



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE February 12, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Story County, Iowa.

The County had local tax revenue of \$85,606,364 for the year ended June 30, 2003, which included \$2,460,094 in tax credits from the state. The County forwarded \$68,533,117 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$17,073,247 of the local tax revenue to finance County operations, a 6 percent increase from the prior year. Other revenue included charges for service of \$2,782,742, operating grants, contributions and restricted interest of \$8,491,754, capital grants, contributions and restricted interest of \$1,432,889, local option sales tax of \$1,519,760, unrestricted interest on investments of \$375,569 and other general revenues of \$966,089.

Expenses for County operations totaled \$28,782,066, a 3 percent increase from the prior year. Expenses included \$7,506,726 for mental health, \$6,961,452 for public safety and legal services and \$4,984,193 for roads and transportation.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

###



**STORY COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2003**

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16-17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	22
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	23
Notes to Financial Statements		24-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		38
Budget to GAAP Reconciliation		39
Notes to Required Supplementary Information – Budgetary Reporting		40
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	42-43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44-45
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	46-49
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	50-53
Schedule of Revenues by Source and Expenditures by Function – All Governmental Fund Types	5	54
Schedule of Expenditures of Federal Awards	6	55-56
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		57-58
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		61-62
Schedule of Findings and Questioned Costs		63-69
Staff		70

Story County

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2003)</b>		
Dennis L. Ballantine	Board of Supervisors	Resigned
Donald L. Toms (Appointed)	Board of Supervisors	Nov 2002
Jane E. Halliburton	Board of Supervisors	Jan 2003
Wayne E. Clinton	Board of Supervisors	Jan 2005
Mary L. Mosiman	County Auditor	Jan 2005
David Jamison	County Treasurer	Jan 2003
Susan Vande Kamp	County Recorder	Jan 2003
Paul H. Fitzgerald	County Sheriff	Jan 2005
Stephen Holmes	County Attorney	Jan 2003
Gary Bilyeu	County Assessor	Jan 2004
Richard Horn	City Assessor	Jan 2009
<b>(After January 2003)</b>		
Wayne E. Clinton	Board of Supervisors	Jan 2005
Jane E. Halliburton	Board of Supervisors	Jan 2007
Donald L. Toms	Board of Supervisors	Jan 2007
Mary L. Mosiman	County Auditor	Jan 2005
David Jamison	County Treasurer	Jan 2007
Susan Vande Kamp	County Recorder	Jan 2007
Paul H. Fitzgerald	County Sheriff	Jan 2005
Stephen Holmes	County Attorney	Jan 2007
Gary Bilyeu	County Assessor	Jan 2004
Richard Horn	City Assessor	Jan 2009

**Story County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Story County:

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, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Story County's management. 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at June 30, 2003, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 17, 2003 on our consideration of Story County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 second paragraph of this report, the financial statements for the four years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

David A. Vaudt, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 17, 2003



---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Story County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2003. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2003 FINANCIAL HIGHLIGHTS**

- ◆ Governmental funds revenue increased approximately \$1.9 million from fiscal year 2002 (FY02). This included a property tax revenue increase of approximately \$954,000.
- ◆ Program expenses increased from \$27.9 million in FY02 to \$28.8 million in fiscal year 2003 (FY03).
- ◆ Net assets increased approximately \$3.9 million from FY02.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a statement of net assets 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 statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Story County acts solely as an agent or custodian for the benefit of those outside of the government.

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

Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

Other Supplementary Information provides detailed information about the nonmajor special revenue and the individual agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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

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

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

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets 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, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

## **REPORTING THE COUNTY BY FUNDS**

### *Fund Financial Statements*

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

The County has two kinds of funds:

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

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The financial statements required fiduciary funds include a statement of fiduciary assets and liabilities.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Story County's net assets at June 30, 2003 totaled approximately \$42.8 million. This compares to \$39.4 million at June 30, 2002. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Current and other assets	\$ 30,357	\$ 27,753
Capital assets	<u>41,114</u>	<u>40,896</u>
Total assets	<u>71,471</u>	<u>68,649</u>
Long-term debt outstanding	9,220	9,920
Other liabilities	<u>19,403</u>	<u>19,741</u>
Total liabilities	<u>28,623</u>	<u>29,661</u>
Net assets:		
Invested in capital assets, net of debt	31,194	30,751
Restricted	5,455	4,123
Unrestricted	<u>6,199</u>	<u>4,114</u>
Total net assets	<u>\$ 42,848</u>	<u>\$ 38,988</u>

Net assets of Story County's governmental activities increased by approximately \$3.9 million from FY02. The largest portion of the County's net assets is the 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 sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements—is \$6.2 million.

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

	Year Ended June 30, 2003	Year Ended June 30, 2002
Revenues:		
Program revenues:		
Charges for service	\$ 2,783	\$ 2,325
Operating grants and contributions	8,492	7,725
Capital grants and contributions	1,433	1,702
General revenues:		
Property taxes	16,526	15,573
Penalty and interest on property taxes	134	126
State tax credits	546	586
Local option sales and service tax	1,520	1,416
Grants and contributions not restricted to specific purposes	434	700
Unrestricted investment earnings	375	640
Gain (Loss) on sale of general fixed assets	55	(21)
Other general revenues	344	228
Total revenues	<u>32,642</u>	<u>31,000</u>
Program expenses:		
Public safety and legal services	7,228	6,694
Physical health and social services	1,626	1,939
Mental health	7,546	7,581
County environment and education	2,234	1,971
Roads and transportation	4,998	4,884
Governmental services to residents	996	929
Administration	3,642	3,773
Interest on long-term debt	512	528
Total expenses	<u>28,782</u>	<u>28,299</u>
Increase in net assets	3,860	2,701
Net assets beginning of year, as restated	<u>38,988</u>	<u>36,287</u>
Net assets end of year	<u>\$ 42,848</u>	<u>\$ 38,988</u>

The new Uniform Chart of Accounts for Iowa Counties was effective for FY03 County Financial Reporting which combined line items. The financial information for the year ended June 30, 2002 has been combined.

For FY03 Story County increased property tax rates by \$.02 per \$1,000 of valuation in the rural levy and \$.02 per \$1,000 of valuation in the countywide levy. This was multiplied by the increase in rural assessed property valuation of \$1,667,492 and countywide assessed property valuation of \$158,499,027. Revenues from the State of Iowa in the form of mental health funding decreased by \$170,847 and local option sales tax decreased by \$103,200 during the fiscal year.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Story County completed the year, its governmental funds reported a combined fund balance of \$12,124,223, which is greater than the \$9,187,631 combined fund balance for FY02.

The General Fund, the operating fund for Story County, ended FY03 with an unreserved ending balance totaling \$3.45 million, an increase of \$1.3 million. Property valuations increased from \$2,474,951,519 in FY02 to \$2,633,450,596 in FY03. The levy rate increased from \$8.91 in FY02 to \$8.95 in FY03. Effective September 2002, the Story County Treasurer helped launch a website for citizens to pay property tax on-line. Tax revenues totaling over \$300,000 in FY03 were collected via the on-line payment vehicle, which saved on human error, cost of paper, equipment, postage, and workload.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2003 ended with a \$2.3 million balance, whereas FY02 ended with \$1.5 million. Case Management revenues increased approximately \$63,000 over the budgeted amounts for FY03.

The Rural Services Fund ended FY03 with a \$575,267 balance compared to the prior year balance of \$533,397. Although property tax revenue for the Rural Services Fund remained virtually the same at \$1.8 million in both FY02 and FY03, local option sales tax revenue increased by approximately \$103,200 in FY03. The other revenues and expenditures in the Rural Services Fund remained virtually unchanged.

The Secondary Roads Fund ended FY03 with a \$2.2 million balance compared to the prior year restated balance of \$1.9 million. Two employees retired during FY03 and the positions remain vacant. The number of road maintenance districts decreased from 13 to 10 during FY03. The department maintained 720 miles of gravel, 22 miles of dirt, and 200 miles of paved roads during the year, as well as completed 7 construction projects.

The Debt Service Fund ended FY03 with a \$51,544 balance compared to the prior year balance of \$55,517. Bond principal and interest payments decreased by \$5,928 in FY03 according to the bond maturity schedule.

The Capital Projects Fund ended FY03 with a \$2.4 million balance compared to the prior year balance of \$2.1 million. Capital Projects Fund expenditures in FY03 decreased approximately \$3.6 million from FY02. Interest earned decreased in FY03 due to lower interest rates. Tax reimbursements of \$374,163 from Alliant Energy and the State of Iowa contributed to the increased balance.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, Story County amended the General Fund budget once. The amendment was made in May 2003 for additional special election costs, federal and state grants, juvenile protective living costs, court costs and medical examiner fees.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY03, Story County had approximately \$41.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges. This amount is an increase of approximately \$200,000 from FY02. The Justice Center, which opened in FY02, carried related debt of approximately \$9.9 million in FY03 compared to \$10.6 million of debt in FY02.

Story County had depreciation expense of \$1,919,407 in FY03 and total accumulated depreciation of \$15,009,144 on the capital assets. Additional information about the County's capital assets is presented in Note 4 to the financial statements.

## **Long-term Debt**

At the end of FY03, Story County had \$9,920,000 in general obligation bonds outstanding compared to \$10,595,000 at the end of FY02.

Outstanding long-term debt decreased as a result of the general obligation bond payments for the Justice Center. Story County's general obligation bond rating continues to carry the Aa2 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the county's corporate limits. Story County's outstanding general obligation debt is significantly below its constitutional debt limit of \$124 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 BUDGETS AND RATES**

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2004 budget, tax rates, and fees that apply for the various County services. One of those factors is the economy. Unemployment in Story County now stands at 2.8% versus 2.7% a year ago. This compares with the State's unemployment rate of 4.2% and the national rate of 6.4% for the same period ended June 30, 2003.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2004. Amounts available for appropriation in the General Fund are approximately \$14,261,000, an increase of 7% over the final 2003 budget. Property tax leads this increase. Story County will use the increase in receipts to finance programs currently offered with the effect inflation has on program costs. Increased wage adjustments represent the largest portion of the increased expenses. The elected officials of Story County received a 2.5% increase in salary, and pay plan staff received a 2.5% raise effective 7/1/03. Story County has added no major programs or initiatives to the 2004 budget.

If estimates are realized, Story County's budgetary General Fund balance is expected to increase from 19% at the end of FY03 to approximately 22% by the close of 2004.

## **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 6<sup>th</sup> Street, Nevada, Iowa 50201.

**Story County**

**Exhibit A**

Story County  
Statement of Net Assets  
June 30, 2003

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 12,682,842
Receivables:	
Property tax:	
Delinquent	85,603
Succeeding year	16,324,000
Accounts	244,986
Accrued interest	111,718
Drainage assessments	2,370
Due from other governments	640,946
Inventories	265,347
Capital assets (net of accumulated depreciation) (note 4)	41,113,890
<b>Total assets</b>	<u>71,471,702</u>
<b>Liabilities</b>	
Accounts payable	565,935
Accrued interest payable	40,521
Salaries and benefits payable	697,065
Due to other governments	509,296
Deferred revenue:	
Succeeding year property tax	16,324,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
General obligation bonds	700,000
Compensated absences	562,163
Portion due or payable after one year:	
General obligation bonds	9,220,000
Drainage district warrants payable	4,303
<b>Total liabilities</b>	<u>28,623,283</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	31,193,890
Restricted for:	
Supplemental levy purposes	583,721
Mental health purposes	2,178,984
Secondary roads purposes	2,147,716
Debt service	16,502
Other purposes	528,728
Unrestricted	6,198,878
<b>Total net assets</b>	<u>\$ 42,848,419</u>

See notes to financial statements.



Story County  
Statement of Activities  
Year ended June 30, 2003

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions / Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 7,227,714	1,032,076	243,728	-	(5,951,910)
Physical health and social services	1,626,281	27,890	227,208	-	(1,371,183)
Mental health	7,546,277	196,618	5,000,240	-	(2,349,419)
County environment and education	2,234,393	194,604	81,988	-	(1,957,801)
Roads and transportation	4,997,805	69,912	2,913,663	1,381,764	(632,466)
Governmental services to residents	996,040	1,243,626	-	-	247,586
Administration	3,641,705	18,016	24,927	51,125	(3,547,637)
Interest on long-term debt	511,851	-	-	-	(511,851)
<b>Total</b>	<b>\$ 28,782,066</b>	<b>2,782,742</b>	<b>8,491,754</b>	<b>1,432,889</b>	<b>(16,074,681)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					15,375,128
Debt service					1,152,419
Penalty and interest on property tax					133,779
State tax credits					545,700
Local option sales tax					1,519,760
Grants and contributions not restricted to specific purpose					433,570
Unrestricted investment earnings					375,569
Gain on disposal of capital asset					54,680
Miscellaneous					344,060
<b>Total general revenues</b>					<b>19,934,665</b>
Change in net assets					3,859,984
Net assets beginning of year, as restated (note 10)					38,988,435
Net assets end of year					<b>\$ 42,848,419</b>

See notes to financial statements.

Story County  
Balance Sheet  
Governmental Funds

June 30, 2003

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 4,477,523	2,836,866	427,560	1,915,092
Receivables:				
Property tax:				
Delinquent	53,892	15,350	10,673	-
Succeeding year	10,930,000	2,079,000	2,172,000	-
Accounts	6,431	233,888	2,971	1,281
Accrued interest	105,918	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	176,039	21,776	243,551	197,607
Inventories	-	-	-	265,347
<b>Total assets</b>	<b>\$ 15,749,803</b>	<b>5,186,880</b>	<b>2,856,755</b>	<b>2,379,327</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 241,870	195,567	10,691	47,921
Salaries and benefits payable	359,910	152,423	88,124	96,608
Due to other governments	44,607	462,831	-	1,601
Deferred revenue:				
Succeeding year property tax	10,930,000	2,079,000	2,172,000	-
Other	106,192	14,949	10,673	-
Total liabilities	11,682,579	2,904,770	2,281,488	146,130
Fund balances:				
Reserved for:				
Inventories	-	-	-	265,347
Supplemental levy purposes	615,084	-	-	-
Debt service	-	-	-	-
Unreserved:				
Designated for administration building	-	-	-	-
Undesignated, reported in:				
General fund	3,452,140	-	-	-
Special revenue funds	-	2,282,110	575,267	1,967,850
Total fund balances	4,067,224	2,282,110	575,267	2,233,197
<b>Total liabilities and fund balances</b>	<b>\$ 15,749,803</b>	<b>5,186,880</b>	<b>2,856,755</b>	<b>2,379,327</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
51,335	2,438,691	535,775	12,682,842
5,688	-	-	85,603
1,143,000	-	-	16,324,000
-	-	415	244,986
-	5,800	-	111,718
-	-	2,370	2,370
-	-	1,973	640,946
-	-	-	265,347
<u>1,200,023</u>	<u>2,444,491</u>	<u>540,533</u>	<u>30,357,812</u>
-	62,641	7,245	565,935
-	-	-	697,065
-	-	257	509,296
1,143,000	-	-	16,324,000
5,479	-	-	137,293
<u>1,148,479</u>	<u>62,641</u>	<u>7,502</u>	<u>18,233,589</u>
-	-	-	265,347
-	-	-	615,084
51,544	-	-	51,544
-	2,381,850	-	2,381,850
-	-	-	3,452,140
-	-	533,031	5,358,258
<u>51,544</u>	<u>2,381,850</u>	<u>533,031</u>	<u>12,124,223</u>
<u>1,200,023</u>	<u>2,444,491</u>	<u>540,533</u>	<u>30,357,812</u>

Story County

Reconciliation of the Balance Sheet – Governmental Funds  
to the Statement of Net Assets

June 30, 2003

**Total governmental fund balances (page 17)** \$ 12,124,223

***Amounts reported for governmental activities in the statement of net assets  
are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$56,123,034 and the accumulated depreciation is \$15,009,144. 41,113,890

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 137,293

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (10,526,987)

**Net assets of governmental activities (page 14)** \$ 42,848,419

See notes to financial statements.

**Story County**

Story County

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

Year ended June 30, 2003

	Special Revenue			
	General	Mental Health	Rural Service	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 10,421,172	2,971,933	3,458,787	-
Interest and penalty on property tax	133,779	-	-	-
Intergovernmental	1,608,171	5,092,209	482,792	2,967,590
Licenses and permits	11,225	-	15,938	1,185
Charges for service	1,536,492	196,619	41,524	14,800
Use of money and property	369,463	-	-	-
Miscellaneous	97,522	2,796	9,360	25,394
Total revenues	14,177,824	8,263,557	4,008,401	3,008,969
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	5,169,016	-	1,534,697	-
Physical health and social services	1,621,737	-	-	-
Mental health	-	7,472,053	-	-
County environment and education	1,106,227	-	1,020,419	-
Roads and transportation	-	-	200,000	4,043,882
Governmental services to residents	964,322	-	2,250	-
Administration	3,499,400	-	-	-
Debt service	-	-	-	-
Capital projects	38,676	-	-	320,767
Total expenditures	12,399,378	7,472,053	2,757,366	4,364,649
Excess (deficiency) of revenues over (under) expenditures	1,778,446	791,504	1,251,035	(1,355,680)
<b>Other financing sources (uses):</b>				
Sale of capital assets	7,000	2,500	-	24,500
Operating transfers in	7,590	-	-	1,592,462
Operating transfers out	(383,297)	-	(1,209,165)	(7,590)
Drainage district warrants issued	-	-	-	-
Total other financing sources (uses)	(368,707)	2,500	(1,209,165)	1,609,372
Net change in fund balances	1,409,739	794,004	41,870	253,692
Fund balances beginning of year, as restated (note 10)	2,657,485	1,488,106	533,397	1,923,297
Increase in reserve for inventories	-	-	-	56,208
Fund balances end of year	\$ 4,067,224	2,282,110	575,267	2,233,197

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
1,149,680	-	-	18,001,572
-	-	-	133,779
35,443	-	2,322	10,188,527
-	-	-	28,348
-	-	25,095	1,814,530
-	51,125	91,213	511,801
-	374,163	170,754	679,989
<u>1,185,123</u>	<u>425,288</u>	<u>289,384</u>	<u>31,358,546</u>
-	-	114,931	6,818,644
-	-	-	1,621,737
-	-	-	7,472,053
-	-	95,070	2,221,716
-	-	-	4,243,882
-	-	10,149	976,721
-	-	1,002	3,500,402
1,189,096	-	11,321	1,200,417
-	101,450	-	460,893
<u>1,189,096</u>	<u>101,450</u>	<u>232,473</u>	<u>28,516,465</u>
(3,973)	323,838	56,911	2,842,081
-	-	-	34,000
-	-	-	1,600,052
-	-	-	(1,600,052)
-	-	4,303	4,303
-	-	4,303	38,303
(3,973)	323,838	61,214	2,880,384
55,517	2,058,012	471,817	9,187,631
-	-	-	56,208
<u>51,544</u>	<u>2,381,850</u>	<u>533,031</u>	<u>12,124,223</u>

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, 2003

**Net change in fund balances - Total governmental funds (page 21)** \$ 2,880,384

**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 expense to allocate those expenditures over the life of the assets. Capital outlay and contributed assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 734,140	
Capital assets contributed by the Iowa Department of Transportation	1,381,764	
Depreciation expense	(1,919,407)	196,497

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 20,680

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	45,494	
Other	54,408	99,902

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt repayments exceeded debt issues as follows:

Drainage district warrants issued	(4,303)	
Drainage district warrants redeemed	11,321	
General obligation bond principal payments	675,000	682,018

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 governmental funds, as follows:

Compensated absences	(77,950)	
Interest on long-term debt	2,245	(75,705)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenses in the period the corresponding net asset is exhausted. 56,208

**Change in net assets of governmental activities (page 15)** \$ 3,859,984

See notes to financial statements.



Story County  
 Agency Funds  
 Statement of Fiduciary Assets and Liabilities  
 June 30, 2003

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 2,353,869
Other County officials	116,825
Employee health insurance plan	19,321
Receivables:	
Property tax:	
Delinquent	309,285
Succeeding year	66,545,000
Special assessments	1,087,699
Drainage assessments	645
Accounts	85,225
Due from other governments	6,335
Total assets	70,524,204

**Liabilities**

Accounts payable	8,429
Salaries and benefits payable	39,697
Due to other governments	70,302,863
Trusts payable	136,937
Compensated absences	36,278
Total liabilities	70,524,204

<b>Net assets</b>	\$ -
-------------------	------

See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2003

**(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 administration.

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

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 that 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 that 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 also 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, and Story County Joint E911 Service Board. 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 Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government 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 and intergovernmental revenues or other nonexchange transactions.

The statement of net assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 that are 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 that are 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, mental retardation, 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 country outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary roads construction and maintenance.

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

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales 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 judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt 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 assets 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.

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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

Accounts Receivable – Accounts receivable are generally expected to be collected in the subsequent year so an allowance for uncollectibles is not used.

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.

Special Assessments Receivable – Special assessments receivable represent amounts assessed to individuals for work done that benefit their property. These assessments are payable by individuals in not less than ten nor more than twenty 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. Special assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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 in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

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

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 5,000
Equipment and vehicles	5,000
Infrastructure, road network	50,000

Property and equipment of the County is depreciated 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
Equipment	3-20
Vehicles	5-15
Infrastructure, road network	10-65

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. The compensated absences liability attributable to the governmental activities have been paid primarily by the General, 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 statement of net assets.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$400,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2003 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Secondary Roads	\$ 7,590
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	383,297  1,209,165
Total		<u>\$ 1,600,052</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Also, Story County returned \$7,590 to the General Fund from the Secondary Roads Fund. This was the amount by which the prior year actual transfer exceeded the prior year maximum amount allowed.



**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2003 was as follows:

	Balance Beginning of Year (as restated, note 10)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,659,439	-	9,015	3,650,424
Construction in progress	13,769,654	703,482	14,351,103	122,033
Total capital assets not being depreciated	<u>17,429,093</u>	<u>703,482</u>	<u>14,360,118</u>	<u>3,772,457</u>
Capital assets being depreciated:				
Buildings	8,478,808	13,337,186	85,400	21,730,594
Improvements other than buildings	954,443	10,708	-	965,151
Equipment and vehicles	7,857,859	489,745	279,688	8,067,916
Infrastructure, road network	19,621,946	1,964,970	-	21,586,916
Total capital assets being depreciated	<u>36,913,056</u>	<u>15,802,609</u>	<u>365,088</u>	<u>52,350,577</u>
Less accumulated depreciation for:				
Buildings	2,808,107	433,854	(85,400)	3,156,561
Improvements other than buildings	102,554	32,152	-	134,706
Equipment and vehicles	4,071,207	743,802	(270,299)	4,544,710
Infrastructure, road network	6,463,568	709,599	-	7,173,167
Total accumulated depreciation	<u>13,445,436</u>	<u>1,919,407</u>	<u>(355,699)</u>	<u>15,009,144</u>
Total capital assets being depreciated, net	<u>23,467,620</u>	<u>13,883,202</u>	<u>9,389</u>	<u>37,341,433</u>
Governmental activities capital assets, net	<u>\$ 40,896,713</u>	<u>14,586,684</u>	<u>14,369,507</u>	<u>41,113,890</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Public safety and legal services				\$ 454,059
Physical health and social services				2,000
Mental health				69,184
County environment and education				71,629
Roads and transportation				1,060,641
Governmental services to residents				18,730
Administration				<u>243,164</u>
Total depreciation expense - governmental activities				<u>\$ 1,919,407</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 is as follows:

Fund	Description	Amount
General	Services	\$ 44,607
Special Revenue:		
Mental Health	Services	462,831
Secondary Roads	Services	1,601
Friends of Conservation	Services	257
		<u>464,432</u>
Total for governmental funds		<u>\$ 509,296</u>
Agency:		
County Assessor	Collections	\$ 536,946
City Assessor		552,297
Schools		38,651,006
Community Colleges		1,558,199
Corporations		24,513,860
Townships		378,819
Special Assessments		1,093,777
Auto License and Use Tax		1,237,080
County Hospital		992,993
E911		328,672
All other		459,214
Total for agency funds		<u>\$ 70,302,863</u>

**(6) Changes in Long-Term Obligations**

Changes in long-term obligations for the year ended June 30, 2003 are summarized as follows:

	General Obligation Bonds	Drainage District Warrants	Compen- sated Absences	Total
Balances beginning of year	\$ 10,595,000	11,321	484,213	11,090,534
Increases	-	4,303	413,864	418,167
Decreases	(675,000)	(11,321)	(335,914)	(1,022,235)
Balance end of year	<u>\$ 9,920,000</u>	<u>4,303</u>	<u>562,163</u>	<u>10,486,466</u>
Due within one year	<u>\$ 700,000</u>	<u>-</u>	<u>562,163</u>	<u>1,262,163</u>

## Bonds Payable

Debt service requirements for the County's June 30, 2003 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Governmental Activities					
	Series 1998 Issued Dec 30, 1998			Series 1999 Issued Sep 1, 1999		
	Interest		Principal	Interest		Principal
Rates		Rates				
2004	3.90%	\$ 600,000	23,400		\$ -	250,332
2005		-	-		-	250,332
2006		-	-		-	250,332
2007		-	-		-	250,332
2008		-	-		-	250,332
2009-2013		-	-	4.90-5.05%	3,890,000	982,864
2014		-	-	5.10	1,110,000	56,610
Total		\$ 600,000	23,400		\$ 5,000,000	2,291,134

Year Ending June 30,	Governmental Activities					
	Series 2000 Issued Aug 1, 2000			Total		
	Interest		Principal	Principal		Interest
Rates						
2004	4.80%	\$ 100,000	212,525	\$ 700,000	486,257	1,186,257
2005	4.90	735,000	207,725	735,000	458,057	1,193,057
2006	4.90	780,000	171,710	780,000	422,042	1,202,042
2007	4.90	815,000	133,490	815,000	383,822	1,198,822
2008	4.95	860,000	93,555	860,000	343,887	1,203,887
2009-2013	4.95	1,030,000	57,173	4,920,000	1,040,037	5,960,037
2014		-	-	1,110,000	56,610	1,166,610
Total		\$ 4,320,000	876,178	\$ 9,920,000	3,190,712	13,110,712

During the year ended June 30, 2003, the County retired \$675,000 of general obligation bonds.

## Drainage District Warrants

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

Drainage district warrants are paid from the Special Revenue Fund solely from assessments against benefited properties.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$855,060, \$822,886, and \$786,839, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Story County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$237,544.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, 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 claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**(9) Pending Litigation**

The County is a defendant in a lawsuit for which the probability and amount of loss, if any, is indeterminable.

**(10) Restatement**

Beginning net assets for governmental activities has been restated due to errors in reporting capital assets in a prior year and an understatement of inventories at June 30, 2002. In addition, \$221,800 of cost reported as infrastructure at June 30, 2002 has been reclassified as construction in progress. The restatement decreased the beginning net assets by \$370,915, as follows:

Net assets, June 30, 2002, as previously reported	\$ 39,359,350
Correction of equipment previously excluded	145,000
Correction of prior year depreciation expense	(594,665)
Correction of June 30, 2002 inventories	<u>78,750</u>
Net assets July 1, 2002, as restated	<u>\$ 38,988,435</u>

The beginning balance of the Special Revenue, Secondary Roads Fund has been restated to properly report the June 30, 2002 inventories. The effect of this restatement was to increase the beginning fund balance by \$78,750.

**Story County**

**Required Supplementary Information**

Story County  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds  
 Required Supplementary Information  
 Year ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Receipts:</b>						
Property and other county tax	\$ 17,965,198	-	17,965,198	18,057,150	17,962,650	2,548
Interest and penalty on property tax	133,779	-	133,779	107,000	107,000	26,779
Intergovernmental	10,264,674	-	10,264,674	9,596,117	10,122,130	142,544
Licenses and permits	28,678	-	28,678	21,275	21,275	7,403
Charges for service	1,960,927	-	1,960,927	1,454,660	1,582,860	378,067
Use of money and property	560,102	-	560,102	634,100	542,900	17,202
Miscellaneous	690,640	60,696	629,944	169,170	652,433	(22,489)
Total receipts	<u>31,603,998</u>	<u>60,696</u>	<u>31,543,302</u>	<u>30,039,472</u>	<u>30,991,248</u>	<u>552,054</u>
<b>Disbursements:</b>						
Public safety and legal services	6,771,862	-	6,771,862	6,883,005	6,978,405	206,543
Physical health and social services	1,694,790	-	1,694,790	1,652,848	1,788,698	93,908
Mental health	7,360,934	-	7,360,934	7,653,070	7,667,370	306,436
County environment and education	2,214,553	45,323	2,169,230	2,296,024	2,255,016	85,786
Roads and transportation	4,068,864	-	4,068,864	4,369,676	4,369,676	300,812
Governmental services to residents	956,391	-	956,391	996,817	1,033,517	77,126
Administration	3,535,262	-	3,535,262	4,015,939	4,026,594	491,332
Debt service	1,189,095	-	1,189,095	1,189,095	1,189,995	900
Capital projects	919,854	-	919,854	2,781,360	2,639,160	1,719,306
Total disbursements	<u>28,711,605</u>	<u>45,323</u>	<u>28,666,282</u>	<u>31,837,834</u>	<u>31,948,431</u>	<u>3,282,149</u>
Excess (deficiency) of receipts over (under) disbursements	2,892,393	15,373	2,877,020	(1,798,362)	(957,183)	3,834,203
Other financing sources, net	9,500	-	9,500	-	14,590	(5,090)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,901,893	15,373	2,886,520	(1,798,362)	(942,593)	3,829,113
Balance beginning of year	9,780,949	153,653	9,627,296	8,326,540	9,620,873	6,423
Balance end of year	<u>\$ 12,682,842</u>	<u>169,026</u>	<u>12,513,816</u>	<u>6,528,178</u>	<u>8,678,280</u>	<u>3,835,536</u>

See accompanying independent auditor's report.



Story County  
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2003

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 31,436,739	(78,193)	31,358,546
Expenditures	28,711,605	195,140	28,516,465
Net	2,725,134	116,947	2,842,081
Other financing sources	9,500	28,803	38,303
Beginning fund balances, as restated (note 10)	9,948,208	(760,577)	9,187,631
Increase in reserve for inventories	-	56,208	56,208
Ending fund balances	\$ 12,682,842	(558,619)	12,124,223

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2003

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 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, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$110,597. This budget amendment is reflected in the final budgeted amounts.

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

**Other Supplementary Information**

Story County  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2003

	County Recorder's Records Management	Drainage Districts	Employee Wellness	Resource Enhancement and Protection
<b>Assets</b>				
Cash and pooled investments	\$ 123,865	169,026	436	89,760
Receivables:				
Accounts	-	-	-	-
Drainage assessments	-	2,370	-	-
Due from other governments	-	-	-	690
<b>Total assets</b>	<b>\$ 123,865</b>	<b>171,396</b>	<b>436</b>	<b>90,450</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other governments	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Unreserved fund balances	123,865	171,396	436	90,450
<b>Total liabilities and fund equity</b>	<b>\$ 123,865</b>	<b>171,396</b>	<b>436</b>	<b>90,450</b>

See accompanying independent auditor's report.

Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Total
59,104	9,349	37,897	46,338	535,775
-	-	415	-	415
-	-	-	-	2,370
300	983	-	-	1,973
59,404	10,332	38,312	46,338	540,533
-	3,880	37	3,328	7,245
-	-	-	257	257
-	3,880	37	3,585	7,502
59,404	6,452	38,275	42,753	533,031
59,404	10,332	38,312	46,338	540,533

Story County

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

Year ended June 30, 2003

	County Recorder's Records Management	Drainage Districts	Employee Wellness	Resource Enhancement and Protection
Revenues:				
Intergovernmental	\$ -	-	-	1,222
Charges for service	25,095	-	-	-
Use of money and property	2,338	-	-	1,890
Miscellaneous	-	56,012	-	-
Total revenues	27,433	56,012	-	3,112
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	34,002	-	8,573
Governmental services to residents	10,149	-	-	-
Administration	-	-	1,002	-
Debt service	-	11,321	-	-
Total expenditures	10,149	45,323	1,002	8,573
Excess (deficiency) of revenues over (under) expenditures	17,284	10,689	(1,002)	(5,461)
Other financing sources:				
Drainage district warrants issued	-	4,303	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	17,284	14,992	(1,002)	(5,461)
Fund balances beginning of year	106,581	156,404	1,438	95,911
Fund balances end of year	\$ 123,865	171,396	436	90,450

See accompanying independent auditor's report.

Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Total
1,100	-	-	-	2,322
-	-	-	-	25,095
-	85,395	715	875	91,213
58,678	-	4,863	51,201	170,754
59,778	85,395	5,578	52,076	289,384
22,122	92,809	-	-	114,931
-	-	791	51,704	95,070
-	-	-	-	10,149
-	-	-	-	1,002
-	-	-	-	11,321
22,122	92,809	791	51,704	232,473
37,656	(7,414)	4,787	372	56,911
-	-	-	-	4,303
37,656	(7,414)	4,787	372	61,214
21,748	13,866	33,488	42,381	471,817
59,404	6,452	38,275	42,753	533,031

Story County  
Agency Funds  
Combining Schedule of Fiduciary Assets and Liabilities  
June 30, 2003

	County Offices			Agricultural	County Assessor
	Board of Supervisors	County Recorder	County Sheriff	Extension Education	
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	-	-	1,515	112,138
Other County officials	37,882	54,032	24,911	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	1,086	1,057
Succeeding year	-	-	-	218,000	453,000
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Accounts	-	365	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 37,882</b>	<b>54,397</b>	<b>24,911</b>	<b>220,601</b>	<b>566,195</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	-	-	16,289
Due to other governments	-	54,397	-	220,601	536,946
Trusts payable	37,882	-	24,911	-	-
Compensated absences	-	-	-	-	12,960
<b>Total liabilities</b>	<b>\$ 37,882</b>	<b>54,397</b>	<b>24,911</b>	<b>220,601</b>	<b>566,195</b>



City Assessor	Schools	Community Colleges	Corporations	Townships	Special Assessments	Drainage Districts	Auto License and Use Tax
73,695	271,611	10,018	146,103	3,948	6,078	7,142	1,237,080
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,876	192,395	7,181	96,757	1,871	-	-	-
510,000	38,187,000	1,541,000	24,271,000	373,000	-	-	-
-	-	-	-	-	1,087,699	-	-
-	-	-	-	-	-	645	-
29	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>587,600</b>	<b>38,651,006</b>	<b>1,558,199</b>	<b>24,513,860</b>	<b>378,819</b>	<b>1,093,777</b>	<b>7,787</b>	<b>1,237,080</b>
-	-	-	-	-	-	-	-
17,528	-	-	-	-	-	-	-
552,297	38,651,006	1,558,199	24,513,860	378,819	1,093,777	7,787	1,237,080
-	-	-	-	-	-	-	-
17,775	-	-	-	-	-	-	-
<b>587,600</b>	<b>38,651,006</b>	<b>1,558,199</b>	<b>24,513,860</b>	<b>378,819</b>	<b>1,093,777</b>	<b>7,787</b>	<b>1,237,080</b>

Story County  
Agency Funds  
Combining Schedule of Fiduciary Assets and Liabilities  
June 30, 2003

	County Hospital	Emergency Management Services	Brucellosis and Tuberculosis Eradication	E911
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	6,984	82,090	-	246,008
Other County officials	-	-	-	-
Employee health insurance plan	-	-	-	-
Receivables:				
Property tax:				
Delinquent	5,009	-	53	-
Succeeding year	981,000	-	11,000	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Accounts	-	-	-	84,831
Due from other governments	-	6,335	-	-
<b>Total assets</b>	<b>992,993</b>	<b>88,425</b>	<b>11,053</b>	<b>330,839</b>
<b>Liabilities</b>				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	3,994	-	1,886
Due to other governments	992,993	79,169	11,053	328,672
Trusts payable	-	-	-	-
Compensated absences	-	5,262	-	281
<b>Total liabilities</b>	<b>992,993</b>	<b>88,425</b>	<b>11,053</b>	<b>330,839</b>

See accompanying independent auditor's report.

Tax Sale Redemption	Future Real Estate Payments	Advance Tax	Employee Health Insurance	Empowerment	Anatomical Gift Public Awareness and Transportation	Total
41,717	54,828	210	21,535	31,054	115	2,353,869
-	-	-	-	-	-	116,825
-	-	-	19,321	-	-	19,321
-	-	-	-	-	-	309,285
-	-	-	-	-	-	66,545,000
-	-	-	-	-	-	1,087,699
-	-	-	-	-	-	645
-	-	-	-	-	-	85,225
-	-	-	-	-	-	6,335
41,717	54,828	210	40,856	31,054	115	70,524,204
-	-	-	8,429	-	-	8,429
-	-	-	-	-	-	39,697
-	54,828	210	-	31,054	115	70,302,863
41,717	-	-	32,427	-	-	136,937
-	-	-	-	-	-	36,278
41,717	54,828	210	40,856	31,054	115	70,524,204

Story County

Agency Funds

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Year ended June 30, 2003

	County Offices			Agricultural	County Assessor
	Board of Supervisors	County Recorder	County Sheriff	Extension Education	
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 46,852	58,366	30,015	212,919	595,569
Additions:					
Property and other county tax	-	-	-	217,313	454,194
E911 surcharge	-	-	-	-	-
State tax credits	-	-	-	6,508	25,262
Office fees and collections	-	1,329,433	139,648	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	305,294	-	752,100	-	-
Miscellaneous	-	-	-	-	7,242
Total additions	305,294	1,329,433	891,748	223,821	486,698
Deductions:					
Agency remittances:					
To other funds	-	796,485	227,902	-	-
To other governments	-	536,917	325	216,139	516,072
Trusts paid out	314,264	-	668,625	-	-
Total deductions	314,264	1,333,402	896,852	216,139	516,072
Balances end of year	\$ 37,882	54,397	24,911	220,601	566,195

City Assessor	Schools	Community Colleges	Corporations	Townships	Special Assessments	Drainage Districts	Auto License and Use Tax
609,777	38,200,864	1,405,216	22,947,274	358,434	1,185,846	6,492	1,133,445
508,599	38,250,061	1,542,393	24,278,859	373,239	-	-	-
-	-	-	-	-	-	-	-
9,492	1,190,530	43,065	591,638	17,572	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	14,092,888
-	-	-	-	-	229,906	2,534	-
-	-	-	-	-	-	-	-
7,683	-	-	-	-	-	-	-
525,774	39,440,591	1,585,458	24,870,497	390,811	229,906	2,534	14,092,888
-	-	-	-	-	-	-	422,574
547,951	38,990,449	1,432,475	23,303,911	370,426	321,975	1,239	13,566,679
-	-	-	-	-	-	-	-
547,951	38,990,449	1,432,475	23,303,911	370,426	321,975	1,239	13,989,253
587,600	38,651,006	1,558,199	24,513,860	378,819	1,093,777	7,787	1,237,080

Story County

Agency Funds

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Year ended June 30, 2003

	County Hospital	Emergency Management Services	Brucellosis and Tuberculosis Eradication	E911
<b>Assets and Liabilities</b>				
Balances beginning of year	979,424	67,024	10,045	626,746
Additions:				
Property and other county tax	982,859	-	11,206	-
E911 surcharge	-	-	-	459,093
State tax credits	30,012	-	315	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	177,880	-	-
Total additions	1,012,871	177,880	11,521	459,093
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	999,302	156,479	10,513	755,000
Trusts paid out	-	-	-	-
Total deductions	999,302	156,479	10,513	755,000
Balances end of year	992,993	88,425	11,053	330,839

See accompanying independent auditor's report.

Tax Sale Redemption	Future Real Estate Payments	Advance Tax	Employee Health Insurance	Empowerment	Anatomical Gift Public Awareness and Transportation	Total
54,576	41,272	210	48,536	66,945	75	68,685,922
-	-	-	-	-	-	66,618,723
-	-	-	-	-	-	459,093
-	-	-	-	-	-	1,914,394
-	-	-	-	-	-	1,469,081
-	-	-	-	-	-	14,092,888
-	-	-	-	-	-	232,440
852,272	77,876	-	855,127	-	-	2,842,669
-	-	-	-	297,756	1,164	491,725
852,272	77,876	-	855,127	297,756	1,164	88,121,013
-	-	-	-	-	-	1,446,961
-	64,320	-	-	333,647	1,124	82,124,943
865,131	-	-	862,807	-	-	2,710,827
865,131	64,320	-	862,807	333,647	1,124	86,282,731
41,717	54,828	210	40,856	31,054	115	70,524,204

**Schedule 5**

## Story County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Fund Types

For the Last Five Years

	Modified Accrual Basis				
	2003	2002	2001	2000	1999
Revenues:					
Property and other county tax	\$ 18,001,572	16,972,505	13,846,337	13,563,444	13,021,534
Interest and penalty on property tax	133,779	125,734	126,747	107,656	119,777
Intergovernmental	10,188,527	9,494,103	9,773,173	9,798,029	9,967,987
Licenses and permits	28,348	21,672	20,988	17,920	20,803
Charges for service	1,814,530	1,628,718	1,374,758	1,299,309	1,240,904
Use of money and property	511,801	927,047	1,228,089	1,310,350	1,105,044
Fines, forfeitures and defaults	-	1,063	-	-	-
Miscellaneous	679,989	276,996	271,509	327,174	239,652
Total	\$ 31,358,546	29,447,838	26,641,601	26,423,882	25,715,701
Expenditures:					
Operating:					
Public safety and legal services	\$ 6,818,644	6,476,253	6,163,325	5,415,096	4,989,557
Physical health and social services	1,621,737	1,619,212	1,588,620	1,739,900	1,611,290
Mental health	7,472,053	7,482,172	7,433,953	7,508,212	7,020,429
County environment and education	2,221,716	2,247,054	2,215,685	2,277,025	2,124,480
Roads and transportation	4,243,882	4,011,388	4,448,193	4,032,288	3,702,346
Governmental services to residents	976,721	908,022	930,415	863,226	870,446
Administration	3,500,402	3,655,489	3,226,911	3,250,340	2,663,601
Non-program	-	37,877	18,591	19,539	44,525
Debt service	1,200,417	1,204,684	1,786,970	1,122,816	289,092
Capital projects	460,893	3,765,993	8,683,012	4,220,498	4,104,179
Total	\$ 28,516,465	31,408,144	36,495,675	30,448,940	27,419,945

See accompanying independent auditor's report.



Story County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606		\$ 14,835
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants			
for Food Stamp Program	10.561		22,661
Temporary Assistance for Needy Families	93.558		33,342
Refugee and Entrant Assistance - State			
Administered Programs	93.566		99
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		6,431
Foster Care - Title IV-E	93.658		11,399
Adoption Assistance	93.659		3,740
Medical Assistance Program	93.778		32,627
Social Services Block Grant	93.667		21,939
Social Services Block Grant	93.667		390,107
			412,046
Iowa Department of Public Health:			
Childhood Lead Poisoning Prevention Projects			
State and Community Based Childhood Lead			
Poisoning Prevention and Surveillance of			
Blood Lead Levels in Children	93.197	5883LP07	1,884
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
State and Local All Hazards Emergency Operations Plan	83.562		3,104
Citizens Corps	83.564		729
Emergency Management Performance Grants			
Block Grant to the States	83.552		28,723
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-ES-E-C085(77)--8T-85	15,841
Highway Planning and Construction	20.205	STP-ES-E-C085(79)--8T-85	8,861
Highway Planning and Construction	20.205	BROS-C085(53)--8J-85	183,566
			208,268
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 02-04 Task 25	2,076
State and Community Highway Safety	20.600	PAP 03-04 Task 25	261
State and Community Highway Safety	20.600	PAP 02-164 Task 66	3,945
			6,282

**Schedule 6**

## Story County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Transportation (continued):			
Iowa Department of Public Safety:			
Alcohol Traffic Safety & Drunk Driving Prevention Incentive Grants	20.601	PAP 03-410 Task 37	<u>3,945</u>
Iowa Department of Public Defense:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>9,949</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	02B-1154	30,375
Byrne Formula Grant Program	16.579	02A-0256	<u>96,281</u>
			<u>126,656</u>
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-02-250	<u>30,034</u>
Iowa Department of Public Health:			
Tobacco Surveillance Grant	16.000		<u>1,800</u>
Edward Byrne Memorial State & Local Law Enforcement Assistance Discretionary Grants Program	16.580	02-HOTSPOTS-01	<u>49,918</u>
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Division	16.007	ODP-2002-076	<u>1,000</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Emergency Shelter Grants Program	14.231	01-HES-004	2,800
Emergency Shelter Grants Program	14.231	02-HES-004	<u>60,650</u>
			<u>63,450</u>
Total indirect			<u>1,058,087</u>
Total			<u>\$ 1,072,922</u>

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

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of Story County:

We have audited the financial statements of Story County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated November 17, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the basic 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. Prior year statutory comments have been resolved except for item IV-E-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Story County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Story County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items II-B-03 and II-C-03.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Story County and other parties to whom Story County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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.

DAVID A VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 17, 2003

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance**

**Story County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Story County:

Compliance

We have audited the compliance of Story County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2003. Story County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Story County's management. Our responsibility is to express an opinion on Story County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Story County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Story County's compliance with those requirements.

In our opinion, Story County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Story County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Story County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Story County and other parties to whom Story County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 17, 2003



Story County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2003

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 16.579 – Byrne Formula Grant Program
  - CFDA Number 20.205 - Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Story County qualified as a low-risk auditee.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-03 County Engineer – A sales tax refund on a bridge replacement project was not applied for. Claims for refund must be filed with the Iowa Department of Revenue within six months after the completion of a project.

Recommendation – The County should establish procedures to ensure all sales tax refunds are applied for on a timely basis.

Response – Final negotiations, settlement and documentation resulting from liquidated damages occurred over a nine week period during both the Thanksgiving and Christmas holiday weeks (and corresponding vacations) last winter. This oversight error was not caught until two weeks past the deadline for file for a refund had passed.

Revised DOT procedures that are now in effect for all projects let in Ames will eliminate the initial collection and resulting need for filing a refund for sales tax. Internally, for locally funded projects which are paid through this office, our procedure now calls for:

1. Final pay vouchers for these projects will not be presented for approval until sales tax information has been received and forwarded (with voucher) to the Financial Data Technician.
2. Claim for payment will not be generated until sales tax information is received and an application for refund is completed.
3. Approval signature by Department Head will not be given on a claim until #2 is verified.

Conclusion – Response accepted.

II-B-03 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The County will work towards developing a disaster recovery plan that includes the appropriate information necessary. Various departments will be consulted as this is completed.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

II-C-03 Flexible Benefit Spending Account – The County contracts with a vendor to administer its flexible spending benefit plan for employees. The plan administrator is responsible for receiving employee contributions to the plan, making expenditures for the plan and for reconciling the plan's bank account.

Recommendation – The County should obtain copies each month and monitor and review the plan's bank reconciliations for accuracy.

Response – The County Auditor's office will work with the Administrative Officer to obtain the information on a monthly basis from the vendor and to develop an internal spreadsheet to monitor and verify the vendor's reconciliation for accuracy.

Conclusion – Response accepted.

II-D-03 County Recorder – All funds received by the County Recorder's office are entered on a cash register. The cash register tapes do not indicate if cash or check was received, making it difficult to determine the exact breakdown between cash and checks when the cash register is balanced at the end of the day.

Recommendation – Cash register tapes should indicate whether the payment was made by cash or check to facilitate balancing cash and checks to collections daily.

Response – A change has been implemented to show the cash received on all cash register tapes.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003, except for the County Recorder's deposits at State Bank and Trust. The maximum authorized amount of \$250,000 was exceeded in April 2003. A new resolution was made in the amount of \$500,000 on September 30, 2003.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board in a timely manner.

Response – A new resolution was implemented when we discovered that the maximum deposit amount had been exceeded.

Conclusion – Response accepted.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.

IV-C-03 Questionable Expenditures – The County paid travel expenses totaling \$367 for a non-county employee and spouse. Certain of these expenses were charged to the County Sheriff's county credit card, which the Sheriff provided to the non-county employee for his use. The remaining expenses were directly reimbursed to the individual.

These expenditures may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Board of Supervisors and the County Sheriff should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures which document the public purpose served.

County credit cards should not be used by any other than county employees.

Response – The credit card policy of allowing non-county employee/volunteers to use the credit card has been changed. That is no longer a practice. This was a one time occurrence. Since then non-county employee/volunteers are not allowed to use county issued credit cards. We will ensure that all non-county employee/volunteer reimbursements will include public purpose statement.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Stephanie Allen, Planning and Zoning	Cleaning County vehicles	\$ 220
Michelle Good, Sheriff's Office, Husband owns Good and Quick	Auto repair and fuel	3,787

Recommendation - In accordance with Chapter 331.342(10) of the Code of Iowa, the vehicle cleaning transaction does not appear to represent a conflict of interest since the total was less than \$1,500 during the fiscal year.

The transactions for auto repair and fuel may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa. The County should consult legal counsel to determine the disposition of this matter.

Response – Employees will be required to annually disclose potential conflicts of interest and management will be informed as to the entities involved. We will continue conversation with the County Attorney about this matter as we do business with the companies local to Nevada and Story County for vehicle maintenance and fuel.

Conclusion – Response accepted.

IV-F-03 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-03 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-03 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

check. The County retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required.

Response – This was corrected when it was brought to our attention during the audit. On the day of the interview with the Auditor I contacted the bank to advise the needed change and he advised that it had been enacted.

Conclusion – Response accepted.

IV-M-03 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, 2003 for the County Extension Office did not exceed the amount budgeted.

---

Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Pamela L. Brandenburg, Senior Auditor  
Julie J. Lyon, CPA, Staff Auditor  
Cory A. Warmuth, CPA, Staff Auditor  
Curtis J. Schroeder, Assistant Auditor  
Corinne M. Widen, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State