balance of approximately \$22.6 million at the end of fiscal year 2018. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended fiscal year 2019 with a fund balance totaling \$11,475,726. This is an increase of approximately \$9,600 over the prior year.

Property and other county tax increased approximately \$1,330,000 due to an increase in taxable property valuations; while intergovernmental revenues (for various grants and case management) increased approximately \$423,000. Use of money and property also increased approximately \$362,000 due to interest on investments. Expenditures increased approximately \$2,367,000 or 10.5%, due primarily to increased land acquisition costs for conservation, increased remodeling and building repair and maintenance costs, and a \$200,000 contribution to the County's self-funding health insurance fund as a startup reserve.

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 2019 ended with a fund balance of \$927,734 compared to the prior year balance of \$805,663. This increase is primarily due to revenues exceeding expenditures in the current year by approximately \$122,000.

The Special Revenue, Rural Services Fund ended fiscal year 2019 with a \$939,194 fund balance compared to the prior year balance of \$1,117,898. Revenues in the fund increased approximately \$161,000 or 2.8%, due to an increase in property tax and local option sales tax receipts. Expenditures increased approximately \$2,500,889 or 67.1%, primarily due to expenses associated with the execution of a \$2,188,960 capital lease for the lease-purchase of 10 motor graders. Transfers to the Special Revenue, Secondary Roads Fund increased \$70,000, or 3.4%, over the prior year.

The Special Revenue, Secondary Roads Fund ended fiscal year 2019 with a \$5,164,074 fund balance compared to the prior year balance of \$5,102,324. Revenues in the fund increased approximately \$479,000, or 10.4%, from increased state and federal grants. Transfers in from the General Fund and the Special Revenue, Rural Services Fund increased \$99,000. Expenditures in the fund decreased approximately \$1,367,000, or 15.1%, due to decreased capital projects expenses for ongoing projects.

The Debt Service Fund ended fiscal year 2019 with a \$44,245 fund balance compared to the prior year balance of \$52,964. Bond principal and interest payments were made according to the bond maturity schedules.

The Capital Projects Fund June 30, 2019 fund balance was \$1,917,605 compared to the prior year balance of \$1,919,750. There was little change in fund balance, as grant receipts, insurance recoveries and the issuance of \$1 million of tax increment urban renewal revenue bonds offset project expenses for the Tedesco Environmental Learning Corridor, justice center roof, and animal shelter improvement projects.

BUDGETARY HIGHLIGHTS

Story County amended the fiscal year 2019 budget four times. The first amendment was made in July 2018 and resulted in an increase in budgeted miscellaneous receipts of \$341,000. Budgeted disbursements increased approximately \$2,391,000 primarily for capital projects.

The second amendment was made in August 2018. This amendment increased budgeted receipts approximately \$880,000 related primarily to conservation grant receipts and insurance proceeds for the justice center roof. The amendment also increased budgeted disbursements approximately \$1,331,000 related primarily to increased capital projects expenses.

The third amendment was made in April 2019. This amendment increased budgeted receipts and other financing sources by approximately \$1,541,000 related primarily to intergovernmental receipts anticipated but not received and the issuance of \$1 million in tax increment urban renewal revenue bonds. The amendment also increased budgeted disbursements approximately \$4,617,000 related to salary, benefit and insurance related adjustments, equipment purchases, payments to the mental health regional fiscal agent, and FEMA and capital projects expenses.

The fourth amendment was made in May 2019. This amendment increased budgeted receipts and other financing sources by approximately \$3,048,000 related primarily to the anticipated issuance of \$3 million in general obligation bonds for peace officer and emergency services communication equipment and systems. The amendment also increased budgeted disbursements approximately \$590,000 related to payments to StoryComm for peace officer and emergency services communication equipment and systems, as well as adjustments to small community funding.

The County's receipts were \$490,878 less than the amended budget, and other financing sources were \$3,000,000 less than the amended budget as the \$3 million general obligation bonds were not issued until fiscal year 2020. Total disbursements were \$6,332,106 less than the amended budget. This was due primarily to various capital projects were not completed during the year as expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, Story County had approximately \$75.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase of approximately \$3,964,000 over the end of fiscal year 2018.

Story County had depreciation/amortization expense in fiscal year 2019 of \$4,620,534 and total accumulated depreciation/amortization of \$52,744,998 at June 30, 2019. Story County takes a full year's depreciation in the year of acquisition of a capital asset and in the year of disposal. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2019, Story County had \$4,269,670 of outstanding urban renewal revenue bonds compared to \$4,774,800 of outstanding general obligation and urban renewal revenue bonds at the end of fiscal year 2018. The County retired its only general obligation bond in fiscal year 2019. In addition, the County entered into a capital lease purchase agreement for \$2,188,960 during fiscal year 2019 to lease-purchase ten motor graders for the Secondary Roads Department. The balance on the lease-purchase agreement at June 30, 2019 is \$1,937,972.

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 \$394 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET AND RATES

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 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 2019 stood at 2.3% versus 2.0% a year ago. This compares with the State's unemployment rate of 2.4% and the national rate of 3.7% for the same period ended June 30, 2019.

These indicators were taken into account when adopting the budget for fiscal year 2020. The County's fiscal year 2020 countywide taxable valuation increased \$344,123,590 and the rural taxable valuation increased \$88,417,434 over the respective fiscal year 2019 valuations. The fiscal year 2020 budget includes a 6.00% increase in receipts from the fiscal year 2019 budget, along with an increase in disbursements of 9.41%. The increase in receipts is due to an increase in property taxes. The increase in disbursements is primarily due to capital projects, public safety, administration, and county environment and education expenses, with a budgeted decrease in roads and transportation expenses. Re-estimated ending fund balances were anticipated to be 41.17% of disbursements at the end of fiscal year 2019 and approximately 40.90% of disbursements by the close of fiscal year 2020.

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
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 23,024,033
Cash held by health plan trustee	247,842
Receivables:	
Property tax:	
Delinquent	29,422
Succeeding year	27,341,000
Succeeding year tax increment financing	883,000
Interest and penalty on property tax	96,436
Accounts	135,907
Accrued interest	103,647
Drainage assessments	258,421
Due from other governments	1,380,181
Inventories	354,643
Prepaid expenses	421,628
Capital assets, net of accumulated depreciation/amortization	75,667,789
Total assets	129,943,949
Deferred Outflows of Resources	
Pension related deferred outflows	3,717,702
OPEB related deferred outflows	323,992
Total deferred outflows of resources	4,041,694
Liabilities	
Accounts payable	914,095
Accrued interest payable	9,358
Salaries and benefits payable	370,176
Due to other governments	246,322
Long-term liabilities:	
Portion due or payable within one year:	
Urban renewal revenue bonds	710,047
Capital lease purchase agreement	175,406
Compensated absences	790,972
Portion due or payable after one year:	
Urban renewal revenue bonds	3,559,623
Capital lease purchase agreement	1,762,566
Drainage warrants	226,259
Net pension liability	9,604,955
Total OPEB liability	1,502,748
Total liabilities	19,872,527
Deferred Inflows of Resources	
Unavailable property tax revenue	27,341,000
Unavailable tax increment financing revenue	883,000
Pension related deferred inflows	2,360,088
OPEB related deferred inflows	50,274
Total deferred inflows of resources	30,634,362
Net Position	
Net investment in capital assets	71,223,520
Restricted for:	
Supplemental levy purposes	1,125,839
Mental health purposes	906,775
Community betterment	146,480
Rural services purposes	685,199
Secondary roads purposes	5,014,672
Conservation purposes	1,807,834
Debt service	518,634
Drainage warrants	248,982
Other purposes	417,877
Unrestricted	1,382,942
Total net position	\$ 83,478,754

See notes to financial statements.

Story County
Statement of Activities
Year ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 12,727,104	1,356,973	120,770	-	(11,249,361)
Physical health and social services	2,319,606	41,867	488,958	-	(1,788,781)
Mental health	2,127,066	-	-	-	(2,127,066)
County environment and education	4,297,023	221,087	479,647	1,365,970	(2,230,319)
Roads and transportation	8,855,322	87,999	4,604,224	1,335,457	(2,827,642)
Governmental services to residents	1,209,724	1,235,240	845	-	26,361
Administration	6,259,425	31,687	7,835	225,000	(5,994,903)
Non-program	575,408	726,350	-	-	150,942
Interest on long-term debt	138,072	-	4,192	-	(133,880)
Total	\$ 38,508,750	3,701,203	5,706,471	2,926,427	(26,174,649)
General Revenues:					
Property and other county tax levied for:					
General purposes					24,358,379
Debt service					761,420
Tax increment financing					860,702
Penalty and interest on property tax					119,601
State tax credits					1,721,775
Local option sales tax					2,287,087
Unrestricted investment earnings					567,812
Rent					141,425
Gain on disposition of capital assets					148,513
Justice Center insurance reimbursements					315,741
Miscellaneous					363,479
Total general revenues					31,645,934
Change in net position					5,471,285
Net position beginning of year					78,007,469
Net position end of year					\$ 83,478,754

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2019

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash, cash equivalents and pooled investments	\$ 12,235,328	934,741	821,684	4,596,466
Receivables:				
Property tax:				
Delinquent	18,644	1,798	8,307	-
Succeeding year	21,245,000	2,081,000	3,207,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	96,436	-	-	-
Accounts	23,661	-	318	255
Accrued interest	101,676	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	753,366	-	185,025	422,591
Inventories	-	-	-	354,643
Prepaid expenditures	187,901	-	550	7,006
Total assets	\$ 34,662,012	3,017,539	4,222,884	5,380,961
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 686,165	332	8,876	151,746
Salaries and benefits payable	265,402	6,675	49,677	48,422
Due to other governments	231,967	-	9,830	3,841
Total liabilities	<u>1,183,534</u>	<u>7,007</u>	<u>68,383</u>	<u>204,009</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	21,245,000	2,081,000	3,207,000	-
Succeeding year tax increment financing	-	-	-	-
Other	757,752	1,798	8,307	12,878
Total deferred inflows of resources	<u>22,002,752</u>	<u>2,082,798</u>	<u>3,215,307</u>	<u>12,878</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	354,643
Prepaid expenditures	187,901	-	550	7,006
Restricted for:				
Supplemental levy purposes	1,191,420	-	-	-
Mental health purposes	-	927,734	-	-
Community betterment	-	-	146,480	-
Rural services purposes	-	-	792,164	-
Secondary roads purposes	-	-	-	4,802,425
Conservation purposes	686,353	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Drainage warrants	-	-	-	-
Friends of Animals	-	-	-	-
Other purposes	-	-	-	-
Committed for:				
Conservation projects	1,486,011	-	-	-
Assigned for:				
Justice center renovation	350,000	-	-	-
Capital improvement projects	1,357,809	-	-	-
County attorney fine collection	297,415	-	-	-
Jail commissary	113,337	-	-	-
Small community funding	185,077	-	-	-
Unassigned	5,620,403	-	-	-
Total fund balances	<u>11,475,726</u>	<u>927,734</u>	<u>939,194</u>	<u>5,164,074</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 34,662,012	3,017,539	4,222,884	5,380,961

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
44,196	1,831,675	2,069,154	22,533,244
673	-	-	29,422
808,000	-	-	27,341,000
-	-	883,000	883,000
-	-	-	96,436
-	110,261	1,412	135,907
49	-	1,922	103,647
-	-	258,421	258,421
-	19,199	-	1,380,181
-	-	-	354,643
-	-	1,510	196,967
<u>852,918</u>	<u>1,961,135</u>	<u>3,215,419</u>	<u>53,312,868</u>
-	24,331	7,493	878,943
-	-	-	370,176
-	-	684	246,322
-	<u>24,331</u>	<u>8,177</u>	<u>1,495,441</u>
808,000	-	-	27,341,000
-	-	883,000	883,000
673	19,199	258,421	1,059,028
<u>808,673</u>	<u>19,199</u>	<u>1,141,421</u>	<u>29,283,028</u>
-	-	-	354,643
-	-	1,510	196,967
-	-	-	1,191,420
-	-	-	927,734
-	-	-	146,480
-	-	-	792,164
-	-	-	4,802,425
-	-	1,121,481	1,807,834
44,245	-	483,074	527,319
-	1,917,605	-	1,917,605
-	-	216,820	216,820
-	-	100,365	100,365
-	-	142,571	142,571
-	-	-	1,486,011
-	-	-	350,000
-	-	-	1,357,809
-	-	-	297,415
-	-	-	113,337
-	-	-	185,077
-	-	-	5,620,403
<u>44,245</u>	<u>1,917,605</u>	<u>2,065,821</u>	<u>22,534,399</u>
<u>852,918</u>	<u>1,961,135</u>	<u>3,215,419</u>	<u>53,312,868</u>

Story County

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

June 30, 2019

Total governmental fund balances (page 19) \$ 22,534,399

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 \$128,412,787 and the accumulated depreciation/amortization is \$52,744,998. 75,667,789

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 1,059,028

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position 928,140

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

Deferred outflows of resources	\$ 4,041,694	
Deferred inflows of resources	<u>(2,410,362)</u>	1,631,332

Long-term liabilities, including general obligation bonds payable, urban renewal revenue bonds payable, capital lease purchase agreement payable, drainage warrants payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (18,341,934)

Net position of governmental activities (page 16) **\$ 83,478,754**

See notes to financial statements.

Story County

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

Year ended June 30, 2019

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 19,363,516	2,072,634	2,925,766	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	2,287,087	-
Interest and penalty on property tax	125,230	-	-	-
Intergovernmental	3,097,508	142,365	681,643	5,029,170
Licenses and permits	21,095	-	18,947	25,290
Charges for service	1,679,315	-	29,147	5,043
Use of money and property	860,500	-	-	-
Miscellaneous	383,066	6	16,933	17,826
Total revenues	25,530,230	2,215,005	5,959,523	5,077,329
Expenditures:				
Operating:				
Public safety and legal services	10,774,033	-	2,249,442	-
Physical health and social services	2,382,384	-	15,388	-
Mental health	-	2,092,934	-	-
County environment and education	2,564,695	-	1,520,759	-
Roads and transportation	-	-	2,439,947	6,708,242
Governmental services to residents	1,232,556	-	1,651	-
Administration	6,407,156	-	-	-
Nonprogram	55,282	-	-	-
Debt service	-	-	-	-
Capital projects	1,387,784	-	-	1,015,537
Total expenditures	24,803,890	2,092,934	6,227,187	7,723,779
Excess (deficiency) of revenues over (under) expenditures	726,340	122,071	(267,664)	(2,646,450)
Other financing sources (uses):				
Sale of capital assets	3,250	-	-	38,200
Insurance recoveries	-	-	-	-
Urban renewal revenue bond issued	-	-	-	-
Capital lease purchase agreement	-	-	2,188,960	-
Drainage warrants issued	-	-	-	-
Transfers in	-	-	-	2,670,000
Transfers out	(720,000)	-	(2,100,000)	-
Total other financing sources (uses)	(716,750)	-	88,960	2,708,200
Change in fund balances	9,590	122,071	(178,704)	61,750
Fund balances beginning of year	11,466,136	805,663	1,117,898	5,102,324
Fund balances end of year	\$ 11,475,726	927,734	939,194	5,164,074

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
760,747	-	-	25,122,663
-	-	860,702	860,702
-	-	-	2,287,087
-	-	-	125,230
52,122	421,724	51,878	9,476,410
-	-	-	65,332
-	-	11,767	1,725,272
4,192	-	14,478	879,170
-	-	425,317	843,148
817,061	421,724	1,364,142	41,385,014
-	-	20,466	13,043,941
-	-	-	2,397,772
-	-	-	2,092,934
-	-	333,216	4,418,670
-	-	-	9,148,189
-	-	15,539	1,249,746
-	-	3,780	6,410,936
-	-	-	55,282
825,780	-	918,396	1,744,176
-	1,889,610	253,215	4,546,146
825,780	1,889,610	1,544,612	45,107,792
(8,719)	(1,467,886)	(180,470)	(3,722,778)
-	-	-	41,450
-	315,741	-	315,741
-	1,000,000	-	1,000,000
-	-	-	2,188,960
-	-	96,120	96,120
-	150,000	-	2,820,000
-	-	-	(2,820,000)
-	1,465,741	96,120	3,642,271
(8,719)	(2,145)	(84,350)	(80,507)
52,964	1,919,750	2,150,171	22,614,906
44,245	1,917,605	2,065,821	22,534,399

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, 2019

Change in fund balances - Total governmental funds (page 23) \$ (80,507)

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	\$ 7,400,265	
Capital assets contributed by the Iowa Department of Transportation	937,473	
Capital assets contributed by the Iowa Department of Natural Resources	152,174	
Depreciation/amortization expense	<u>(4,620,534)</u>	3,869,378

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. 94,314

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

Property tax and tax increment financing	(2,864)	
Other	<u>330,383</u>	327,519

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

Issued	(3,285,080)	
Repaid	<u>3,069,795</u>	(215,285)

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. 1,590,548

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	(4,999)	
Pension expense	(993,030)	
OPEB expense	(43,686)	
Interest on long-term debt	<u>(1,107)</u>	(1,042,822)

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The decrease in net position of the Internal Service Funds is included in governmental activities in the Statement of Net Position 928,140

Change in net position of governmental activities (page 17) \$ 5,471,285

See notes to financial statements.

Story County
Statement of Net Position
Proprietary Fund
June 30, 2019

	Internal Service - Employee Group Health and Dental
Assets	
Current assets:	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 490,789
Cash held by health plan trustee	247,842
Prepaid expenses	224,661
Total assets	963,292
Liabilities	
Current liabilities:	
Accounts payable	35,152
Net Position	
Unrestricted	928,140
Total net position	\$ 928,140

See notes to financial statements.

Story County
Statement of Revenue, Expenses
and Changes in Net Position
Proprietary Fund

June 30, 2019

		<u>Internal Service - Employee Group Health and Dental</u>
Operating revenues:		
Reimbursements from operating funds and other governmental units		\$ 2,981,489
Reimbursements from employees and others		493,940
County contribution for self-insurance reserve		<u>200,000</u>
Total operating revenues		3,675,429
Operating expenses:		
Medical claims	\$ 425,382	
Insurance premiums	2,298,778	
Administrative costs	16,542	
Short term disability payments	<u>6,587</u>	<u>2,747,289</u>
Operating income and change in net position		928,140
Net position beginning of year		<u>-</u>
Net position end of year		<u>\$ 928,140</u>
See notes to financial statements.		

Story County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2019

	<u>Internal Service - Employee Group Health and Dental</u>
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 3,181,489
Cash received from employees and others	493,940
Cash paid to suppliers for services	<u>(2,936,798)</u>
Net cash provided by operating activities	<u>738,631</u>
Increase in cash and cash equivalents	738,631
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	<u>\$ 738,631</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 928,140
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in prepaid expenses	(224,661)
Increase in accounts payable	<u>35,152</u>
Net cash provided by operating activities	<u>\$ 738,631</u>

See notes to financial statements.

Story County

Story County
Statement of Fiduciary Assets and Liabilities –
Agency Funds

Year ended June 30, 2019

Assets

Cash and pooled investments:	
County Treasurer	\$ 5,390,145
Other County officials	223,863
Employee health insurance plan	9,245
Receivables:	
Property tax:	
Delinquent	108,505
Succeeding year	129,269,000
Accounts	45,939
Accrued interest	1,830
Assessments	2,153,685
Due from other governments	201,703
Prepaid expenses	43,944
Total assets	137,447,859

Liabilities

Liabilities:	
Accounts payable	149,519
Salaries and benefits payable	47,239
Due to other governments	136,332,203
Trusts payable	679,222
Stamped warrants payable	137,773
Compensated absences	101,903
Total liabilities	137,447,859
Net position	\$ -

See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

The County also participates in StoryComm and the Central Iowa Juvenile Detention Center, jointly governed organizations 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.

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 funds, proprietary funds 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 tax allocation from the State of Iowa, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

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

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

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

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, proprietary fund 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

Cash, 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 and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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

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

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

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund and the Dental Insurance Fund is designated for anticipated future catastrophic losses of the County.

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, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2019, the County had the following investments:

Investment	Fair Value	Maturity
Federal Agricultural Mortgage Corporation (FAMC)	\$ 499,780	3/11/2021
Federal Farm Credit Banks (FFCB)	1,000,720	7/25/2023
Federal Home Loan Mortgage Corporation (FHLMC)	349,216	3/30/2021
Federal Home Loan Mortgage Corporation (FHLMC)	350,102	12/30/2021
Federal Home Loan Bank Bond (FHLBB)	497,665	11/23/2021
Federal National Mortgage Association (FNMA)	298,431	7/27/2021
Federal National Mortgage Association (FNMA)	990,860	7/27/2021
	<u>\$ 3,986,774</u>	

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

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

In addition, the County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$8,650,047. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

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

Credit risk – The County's FHLMC, FFCB, FHLBB and FNMA investments at June 30, 2019 are rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's. The FAMC investment and the investment in the Iowa Public Agency Investment Trust are unrated.

Concentration of credit risk and custodial credit risk – The County places no limit on the amount that may be invested in any one issuer. More than 5% of the County's investments are in the Federal Farm Credit Banks (7.6%), Federal Home Loan Mortgage Corporation (5.3%), and the Federal National Mortgage Association (9.8%).

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 570,000
	Special Revenue:	
	Rural Services	<u>2,100,000</u>
		2,670,000
Capital Projects	General	<u>150,000</u>
Total		<u>\$ 2,820,000</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 5,839,965	534,976	-	6,374,941
Intangibles, road network	117,327	-	-	117,327
Construction in progress, road network	268,028	1,974,398	(1,482,571)	759,855
Construction in progress, other	3,205,797	2,302,215	(1,528,120)	3,979,892
Total capital assets not being depreciated/amortized	<u>9,431,117</u>	<u>4,811,589</u>	<u>(3,010,691)</u>	<u>11,232,015</u>
Capital assets being depreciated/amortized:				
Buildings	25,695,360	1,426,048	-	27,121,408
Improvements other than buildings	4,254,486	956,916	(12,510)	5,198,892
Equipment and vehicles	14,633,750	4,434,864	(3,488,473)	15,580,141
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	63,724,615	1,482,572	-	65,207,187
Infrastructure, other	3,913,492	-	-	3,913,492
Total capital assets being depreciated/amortized	<u>112,381,355</u>	<u>8,300,400</u>	<u>(3,500,983)</u>	<u>117,180,772</u>
Less accumulated depreciation/amortization for:				
Buildings	9,605,047	535,300	-	10,140,347
Improvements other than buildings	407,701	118,082	-	525,783
Equipment and vehicles	8,267,221	1,646,881	(1,983,909)	7,930,193
Intangibles, other	159,652	-	-	159,652
Infrastructure, road network	30,605,840	2,227,059	-	32,832,899
Infrastructure, other	1,062,912	93,212	-	1,156,124
Total accumulated depreciation/amortization	<u>50,108,373</u>	<u>4,620,534</u>	<u>(1,983,909)</u>	<u>52,744,998</u>
Total capital assets being depreciated/amortized, net	<u>62,272,982</u>	<u>3,679,866</u>	<u>(1,517,074)</u>	<u>64,435,774</u>
Governmental activities capital assets, net	<u>\$ 71,704,099</u>	<u>8,491,455</u>	<u>(4,527,765)</u>	<u>75,667,789</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 540,510
Physical health and social services	11,400
Mental health	43,460
County environment and education	327,482
Roads and transportation	3,228,472
Governmental services to residents	9,986
Administration	<u>459,224</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 4,620,534</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 231,967</u>
Special Revenue:		
Rural Services	Services	9,830
Secondary Roads	Services	3,841
Friends of Animals	Services	684
		<u>14,355</u>
Total for governmental funds		<u>\$ 246,322</u>
Agency:		
County Offices	Collections	\$ 93,250
Agricultural Extension Education		367,219
County Assessor		1,080,403
City Assessor		1,438,882
Schools		73,207,324
Community Colleges		3,077,390
Corporations		46,021,074
Townships		690,059
City Special Assessments		2,010,794
Auto License and Use Tax		1,920,837
All other		6,424,971
Total for agency funds		<u>\$ 136,332,203</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	<u>General</u>	<u>Urban</u>	<u>Capital</u>			<u>Net</u>	<u>Total</u>	
	<u>Obligation</u>	<u>Renewal</u>	<u>Lease</u>	<u>Drainage</u>	<u>Compensated</u>	<u>Pension</u>	<u>OPEB</u>	<u>Total</u>
	<u>Bonds</u>	<u>Bonds</u>	<u>Agreement</u>	<u>Warrants</u>	<u>Absences</u>	<u>Liability</u>	<u>Liability</u>	
Balances beginning of year	\$ 815,000	3,959,800	1,211,596	232,220	785,973	10,962,845	1,236,407	19,203,841
Increases	-	1,000,000	2,188,960	96,120	988,820	-	266,341	4,540,241
Decreases	815,000	690,130	1,462,584	102,081	983,821	1,357,890	-	5,411,506
Balances end of year	\$ -	4,269,670	1,937,972	226,259	790,972	9,604,955	1,502,748	18,332,576
Due within one year	\$ -	710,047	175,406	-	790,972	-	-	1,676,425

Urban Renewal Revenue Bonds

On December 1, 2012, the County issued \$3,185,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area, including improvements to Dakins Lake County Park and road improvements on Country Club Road and 590th Avenue. The bonds bear interest at 1.95% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$1,081,048, payable through June 2022.

On July 12, 2016, the County issued \$1,500,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area. The bonds bear interest at 2.15% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$1,183,923, payable through June 2026.

On October 10, 2017, the County issued \$1,500,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area. The bonds bear interest at 2.65% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$1,379,471, payable through June 2027.

On November 27, 2018, the County issued \$1,000,000 of urban renewal tax increment (TIF) revenue bonds to pay the costs of projects located within the urban renewal area. The bonds bear interest at 3.94% per annum and are payable solely from the TIF receipts generated by increased property values in the County's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for obligations associated with purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Total principal and interest remaining on the bonds is \$1,099,833, payable through June 2028.

A summary of the County's June 30, 2019 urban renewal revenue bonded indebtedness is as follows:

Year Ending June 30,	Dakins Lake Park and Country Club and 590th Ave. Road Improvements			Urban Renewal Area Projects		
	Issued Dec 1, 2012			Issued Jul 12, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	1.95%	\$ 335,000	20,280	2.15%	\$ 144,500	23,394
2021	1.95	345,000	13,748	2.15	147,800	20,287
2022	1.95	360,000	7,020	2.15	151,500	17,110
2023		-	-	2.15	155,300	13,852
2024		-	-	2.15	159,300	10,514
2025-2028		-	-	2.15	329,700	10,666
Total		\$ 1,040,000	41,048		\$ 1,088,100	95,823

Year Ending June 30,	Urban Renewal Area Projects Issued October 10, 2017			Urban Renewal Area Projects Issued November 27, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2020	2.65%	\$ 140,700	32,563	3.94%	\$ 89,847
2021	2.65	144,500	28,835	3.94	92,543	32,423
2022	2.65	147,800	25,005	3.94	95,320	28,777
2023	2.65	151,500	21,089	3.94	98,179	25,021
2024	2.65	155,300	17,074	3.94	101,124	21,212
2025-2028	2.65	489,000	26,105	3.94	435,757	43,568
Total		\$ 1,228,800	150,671		\$ 912,770	187,063

Year Ending June 30,	Total		
	Principal	Interest	
2020	\$ 710,047	112,299	822,346
2021	729,843	95,293	825,136
2022	754,620	77,912	832,532
2023	404,979	59,962	464,941
2024	415,724	48,800	464,524
2025-2028	1,254,457	80,339	1,334,796
Total	\$ 4,269,670	474,605	4,744,275

During the year ended June 30, 2019, principal and interest paid and total TIF revenues were \$794,154 and \$860,702, respectively. The County retired \$690,130 of urban renewal revenue bonds during fiscal year 2019.

Capital Lease Purchase Agreement

On April 2, 2019, the County entered into a capital lease purchase agreement for ten motor graders with a total cost of \$3,128,860. The County received \$289,900 of trade-in allowance for ten used motor graders and applied \$650,000 as a down payment on the lease. The agreement bears interest at 3.90% per annum and is payable in annual installments of \$250,987 over five years, with a final payment of \$1,240,800 due by April 2, 2024. 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, 2019:

Year Ending June 30,	Amount
2020	\$ 250,987
2021	250,987
2022	250,987
2023	250,987
2024	1,240,800
Less amount representing interest	<u>(306,776)</u>
Present value of net minimum lease payments	<u>\$ 1,937,972</u>

Payments, including reduction in principal and interest of \$1,211,597, under the capital lease purchase agreement totaled \$1,462,584, for the year ended June 30, 2019.

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.

(7) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 were \$1,590,548.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$9,604,955 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the County's proportion was 0.151779%, which was a decrease of 0.012797% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$993,030. At June 30, 2019, 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	\$ 99,065	317,957
Changes of assumptions	1,925,841	452,473
Net difference between projected and actual earnings on IPERS' investments	-	414,267
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	102,248	1,175,391
County contributions subsequent to the measurement date	1,590,548	-
Total	<u>\$ 3,717,702</u>	<u>2,360,088</u>

\$1,590,548 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. 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
2020	\$ 295,420
2021	(41,397)
2022	(335,712)
2023	(109,769)
2024	(41,476)
Total	<u>\$ (232,934)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 19,360,217	9,604,955	1,424,547

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2019.

(8) Other Postemployment Benefits (OPEB)

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

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

Retired participants must be age 55 or older at retirement; with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	<u>257</u>
Total	<u>265</u>

Total OPEB Liability – The County's total OPEB liability of \$1,502,748 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2019)	2.60% per annum.
Rates of salary increase (effective June 30, 2019)	3.25 to 16.25% average, including inflation plus merit/productivity increases.
Discount rate (effective June 30, 2019)	3.51% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	8.50% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the Pub-2010 Headcount-weighted mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 1,236,407
Changes for the year:	
Service cost	81,028
Interest	48,807
Differences between expected and actual experiences	185,483
Changes in assumptions	64,627
Benefit payments	<u>(113,604)</u>
Net changes	<u>266,341</u>
Total OPEB liability end of year	<u>\$ 1,502,748</u>

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

Sensitivity of the County’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.51%) or 1% higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 1,607,170	1,502,748	1,403,998

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

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	\$ 1,341,494	1,502,748	1,695,006

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$43,686. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 265,240	-
Changes in assumptions	58,752	(50,274)
Total	\$ 323,992	(50,274)

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

Year Ending June 30,	Amount
2020	\$ 27,455
2021	27,455
2022	27,455
2023	27,455
2024	27,455
Thereafter	136,443
	<u>\$ 273,718</u>

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members including various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2019 were \$300,699.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(10) Employee Health Insurance Plan

The County entered into an administrative services agreement with EBS, Inc. to administer the employee partial self-funded health plan which provides comprehensive hospital and medical coverage for eligible employees and, if elected, their spouses and dependents. The agreement was effective July 1, 2018 and is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions are recorded as expenditures in the operating funds at the time of payment to the Internal Service, Employee Insurance Fund maintained by the County Treasurer. Under the agreement, reimbursement of eligible deductible and coinsurance expenses to employees are processed by EBS, Inc. with payments from the Internal Service, Employee Insurance Fund.

(11) Employee Flex Benefit Plan

Eligible City employees receive \$145.30 as a flexible benefit each month as “Other Earnings” in their paychecks that can be used towards dental insurance premiums, vision insurance premiums, FSA medical spending plan, dependent care assistance plan or can be taken in cash. Total premium costs are taken as a pre-tax deduction from the employee’s paycheck. The \$145.30 monthly “Other Earnings” is subject to IPERS and considered taxable wages if not used for dental insurance premiums, vision insurance premiums, FSA medical spending plan or the dependent care assistance plan.

(12) Tax Abatements

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

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Ames	Urban renewal and economic development projects	\$ 168,669
City of Nevada	Urban renewal and economic development projects	30,521
City of Huxley	Urban renewal and economic development projects	102,548
City of Story City	Urban renewal and economic development projects	44,637
City of Slater	Urban renewal and economic development projects	5,076
City of Colo	Urban renewal and economic development projects	25,573
City of Cambridge	Urban renewal and economic development projects	67,159

(13) 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, 2019 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 102,297	-	102,297
Quality improvement	-	58,133	58,133
Allocation for administration	5,358	16,213	21,571
School ready general use	-	466,094	466,094
Total state grants	107,655	540,440	648,095
Interest on investments	298	3,166	3,464
Total revenues	107,953	543,606	651,559
Expenditures:			
Program services:			
Early childhood	104,886	-	104,886
Quality improvement	-	57,283	57,283
School ready general use	-	447,322	447,322
Total program services	104,886	504,605	609,491
Administration	4,347	18,908	23,255
Total expenditures	109,233	523,513	632,746
Change in fund balance	(1,280)	20,093	18,813
Fund balance beginning of year	8,849	21,922	30,771
Fund balance end of year	\$ 7,569	42,015	49,584

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

Central Iowa Community Services (CICS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County and Warren County. The financial activity of Story County's Special Revenue, Mental Health Fund is included in the CICS Mental Health Region for the year ended June 30, 2019 as follows:

Revenues:		
Property and other county tax		\$ 2,072,634
Intergovernmental:		
State tax credits		142,365
Miscellaneous		<u>6</u>
Total revenues		<u>2,215,005</u>
Expenditures:		
Services to persons with:		
Mental illness		183,514
General administration:		
Direct administration	\$ 184,486	
Distribution to regional fiscal agent	<u>1,724,934</u>	<u>1,909,420</u>
Total expenditures		<u>2,092,934</u>
Excess of revenues over expenditures		122,071
Fund balance beginning of year		<u>805,663</u>
Fund balance end of year		<u>\$ 927,734</u>

(15) Subsequent Events

On July 2, 2019, the County entered into a general obligation loan agreement in the principal amount of \$3,000,000 to provide funds for the purpose of paying the cost, to that extent, of peace officer communication equipment and other emergency services communications and systems.

On March 10, 2020, the County entered into an agreement in the amount of \$1,021,882 with Howrey Construction, Inc. for construction of Phase #3 of the Tedesco Environmental learning Corridor.

(16) Urban Renewal Economic Development Project Obligations

The County has established an Urban Renewal Area Plan to use incremental property tax revenues to finance public improvements intended to promote the quality of life for residents and promote economic growth. The County has approved economic development projects and certified obligations through amendments to its' Urban Renewal Area Plan. During fiscal year 2019, the County paid \$91,783 for economic development projects. At June 30, 2019, the outstanding balance of economic development project obligations was \$394,755. These obligations have not been reflected in the County's financial statements because the underlying public improvement projects have not been substantially completed to fulfill requirements for reimbursement.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

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, 2019

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 28,276,177	-	28,276,177
Interest and penalty on property tax	125,230	-	125,230
Intergovernmental	9,364,582	-	9,364,582
Licenses and permits	65,302	-	65,302
Charges for service	1,725,578	-	1,725,578
Use of money and property	860,317	-	860,317
Miscellaneous	1,134,195	220,119	914,076
Total receipts	41,551,381	220,119	41,331,262
Disbursements:			
Public safety and legal services	13,072,030	-	13,072,030
Physical health and social services	2,367,987	-	2,367,987
Mental health	2,092,075	-	2,092,075
County environment and education	4,396,703	185,865	4,210,838
Roads and transportation	7,030,659	-	7,030,659
Governmental services to residents	1,245,158	-	1,245,158
Administration	6,421,574	-	6,421,574
Nonprogram	54,718	-	54,718
Debt service	1,744,176	124,242	1,619,934
Capital projects	4,078,210	-	4,078,210
Total disbursements	42,503,290	310,107	42,193,183
Excess (deficiency) of receipts over (under) disbursements	(951,909)	(89,988)	(861,921)
Other financing sources, net	1,137,698	96,120	1,041,578
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	185,789	6,132	179,657
Balance beginning of year	22,347,455	210,688	22,136,767
Balance end of year	\$ 22,533,244	216,820	22,316,424

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
28,283,613	28,378,613	(102,436)
75,000	75,000	50,230
8,777,341	9,446,476	(81,894)
78,970	78,970	(13,668)
1,867,815	1,870,243	(144,665)
452,025	533,025	327,292
516,750	1,439,813	(525,737)
40,051,514	41,822,140	(490,878)
12,136,760	13,337,760	265,730
2,540,695	2,612,669	244,682
1,979,364	2,269,764	177,689
3,982,840	4,869,957	659,119
6,800,300	7,446,300	415,641
1,248,592	1,293,924	48,766
5,925,726	6,758,106	336,532
-	85,000	30,282
1,518,680	1,620,980	1,046
3,671,142	8,230,829	4,152,619
39,804,099	48,525,289	6,332,106
247,415	(6,703,149)	5,841,228
2,000	4,041,550	(2,999,972)
249,415	(2,661,599)	2,841,256
17,490,523	22,120,009	16,758
17,739,938	19,458,410	2,858,014

Story County

Story County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information

Year ended June 30, 2019

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 41,551,381	(166,367)	41,385,014
Expenditures	42,503,290	2,604,502	45,107,792
Net	(951,909)	(2,770,869)	(3,722,778)
Other financing sources, net	1,137,698	2,504,573	3,642,271
Beginning fund balances	22,347,455	267,451	22,614,906
Ending fund balances	<u>\$ 22,533,244</u>	<u>1,155</u>	<u>22,534,399</u>

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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, the Internal Service Fund 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, four budget amendments increased budgeted disbursements by \$8,721,190. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the City Assessor by the City Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

Story County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.151779%	0.164576%	0.160859%	0.191537%	0.190907%
County's proportionate share of the net pension liability	\$ 9,605	10,963	10,123	9,463	7,571
County's covered payroll	\$ 15,798	15,605	14,622	17,396	17,542
County's proportionate share of the net pension liability as a percentage of its covered payroll	60.80%	70.25%	69.23%	54.40%	43.16%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Story County

Schedule of County Contributions

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

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 1,591	1,442	1,427	1,343
Contributions in relation to the statutorily required contribution	(1,591)	(1,442)	(1,427)	(1,343)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 16,582	15,798	15,605	14,622
Contributions as a percentage of covered payroll	9.59%	9.13%	9.14%	9.18%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
1,600	1,608	1,567	1,479	1,281	1,182
(1,600)	(1,608)	(1,567)	(1,479)	(1,281)	(1,182)
-	-	-	-	-	-
17,396	17,542	17,423	17,439	17,076	16,848
9.20%	9.17%	8.99%	8.48%	7.50%	7.02%

Story County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

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

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

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

Story County

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

Required Supplementary Information

	2019	2018	2017
Service cost	\$ 81,028	75,302	80,859
Interest cost	48,807	41,218	32,737
Difference between expected and actual experiences	185,483	118,091	-
Changes in assumptions	64,627	(23,346)	(43,293)
Benefit payments	(113,604)	(113,733)	(104,342)
Net change in total OPEB liability	266,341	97,532	(34,039)
Total OPEB liability beginning of year	1,236,407	1,138,875	1,172,914
Total OPEB liability end of year	\$ 1,502,748	1,236,407	1,138,875
Covered-employee payroll	\$ 15,602,603	14,593,861	14,032,559
Total OPEB liability as a percentage of covered-employee payroll	9.63%	8.47%	8.12%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.56%
Year ended June 30, 2016	2.92%

Story County

Supplementary Information

Story County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

	Special		
	County Recorder's Records Management	Drainage Districts	Employee Wellness
Assets			
Cash, cash equivalents and pooled investments	\$ 83,947	216,820	4
Receivables:			
Property tax:			
Succeeding year tax increment financing	-	-	-
Accounts	-	-	-
Accrued interest	92	-	-
Drainage assessments	-	258,421	-
Prepaid expenditures	1,510	-	-
Total assets	\$ 85,549	475,241	4
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 539	-	4
Due to other governments	-	-	-
Total liabilities	539	-	4
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Drainage assessments	-	258,421	-
Total deferred inflows of resources	-	258,421	-
Fund balances:			
Nonspendable:			
Prepaid expenditures	1,510	-	-
Restricted for:			
Conservation purposes	-	-	-
Debt service	-	-	-
Drainage purposes	-	216,820	-
Friends of Animals	-	-	-
Other purposes	83,500	-	-
Total fund balances	85,010	216,820	-
Total liabilities, deferred inflows of resources and fund balances	\$ 85,549	475,241	4

See accompanying independent auditor's report.

Revenue							
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers		Total
124,106	15,637	483,074	105,708	996,424	43,434		2,069,154
-	-	883,000	-	-	-		883,000
-	-	-	-	1,412	-		1,412
605	-	-	119	1,106	-		1,922
-	-	-	-	-	-		258,421
-	-	-	-	-	-		1,510
<u>124,711</u>	<u>15,637</u>	<u>1,366,074</u>	<u>105,827</u>	<u>998,942</u>	<u>43,434</u>		<u>3,215,419</u>
-	-	-	4,778	2,172	-		7,493
-	-	-	684	-	-		684
-	-	-	5,462	2,172	-		8,177
-	-	883,000	-	-	-		883,000
-	-	-	-	-	-		258,421
-	-	883,000	-	-	-		1,141,421
-	-	-	-	-	-		1,510
124,711	-	-	-	996,770	-		1,121,481
-	-	483,074	-	-	-		483,074
-	-	-	-	-	-		216,820
-	-	-	100,365	-	-		100,365
-	15,637	-	-	-	43,434		142,571
<u>124,711</u>	<u>15,637</u>	<u>483,074</u>	<u>100,365</u>	<u>996,770</u>	<u>43,434</u>		<u>2,065,821</u>
<u>124,711</u>	<u>15,637</u>	<u>1,366,074</u>	<u>105,827</u>	<u>998,942</u>	<u>43,434</u>		<u>3,215,419</u>

Story County

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

Year ended June 30, 2019

	Special		
	County Recorder's Records Management	Drainage Districts	Employee Wellness
Revenues:			
Tax increment financing	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	11,279	-	-
Use of money and property	845	-	-
Miscellaneous	-	220,119	-
Total revenues	<u>12,124</u>	<u>220,119</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	185,865	-
Governmental services to residents	15,539	-	-
Administration	-	-	3,780
Debt service	-	124,242	-
Capital projects	-	-	-
Total expenditures	<u>15,539</u>	<u>310,107</u>	<u>3,780</u>
Excess (deficiency) of revenues over (under) expenditures	(3,415)	(89,988)	(3,780)
Other financing sources:			
Drainage warrants issued	-	96,120	-
Change in fund balances	(3,415)	6,132	(3,780)
Fund balances beginning of year	<u>88,425</u>	<u>210,688</u>	<u>3,780</u>
Fund balances end of year	<u>\$ 85,010</u>	<u>216,820</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue						
Resource Enhancement and Protection	Special Law Enforcement	Tax Increment Financing	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Total
-	-	860,702	-	-	-	860,702
23,763	-	28,115	-	-	-	51,878
-	-	-	-	-	488	11,767
2,152	-	-	1,839	9,642	-	14,478
-	18,301	-	44,382	142,515	-	425,317
25,915	18,301	888,817	46,221	152,157	488	1,364,142
-	19,960	-	-	-	506	20,466
-	-	91,783	25,337	30,231	-	333,216
-	-	-	-	-	-	15,539
-	-	-	-	-	-	3,780
-	-	794,154	-	-	-	918,396
-	-	-	194,500	58,715	-	253,215
-	19,960	885,937	219,837	88,946	506	1,544,612
25,915	(1,659)	2,880	(173,616)	63,211	(18)	(180,470)
-	-	-	-	-	-	96,120
25,915	(1,659)	2,880	(173,616)	63,211	(18)	(84,350)
98,796	17,296	480,194	273,981	933,559	43,452	2,150,171
124,711	15,637	483,074	100,365	996,770	43,434	2,065,821

Schedule 3

Story County
Combining Schedule of Net Position
June 30, 2019

	Employee Insurance	Dental Self-Insurance	Total
Assets			
Current assets:			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 455,625	35,164	490,789
Cash held by health plan trustee	201,457	46,385	247,842
Prepaid expenses	224,661	-	224,661
Total assets	881,743	81,549	963,292
Liabilities			
Current liabilities:			
Accounts payable	30,353	4,799	35,152
Net Position			
Unrestricted	851,390	76,750	928,140
Total net position	\$ 851,390	76,750	928,140

See accompanying independent auditor's report.

Story County

Combining Statement of Revenues, Expenses and
Changes in Fund Net Position

June 30, 2019

	Employee Insurance	Dental Self-Insurance	Total
Operating revenues:			
Reimbursements from operating funds and other governmental units	\$ 2,898,868	82,621	2,981,489
Reimbursements from employees and others	379,125	114,815	493,940
County contribution for self-insurance reserve	200,000	-	200,000
Total operating revenues	<u>3,477,993</u>	<u>197,436</u>	<u>3,675,429</u>
Operating expenses:			
Medical claims	319,098	106,284	425,382
Insurance premiums	2,284,376	14,402	2,298,778
Administrative costs	16,542	-	16,542
Short term disability payments	6,587	-	6,587
Total operating expenses	<u>2,626,603</u>	<u>120,686</u>	<u>2,747,289</u>
Operating income (loss)	<u>851,390</u>	<u>76,750</u>	<u>928,140</u>
Change in net position	851,390	76,750	928,140
Net position beginning of year	-	-	-
Net position end of year	<u>\$ 851,390</u>	<u>76,750</u>	<u>928,140</u>

See accompanying independent auditor's report.

Story County

Story County
Combining Statement of Cash Flows
Year ended June 30, 2019

	Employee Insurance	Dental Self-Insurance	Total
Cash flows from operating activities:			
Cash received from operating funds and other governmental units	\$ 3,098,868	82,621	3,181,489
Cash received from employees and others	379,125	114,815	493,940
Cash paid to suppliers for services	(2,820,911)	(115,887)	(2,936,798)
Net cash provided by operating activities	657,082	81,549	738,631
Net increase (decrease) in cash and cash equivalents	657,082	81,549	738,631
Cash and cash equivalents beginning of year	-	-	-
Cash and cash equivalents end of year	\$ 657,082	81,549	738,631
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income	\$ 851,390	76,750	928,140
Adjustments to reconcile operating income to net cash provided by operating activities:			
(Increase) in prepaid expenses	(224,661)	-	(224,661)
Increase in accounts payable	30,353	4,799	35,152
Net cash provided by operating activities	\$ 657,082	81,549	738,631

See accompanying independent auditor's report.

Story County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Year ended June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	881	331,193	429,809	165,880
Other County officials	223,863	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	338	1,545	315	67,444
Succeeding year	-	366,000	802,000	1,049,000	72,974,000
Accounts	676	-	75	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expense	-	-	18,381	20,767	-
Total assets	\$ 224,539	367,219	1,153,194	1,499,891	73,207,324
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	5,613	1,180	-
Salaries and benefits payable	-	-	24,639	13,960	-
Due to other governments	93,250	367,219	1,080,403	1,438,882	73,207,324
Trusts payable	131,289	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Compensated absences	-	-	42,539	45,869	-
Total liabilities	\$ 224,539	367,219	1,153,194	1,499,891	73,207,324

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
7,507	119,558	1,135	1,917	1,920,837	2,411,428	5,390,145
-	-	-	-	-	-	223,863
-	-	-	-	-	9,245	9,245
2,883	31,516	924	-	-	3,540	108,505
3,067,000	45,870,000	688,000	-	-	4,453,000	129,269,000
-	-	-	-	-	45,188	45,939
-	-	-	-	-	1,830	1,830
-	-	-	2,008,877	-	144,808	2,153,685
-	-	-	-	-	201,703	201,703
-	-	-	-	-	4,796	43,944
3,077,390	46,021,074	690,059	2,010,794	1,920,837	7,275,538	137,447,859
-	-	-	-	-	142,726	149,519
-	-	-	-	-	8,640	47,239
3,077,390	46,021,074	690,059	2,010,794	1,920,837	6,424,971	136,332,203
-	-	-	-	-	547,933	679,222
-	-	-	-	-	137,773	137,773
-	-	-	-	-	13,495	101,903
3,077,390	46,021,074	690,059	2,010,794	1,920,837	7,275,538	137,447,859

Story County

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Year ended June 30, 2019

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Balances beginning of year	\$ 152,228	354,126	1,126,098	1,472,385	67,338,170
Additions:					
Property and other county tax	-	369,224	819,995	1,050,399	73,620,767
911 surcharge	-	-	-	-	-
State tax credits	-	24,472	57,705	55,261	4,594,235
Office fees and collections	1,680,787	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,429,459	-	-	-	-
Miscellaneous	-	-	158	597	-
Total additions	3,110,246	393,696	877,858	1,106,257	78,215,002
Deductions:					
Agency remittances:					
To other funds	680,964	-	-	-	-
To other governments	1,000,273	380,603	850,762	1,078,751	72,345,848
Trusts paid out	1,356,698	-	-	-	-
Total deductions	3,037,935	380,603	850,762	1,078,751	72,345,848
Balances end of year	\$ 224,539	367,219	1,153,194	1,499,891	73,207,324

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
3,017,118	44,428,368	630,851	1,665,820	2,001,227	6,493,953	128,680,344
3,095,209	46,084,571	705,805	-	-	4,592,432	130,338,402
-	-	-	-	-	230,345	230,345
208,551	3,221,223	40,647	-	-	151,180	8,353,274
-	-	-	-	-	-	1,680,787
-	-	-	-	24,269,956	-	24,269,956
-	-	-	691,869	-	215,593	907,462
-	-	-	-	-	2,128,943	3,558,402
-	-	-	-	-	1,578,566	1,579,321
3,303,760	49,305,794	746,452	691,869	24,269,956	8,897,059	170,917,949
-	-	-	-	744,266	-	1,425,230
3,243,488	47,713,088	687,244	346,895	23,606,080	5,690,137	156,943,169
-	-	-	-	-	2,563,112	3,919,810
3,243,488	47,713,088	687,244	346,895	24,350,346	8,253,249	162,288,209
3,077,390	46,021,074	690,059	2,010,794	1,920,837	7,137,763	137,310,084

Story County

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

Year ended June 30, 2019

	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 25,122,663	23,694,457	22,804,363	24,001,196
Tax increment financing	860,702	921,259	982,361	802,605
Local option sales tax	2,287,087	2,198,341	2,206,814	2,241,205
Interest and penalty on property tax	125,230	115,792	105,109	123,483
Intergovernmental	9,476,410	8,075,981	8,600,246	9,520,715
Licenses and permits	65,332	81,188	85,488	55,514
Charges for service	1,725,272	1,839,909	1,824,028	1,761,351
Use of money and property	879,170	510,252	2,080,054	755,325
Miscellaneous	843,148	1,910,329	1,034,738	758,491
Total	\$ 41,385,014	39,347,508	39,723,201	40,019,885
Expenditures:				
Operating:				
Public safety and legal services	\$ 13,043,941	12,099,746	11,348,017	11,031,889
Physical health and social services	2,397,772	2,334,249	2,448,548	2,315,177
Mental health	2,092,934	2,031,539	2,034,835	4,054,405
County environment and education	4,418,670	4,801,702	4,302,414	3,580,630
Roads and transportation	9,148,189	6,889,882	5,822,801	5,282,732
Governmental services to residents	1,249,746	1,172,742	1,215,079	1,626,578
Administration	6,410,936	5,684,129	5,389,514	5,408,901
Nonprogram	55,282	84,132	293,385	34,318
Debt service	1,744,176	2,225,906	1,381,687	3,660,672
Capital projects	4,546,146	4,357,481	2,132,895	1,490,987
Total	\$ 45,107,792	41,681,508	36,369,175	38,486,289

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
22,069,411	22,482,441	21,496,628	20,619,095	20,385,161	19,827,742
612,399	365,330	362,423	-	-	-
2,288,611	1,902,738	1,904,668	1,999,138	1,912,716	1,880,706
102,467	129,030	147,639	147,590	156,670	171,597
9,890,941	10,336,171	8,914,618	13,631,149	14,213,647	10,582,865
53,983	74,279	57,750	61,189	36,492	78,378
1,866,733	1,842,687	1,922,434	1,789,521	1,781,908	1,717,960
281,396	196,536	203,785	186,344	231,474	356,214
837,706	1,289,612	1,206,655	794,250	588,415	387,799
38,003,647	38,618,824	36,216,600	39,228,276	39,306,483	35,003,261
10,469,437	10,048,320	9,799,170	9,584,996	9,229,314	8,711,395
2,320,342	2,307,098	2,139,504	2,056,066	2,120,685	2,375,638
8,675,130	5,689,991	5,961,907	11,504,064	11,360,978	8,717,522
3,574,712	3,158,021	2,742,873	2,940,513	2,688,040	2,741,709
5,962,458	7,831,510	5,266,727	5,270,080	5,175,040	5,140,126
1,097,132	1,058,190	1,253,493	1,099,246	1,106,071	1,067,829
4,731,940	4,523,424	4,482,138	4,273,727	4,374,058	4,105,549
-	-	-	-	-	-
1,217,786	2,285,812	2,548,320	2,034,472	1,922,532	2,211,738
2,340,217	2,405,660	1,124,660	1,916,305	4,711,482	2,238,276
40,389,154	39,308,026	35,318,792	40,679,469	42,688,200	37,309,782

Story County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226	FY19	\$ 493
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606	2019-AP-BX-0171	6,537
Bulletproof Vest Partnership Program	16.607	FY19	2,752
Equitable Sharing Program	16.922		<u>4,116</u>
Total Direct:			<u>13,898</u>
Indirect:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY19	<u>59,233</u>
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
North American Wetlands Conservation Fund	15.623	F18AP00291	<u>100,000</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-19-22-CJ	<u>21,996</u>
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	17-CAMP-12	1,682
Public Safety Partnership and Community Policing Grants	16.710	18-COPS-Heroin-08	<u>972</u>
			<u>2,654</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16-JAG-249285	<u>36,350</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS-C085(144)--8J-85	397,985
Highway Planning and Construction	20.205	TAP-R-8612(601)--8T-85	9,006
Highway Planning and Construction	20.205	TAP-R-C085(151)--8T-85	<u>200,000</u>
			<u>606,991</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP-18-402-MOAL, Task 12	4,463
State and Community Highway Safety	20.600	PAP-19-402-MOAL, Task 12	<u>13,261</u>
			<u>17,724</u>
Iowa Department of Homeland Security and Emergency Management:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEP-16-28	<u>5,100</u>
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	5889I480	<u>11,788</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_State Administered Programs	93.566	FY19	<u>234</u>
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY19	<u>15,015</u>
Foster Care - Title IV-E	93.658	FY19	<u>20,948</u>
Adoption Assistance	93.659	FY19	<u>7,104</u>
Social Services Block Grant	93.667	FY19	<u>17,551</u>
Children's Health Insurance Program	93.767	FY19	<u>410</u>
Medicaid Cluster:			
Medical Assistance Program	93.778	FY19	<u>95,554</u>

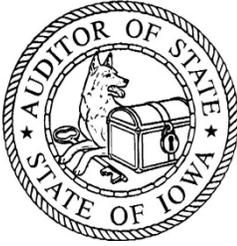
Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect: (Continued)			
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4386-DR-IA	24,653
Emergency Management Performance Grants	97.042	EMPG-19-PT-85	39,000
Homeland Security Grant Program	97.067	HSGP-14-SHSP-1144	2,741
Total Indirect:			1,085,046
Total			\$ 1,098,944

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Story County under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Story County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Story County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Story County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

To the Officials of Story County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Story County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 25, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in Part II to the accompanying Schedule of Findings and Questioned Costs as items II-A-19 and II-B-19 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2019 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.

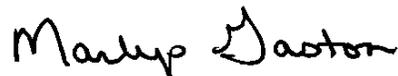
Story County's Responses to the Findings

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.

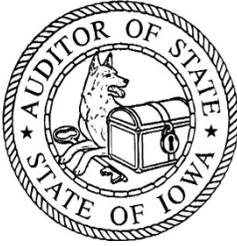
Purpose of this Report

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 25, 2020



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Rob Sand
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Officials of Story County:

Report on Compliance for Each Major Federal Program

We have audited Story County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2019. Story County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Story County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Story County's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Story County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

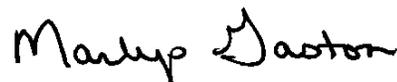
Report on Internal Control Over Compliance

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

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

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

March 25, 2020

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Story County did not qualify as a low-risk auditee.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-19 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the County Treasurer's office identified may have control over the following areas for which no compensating controls exist:

- Bank accounts were not reconciled by an individual who does not sign checks, open mail, and is responsible for recording and accounting for cash receipts.
- There was no evidence of independent review of bank reconciliations.

Cause – The County Treasurer's office has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County Treasurer's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The County Treasurer's Office should review the control activities of the office to obtain the maximum internal control possible under the circumstances. The County Treasurer should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response – FY18/19 was a transitional year for the Treasurer's office and the Finance Deputy assumed more responsibilities in day to day operations of the office. We now have addressed the concerns in this comment with the Finance Deputy and the new Property Tax Supervisor segregating the duties as was always intended, but difficult to implement due to extenuating circumstances of the office. We will have the Finance Deputy and Property Tax Supervisor alternate duties and make clear sign offs to document their reviews and ensure we have a proper and transparent segregation of duties.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

II-B-19 Financial Reporting

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

Condition – Material amounts of payables, prepaid expenditures, capital asset additions and corrective transfers were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly record these amounts in the financial statements.

Cause – County policies do not require, and procedures have not been established to require an independent review of year-end cut-off or other transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should implement procedures to ensure all payables, prepaid expenditures, capital asset additions and corrective transfers are identified and recorded in the County's financial statements.

Response – There are guidelines in place for all departments to properly code expenses and revenues. The Auditor's office and Treasurer's office staff will continue to diligently monitor. Oversight of capital assets will remain a goal

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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, 2019

Part IV: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amount budgeted by function.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Michelle Good, Sheriff’s Office, Husband owns Good & Quick	Advertising	\$ 150
Marianne Harrelson, Conservation Office, Husband owns R&M Automotive	Vehicle repairs	595
Lauris Olson, Board of Supervisors, Lauris owns 4C Promotions	Advertising	220

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

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2019 for the County Extension Office did not exceed the amount budgeted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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

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

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

Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Brandon J. Vogel, Senior Auditor II
Alexia M. Grgurich, Staff Auditor
Taran E. McCusker, Staff Auditor
April R. Davenport, Assistant Auditor
Charles P. Duff, Assistant Auditor
Michael S. Team, Assistant Auditor
Taz Tahsinuzzaman, Auditor Intern