



**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 6, 2006 _____

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 \$89,144,193 for the year ended June 30, 2005, which included \$2,374,641 in tax credits from the state. The County forwarded \$72,768,695 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$16,375,498 of the local tax revenue to finance County operations, a 3 percent decrease from the prior year. Other revenues included charges for service of \$2,793,271, operating grants, contributions and restricted interest of \$8,903,766, capital grants, contributions and restricted interest of \$2,171,044, local option sales tax of \$1,641,293, unrestricted investment earnings of \$446,134 and other general revenues of \$399,379.

Expenses for County operations totaled \$31,057,224, a 2.4 percent increase over the prior year. Expenses included \$7,766,429 for mental health, \$7,586,940 for public safety and legal services and \$5,311,978 for roads and transportation.

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

###

STORY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		38-39
Budget to GAAP Reconciliation		40
Notes to Required Supplementary Information – Budgetary Reporting		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46-47
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	48-49
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	50-51
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	52
Schedule of Expenditures of Federal Awards	6	53-54
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		55-56
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		59-60
Schedule of Findings and Questioned Costs		61-69
Staff		70

Story County

Officials

(Before January 2005)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Wayne Schwickerath	County Assessor	Jan 2010
Richard Horn	City Assessor	Jan 2009

(After January 2005)

Jane E. Halliburton	Board of Supervisors	Jan 2007
Donald L. Toms	Board of Supervisors	Jan 2007
Wayne E. Clinton	Board of Supervisors	Jan 2009
Mary L. Mosiman	County Auditor	Jan 2009
David Jamison	County Treasurer	Jan 2007
Susan Vande Kamp	County Recorder	Jan 2007
Paul H. Fitzgerald	County Sheriff	Jan 2009
Stephen Holmes	County Attorney	Jan 2007
Wayne Schwickerath	County Assessor	Jan 2010
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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, 2005, 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 report dated November 17, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 six years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Story County provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the County for the year ended June 30, 2005, along with comparative data for the year ended June 30, 2004. Readers are encouraged to consider this information in conjunction with the County's financial statements which follow.

2005 FINANCIAL HIGHLIGHTS

- Governmental activities revenue increased approximately \$182,000 from fiscal 2004 (FY04). This included a property tax revenue decrease of approximately \$500,000, but an increase in operating and capital grants and contributions of approximately \$660,000.
- Program expenses increased from \$30.3 million in FY04 to \$31 million in FY05. This included an increase in county environment and education of approximately \$681,000.
- Net assets increased approximately \$1.7 million from FY04. This increase is due primarily to additions to secondary road infrastructure, including assets acquired through capital grants from the Iowa Department of Transportation.

USING THIS ANNUAL REPORT

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net 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 County.
- *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year.
- *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 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 funds focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which 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 required financial statement for fiduciary funds is 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

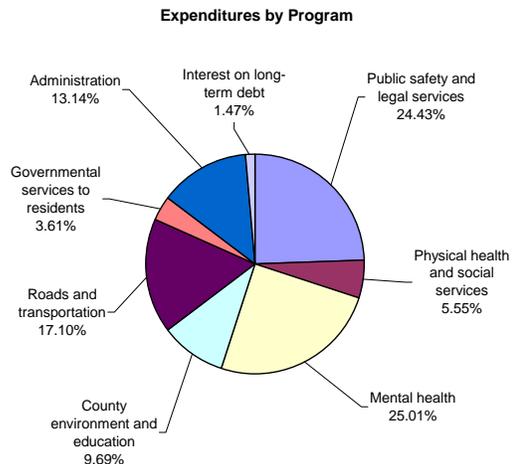
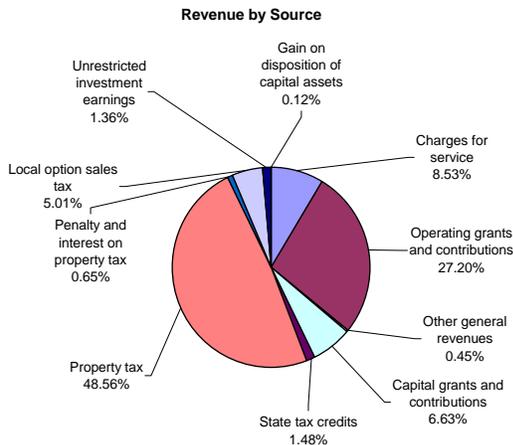
As noted earlier, net assets may serve over time as a useful indicator of financial position. Story County’s net assets for FY05 totaled approximately \$47 million. This compares to FY04 at \$45 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 28,548	30,787
Capital assets	46,208	42,313
Total assets	<u>74,756</u>	<u>73,100</u>
Long-term liabilities	9,083	9,813
Other liabilities	18,939	18,226
Total liabilities	<u>28,022</u>	<u>28,039</u>
Net assets:		
Invested in capital assets, net of related debt	37,722	33,093
Restricted	4,383	4,710
Unrestricted	4,629	7,258
Total net assets	<u>\$ 46,734</u>	<u>45,061</u>

Total net assets of Story County’s governmental activities increased by approximately \$1.7 million from FY04. 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 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 \$4.6 million, a 36.2% decrease from FY04. The decrease in unrestricted net assets is primarily due to higher expenditures in the Capital Projects Fund. Expenditures delayed from FY04 were completed in FY05 within this fund.

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

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 2,793	2,775
Operating grants and contributions	8,904	8,585
Capital grants and contributions	2,171	1,830
General revenues:		
Property tax	15,893	16,399
Penalty and interest on property tax	214	217
State tax credits	483	507
Local option sales tax	1,641	1,698
Unrestricted investment earnings	446	295
Gain on disposition of capital assets	38	37
Other general revenues	147	205
Total revenues	32,730	32,548
Program expenses:		
Public safety and legal services	7,587	7,519
Physical health and social services	1,723	1,705
Mental health	7,766	7,942
County environment and education	3,009	2,328
Roads and transportation	5,312	5,202
Governmental services to residents	1,122	1,087
Administration	4,082	4,067
Interest on long-term debt	456	485
Total expenses	31,057	30,335
Increase in net assets	1,673	2,213
Net assets beginning of year	45,061	42,848
Net assets end of year	\$ 46,734	45,061



Overall, revenues increased by approximately \$182,000, or .6%. An increase in grants and contributions was offset by a decrease in property tax revenue. The increase in grants and contributions is primarily related to a \$600,000 community development block grant (CDBG) the County received on behalf of Lutheran Services, Inc. to build a new residential treatment facility.

For FY05, Story County decreased the property tax levy rate by \$.51 to \$3.04 per \$1,000 of valuation in the rural levy and increased the levy rate by \$.18 to \$5.49 per \$1,000 of valuation in the countywide levy. These rates were multiplied by the rural assessed property valuation of \$533,116,662 and the countywide assessed property valuation of \$2,627,163,182.

Expenses increased overall by approximately \$722,000, or 2.4%. The increase was primarily due to increased expenses for county environment and education. The expenses were related to a CDBG grant passed through the county to Lutheran Services, Inc.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of \$9,514,983, which is less than the \$12,531,360 combined fund balance at the end of FY04.

The General Fund, the operating fund for Story County, ended FY05 with an ending balance of \$4,679,357. This is a decrease of approximately \$461,000. The decrease is primarily due to property valuations decreasing from \$2,742,763,923 in FY04 to \$2,627,163,182 in FY05. The countywide levy rate also decreased from \$8.86 in FY04 to \$8.53 in FY05. Story County property tax revenue totaling over \$15 million was collected through the Iowa State County Treasurer's Association on-line payment vehicle in FY05. This tax collection method has seen a substantial increase each year, beginning in FY03. State-funded credits for FY05 were at the following levels: Homestead at 81% and Military and Elderly/Disabled at 100%.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY05 ended with a \$1,251,317 balance compared to approximately \$1.1 million at the end of FY04. Revenues increased approximately \$1.1 million, primarily due to an increase in the MH-DD services levy from \$.78264 to \$1.15134 per \$1,000 of valuation. Expenditures remained relatively constant for the year. Story County averages 220 mental health clients per month.

The Rural Services Fund ended FY05 with an \$839,734 balance compared to the prior year balance of \$1,066,950. The difference is primarily due to a decrease in property tax revenue resulting from a lower valuation on rural property.

The Secondary Roads Fund ended FY05 with a \$1,752,781 balance compared to the prior year balance of approximately \$2.3 million. Capital project expenditures in FY05 increased approximately \$1 million from FY04. Six construction projects were completed during FY05. Ten road maintenance districts were maintained for FY05. The department maintained 720 miles of gravel, 22 miles of dirt and 200 miles of paved roads. The Iowa Department of Transportation transferred maintenance of 3 miles of state road during FY05, providing additional revenue of approximately \$25,000.

The Debt Service Fund ended FY05 with a \$47,296 balance compared to the prior year balance of \$43,882. Bond principal and interest payments are made according to the bond maturity schedule.

The Capital Projects Fund balance decreased to \$366,944 in FY05 compared to the \$2.3 million ending balance in FY04. This change reflects the progress on the Story County Administration building remodel.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, Story County amended the General Fund budget twice. The first amendment was made December 2004 for unanticipated revenues from a CDBG grant, a KinderNature grant and Recorder Record Management fees. Offsetting expenditures were amended for the grants. Additional expenses were amended for the Auditor's office for the general election, the Recorder's office for transaction management and the Sanitarian Department for a vehicle purchase. The second amendment was made April 2005 for additional revenues from grants, franchise taxes, case management, fees, FEMA payments and fuel tax refunds, to name a few. Additional expenses included increased costs for vehicle fuel and maintenance, personnel, flood repair and technology.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, Story County had approximately \$46.2 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 \$3.9 million from FY04. The progress on the remodel of the Administration Building added approximately \$2.3 million to the capital assets and secondary road infrastructure added approximately \$1.6 million.

Story County had depreciation expense in FY05 of \$2,058,277 and total accumulated depreciation of \$18,416,073 on the capital assets at the end of FY05. This is a decrease of \$28,495 for depreciation expense and an increase of \$1,774,510 for accumulated depreciation from FY04. Additions to capital assets had a total cost of approximately \$6.0 million and the total cost of the deletions was \$298,610. Equipment additions included vehicles for the Sheriff's department and a dump truck and motor grader for Secondary Roads. Story County takes a full year's depreciation in the year of acquisition of a capital asset and in the year of disposal.

Debt

At the end of FY05, Story County had \$8,485,000 in general obligation bonds outstanding, compared to \$9,220,000 at the end of FY04.

Outstanding 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 \$213 million.

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 2006 budget, tax rates and fees that apply for the various County services. One of those factors is the economy. According to information taken from Iowa Workforce Development, unemployment in Story County stands at 3.3% versus 3.1% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 5.0% for the same period ending June 30, 2005.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2006. The County had a countywide valuation increase of \$83,581,752 and a rural valuation increase of \$317,750 for FY06. The rollback decreased to 47.9642% for FY06 compared to the FY05 rollback of 48.4558%. Overall, the FY06 budget proposed a 4.09% increase in revenues and a 5.32% increase in expenditures over the FY05 budget. The increase in revenues included approximately \$700,000 from property tax. Increased wage adjustments and the addition of longevity pay effective July 1, 2005 for all pay plan staff represent the largest portion of the increased expenses. The elected officials and deputies of Story County received a 2.5% increase in salary. Pay plan staff and union members received a 3% increase in salary and wages. Flex reimbursement for all employees remained unchanged at \$550 per month. Story County added no major programs or initiatives to the 2006 budget.

If estimates are realized, Story County's budgetary General Fund balance is expected to decrease from 25% at the end of FY05 to approximately 22% by the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Story County

Exhibit A

Story County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 10,291,814
Receivables:	
Property tax:	
Delinquent	38,068
Succeeding year	16,585,000
Interest and penalty on property tax	41,807
Accounts	54,541
Accrued interest	163,245
Assessments	866
Due from other governments	1,021,063
Inventories	352,065
Capital assets - nondepreciable	6,510,597
Capital assets - depreciable, net	39,697,066
Total assets	<u>74,756,132</u>
Liabilities	
Accounts payable	765,551
Accrued interest payable	35,170
Salaries and benefits payable	845,093
Contracts payable	84,180
Due to other governments	623,998
Deferred revenue:	
Succeeding year property tax	16,585,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	780,000
Compensated absences	597,963
Portion due or payable after one year:	
General obligation bonds	7,705,000
Total liabilities	<u>28,021,955</u>
Net Assets	
Invested in capital assets, net of related debt	37,722,663
Restricted for:	
Supplemental levy purposes	602,312
Mental health purposes	1,122,033
Secondary roads purposes	1,661,417
Debt service	14,151
Community betterment	352,429
Other purposes	630,657
Unrestricted	4,628,515
Total net assets	<u>\$ 46,734,177</u>

See notes to financial statements.

Story County
Statement of Activities
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 7,586,940	1,177,261	284,473	-	(6,125,206)
Physical health and social services	1,722,802	37,892	437,846	-	(1,247,064)
Mental health	7,766,429	194,296	4,548,538	-	(3,023,595)
County environment and education	3,009,288	198,120	863,290	74,130	(1,873,748)
Roads and transportation	5,311,978	112,631	2,716,808	2,096,914	(385,625)
Governmental services to residents	1,122,278	1,046,404	-	-	(75,874)
Administration	4,081,652	26,667	52,811	-	(4,002,174)
Interest on long-term debt	455,857	-	-	-	(455,857)
Total	<u>\$ 31,057,224</u>	<u>2,793,271</u>	<u>8,903,766</u>	<u>2,171,044</u>	<u>(17,189,143)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					14,730,464
Debt service					1,162,158
Penalty and interest on property tax					214,388
State tax credits					482,876
Local option sales tax					1,641,293
Unrestricted investment earnings					446,134
Gain on disposal of capital assets					37,698
Miscellaneous					147,293
Total general revenues					<u>18,862,304</u>
Change in net assets					1,673,161
Net assets beginning of year					<u>45,061,016</u>
Net assets end of year					<u>\$ 46,734,177</u>

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 5,048,374	1,961,541	661,421	1,393,009
Receivables:				
Property tax:				
Delinquent	20,024	5,555	10,395	-
Succeeding year	10,764,000	2,986,000	1,667,000	-
Interest and penalty on property tax	41,807	-	-	-
Accounts	7,549	30,474	2,305	3,200
Accrued interest	163,245	-	-	-
Assessments	-	-	-	-
Due from other governments	302,620	166,654	277,472	220,823
Inventories	-	-	-	352,065
Total assets	\$ 16,347,619	5,150,224	2,618,593	1,969,097
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 386,589	120,277	3,174	93,840
Salaries and benefits payable	443,338	180,793	98,486	122,476
Contracts payable	-	-	-	-
Due to other governments	15,368	606,467	-	-
Deferred revenue:				
Succeeding year property tax	10,764,000	2,986,000	1,667,000	-
Other	58,967	5,370	10,199	-
Total liabilities	11,668,262	3,898,907	1,778,859	216,316
Fund balances:				
Reserved for:				
Supplemental levy purposes	634,283	-	-	-
Debt service	-	-	-	-
Community betterment	-	-	352,429	-
Unreserved:				
Designated for administration building	-	-	-	-
Designated for election equipment	160,000	-	-	-
Designated for analysis of social services evaluation team (ASSET)	13,530	-	-	-
Undesignated, reported in:				
General fund	3,871,544	-	-	-
Special revenue funds	-	1,251,317	487,305	1,752,781
Total fund balances	4,679,357	1,251,317	839,734	1,752,781
Total liabilities and fund balances	\$ 16,347,619	5,150,224	2,618,593	1,969,097

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
47,227	607,847	572,395	10,291,814
2,094	-	-	38,068
1,168,000	-	-	16,585,000
-	-	-	41,807
-	-	11,013	54,541
-	-	-	163,245
-	-	866	866
-	-	53,494	1,021,063
-	-	-	352,065
<u>1,217,321</u>	<u>607,847</u>	<u>637,768</u>	<u>28,548,469</u>
-	156,723	4,948	765,551
-	-	-	845,093
-	84,180	-	84,180
-	-	2,163	623,998
1,168,000	-	-	16,585,000
2,025	-	53,103	129,664
<u>1,170,025</u>	<u>240,903</u>	<u>60,214</u>	<u>19,033,486</u>
-	-	-	634,283
47,296	-	-	47,296
-	-	-	352,429
-	366,944	-	366,944
-	-	-	160,000
-	-	-	13,530
-	-	-	3,871,544
-	-	577,554	4,068,957
<u>47,296</u>	<u>366,944</u>	<u>577,554</u>	<u>9,514,983</u>
<u>1,217,321</u>	<u>607,847</u>	<u>637,768</u>	<u>28,548,469</u>

Story County

Story County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 9,514,983

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 \$64,623,736 and the accumulated depreciation is \$18,416,073. 46,207,663

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 129,664

Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (9,118,133)

Net assets of governmental activities (page 16) \$ 46,734,177

See notes to financial statements.

Story County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 10,173,049	2,993,377	3,234,589	-
Interest and penalty on property tax	174,780	-	-	-
Intergovernmental	2,087,422	4,632,928	487,676	3,164,254
Licenses and permits	13,217	-	12,151	8,876
Charges for service	1,391,096	194,295	34,886	15,362
Use of money and property	441,016	-	-	-
Miscellaneous	100,200	2,201	8,232	42,842
Total revenues	14,380,780	7,822,801	3,777,534	3,231,334
Expenditures:				
Operating:				
Public safety and legal services	5,570,509	-	1,546,998	-
Physical health and social services	1,732,944	-	-	-
Mental health	-	7,716,964	-	-
County environment and education	1,731,142	-	1,019,142	-
Roads and transportation	-	-	200,000	4,298,123
Governmental services to residents	1,066,714	-	1,901	-
Administration	3,880,513	-	-	-
Debt service	-	-	-	-
Capital projects	10,853	-	-	1,189,217
Total expenditures	13,992,675	7,716,964	2,768,041	5,487,340
Excess (deficiency) of revenues over (under) expenditures	388,105	105,837	1,009,493	(2,256,006)
Other financing sources (uses):				
Sale of capital assets	-	1,540	900	-
Operating transfers in	-	-	-	1,686,609
Operating transfers out	(849,000)	-	(1,237,609)	-
Total other financing sources (uses)	(849,000)	1,540	(1,236,709)	1,686,609
Net change in fund balances	(460,895)	107,377	(227,216)	(569,397)
Fund balances beginning of year	5,140,252	1,143,940	1,066,950	2,322,178
Fund balances end of year	\$ 4,679,357	1,251,317	839,734	1,752,781

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
1,164,396	-	-	17,565,411
-	-	-	174,780
32,876	-	74,306	10,479,462
-	-	-	34,244
-	-	42,994	1,678,633
-	-	132,730	573,746
-	2,336	166,625	322,436
1,197,272	2,336	416,655	30,828,712
-	-	133,868	7,251,375
-	-	-	1,732,944
-	-	-	7,716,964
-	-	226,548	2,976,832
-	-	-	4,498,123
-	-	38,038	1,106,653
-	-	440	3,880,953
1,193,858	-	-	1,193,858
-	2,289,757	-	3,489,827
1,193,858	2,289,757	398,894	33,847,529
3,414	(2,287,421)	17,761	(3,018,817)
-	-	-	2,440
-	400,000	-	2,086,609
-	-	-	(2,086,609)
-	400,000	-	2,440
3,414	(1,887,421)	17,761	(3,016,377)
43,882	2,254,365	559,793	12,531,360
47,296	366,944	577,554	9,514,983

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ (3,016,377)

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 expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 4,115,052	
Capital assets contributed by the Iowa Department of Transportation and others	1,811,991	
Depreciation expense	<u>(2,058,277)</u>	3,868,766

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

26,281

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, as follows:

Property tax	(31,749)	
Other	<u>92,710</u>	60,961

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Drainage warrants redeemed	11,351	
General obligation bond principal repaid	<u>735,000</u>	746,351

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	(15,822)	
Interest on long-term debt	<u>3,001</u>	<u>(12,821)</u>

Change in net assets of governmental activities (page 17) \$ 1,673,161

See notes to financial statements.

Story County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,179,058
Other County officials	158,708
Employee health insurance plan	12,601
Receivables:	
Property tax:	
Delinquent	111,899
Succeeding year	70,702,000
Accounts	127,204
Assessments	1,089,161
Due from other governments	43,921
Total assets	75,424,552

Liabilities

Accounts payable	52,205
Salaries and benefits payable	51,164
Due to other governments	75,045,734
Trusts payable	211,382
Compensated absences	64,067
Total liabilities	75,424,552

Net assets	\$ -
-------------------	------

See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County 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 agriculture 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 the 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 County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net 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 attributable 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, 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 county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road 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 funds:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

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

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are 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
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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

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 represents 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 property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in 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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be 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 governmental activities Statement of Net Assets.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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 No. 3, as amended by Statement No. 40.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 400,000
Special Revenue: Secondary Roads	General	449,000
	Special Revenue: Rural Services	1,237,609
Total		<u>\$ 2,086,609</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,657,496	74,130	-	3,731,626
Land, road network	117,327	-	-	117,327
Construction in progress	863,671	5,192,358	(3,394,385)	2,661,644
Total capital assets not being depreciated	<u>4,638,494</u>	<u>5,266,488</u>	<u>(3,394,385)</u>	<u>6,510,597</u>
Capital assets being depreciated:				
Buildings	21,732,048	-	-	21,732,048
Improvements other than buildings	36,954	-	-	36,954
Equipment and vehicles	8,279,181	701,679	(298,610)	8,682,250
Infrastructure, road network	23,302,351	2,960,619	-	26,262,970
Infrastructure, other	965,151	433,766	-	1,398,917
Total capital assets being depreciated	<u>54,315,685</u>	<u>4,096,064</u>	<u>(298,610)</u>	<u>58,113,139</u>
Less accumulated depreciation for:				
Buildings	3,590,444	433,883	-	4,024,327
Improvements other than buildings	1,848	1,848	-	3,696
Equipment and vehicles	4,909,996	768,388	(283,767)	5,394,617
Infrastructure, road network	7,972,419	822,007	-	8,794,426
Infrastructure, other	166,856	32,151	-	199,007
Total accumulated depreciation	<u>16,641,563</u>	<u>2,058,277</u>	<u>(283,767)</u>	<u>18,416,073</u>
Total capital assets being depreciated, net	<u>37,674,122</u>	<u>2,037,787</u>	<u>(14,843)</u>	<u>39,697,066</u>
Governmental activities capital assets, net	<u>\$ 42,312,616</u>	<u>7,304,275</u>	<u>(3,409,228)</u>	<u>46,207,663</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 424,623
Physical health and social services	3,624
Mental health	58,453
County environment and education	92,837
Roads and transportation	1,221,187
Governmental services to residents	17,261
Administration	<u>240,292</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,058,277</u></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	<u>\$ 15,368</u>
Special Revenue:		
Mental Health	Services	606,467
Special Law Enforcement	Services	2,163
		<u>608,630</u>
Total for governmental funds		<u><u>\$ 623,998</u></u>
Agency:		
County Assessor	Collections	\$ 610,309
City Assessor		633,738
Schools		40,540,649
Community Colleges		1,850,101
Corporations		26,436,480
City Special Assessments		1,113,550
Auto License and Use Tax		1,378,956
All other		<u>2,481,951</u>
Total for agency funds		<u><u>\$ 75,045,734</u></u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Drainage Warrants	Compen- sated Absences	Total
Balances beginning of year	\$ 9,220,000	11,351	582,141	9,813,492
Increases	-	-	405,611	405,611
Decreases	(735,000)	(11,351)	(389,789)	(1,136,140)
Balances end of year	<u>\$ 8,485,000</u>	-	597,963	<u>9,082,963</u>
Due within one year	<u>\$ 780,000</u>	-	597,963	<u>1,377,963</u>

Bonds Payable

Debt service requirements for the County's June 30, 2005 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Governmental Activities								
	Series 1999 Issued Sep 1, 1999			Series 2000 Issued Aug 1, 2000			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2006		\$ -	250,332	4.90%	\$ 780,000	171,710	\$ 780,000	422,042	1,202,042
2007		-	250,332	4.90	815,000	133,490	815,000	383,822	1,198,822
2008		-	250,332	4.95	860,000	93,555	860,000	343,887	1,203,887
2009		-	250,332	4.95	905,000	50,985	905,000	301,317	1,206,317
2010	4.90%	825,000	250,332	4.95	125,000	6,188	950,000	256,520	1,206,520
2011-2014	4.95-5.10	4,175,000	538,810		-	-	4,175,000	538,810	4,713,810
Total		\$ 5,000,000	1,790,470		\$ 3,485,000	455,928	\$ 8,485,000	2,246,398	10,731,398

During the year ended June 30, 2005, the County retired \$735,000 of general obligation bonds.

(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$909,883, \$885,930 and \$855,060, 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 509 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 official's 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 contributions to the Pool for the year ended June 30, 2005 were \$266,315.

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 \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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 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 such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, 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.

The County also carries commercial insurance purchased from other insurers for coverage associated with crime, bond, fidelity supplement and boiler in the amount of \$100,000, \$50,000, \$50,000 and \$80,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction Commitments

The County has entered into various contracts totaling \$2,602,273 for remodeling the Administration Building. As of June 30, 2005, costs of \$1,933,845 had been incurred on the contracts. The balance of \$668,428 remaining at June 30, 2005 will be paid as work on the project progresses.

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, 2005

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 17,561,708	-	17,561,708
Interest and penalty on property tax	172,580	-	172,580
Intergovernmental	10,492,369	-	10,492,369
Licenses and permits	34,353	-	34,353
Charges for service	1,677,011	-	1,677,011
Use of money and property	472,388	-	472,388
Miscellaneous	322,446	57,049	265,397
Total receipts	<u>30,732,855</u>	<u>57,049</u>	<u>30,675,806</u>
Disbursements:			
Public safety and legal services	7,262,647	-	7,262,647
Physical health and social services	1,653,459	-	1,653,459
Mental health	7,748,129	-	7,748,129
County environment and education	2,976,053	67,286	2,908,767
Roads and transportation	4,533,805	-	4,533,805
Governmental services to residents	1,118,629	-	1,118,629
Administration	3,791,186	-	3,791,186
Debt service	1,193,857	-	1,193,857
Capital projects	3,531,542	-	3,531,542
Total disbursements	<u>33,809,307</u>	<u>67,286</u>	<u>33,742,021</u>
Exces (deficiency) of receipts over (under) disbursements	(3,076,452)	(10,237)	(3,066,215)
Other financing sources, net	1,440	-	1,440
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,075,012)	(10,237)	(3,064,775)
Balance beginning of year	<u>13,366,826</u>	<u>159,280</u>	<u>13,207,546</u>
Balance end of year	<u>\$ 10,291,814</u>	<u>149,043</u>	<u>10,142,771</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
17,608,875	17,633,525	(71,817)
62,164	78,664	93,916
9,650,059	10,961,438	(469,069)
29,225	36,225	(1,872)
1,566,625	1,637,986	39,025
502,965	502,965	(30,577)
213,840	258,880	6,517
<u>29,633,753</u>	<u>31,109,683</u>	<u>(433,877)</u>
7,293,602	7,361,767	99,120
1,898,803	1,915,580	262,121
8,171,275	8,276,275	528,146
2,266,251	2,953,787	45,020
4,601,425	4,601,425	67,620
1,109,757	1,289,574	170,945
4,110,270	4,100,325	309,139
1,193,808	1,193,808	(49)
2,741,000	3,741,000	209,458
<u>33,386,191</u>	<u>35,433,541</u>	<u>1,691,520</u>
(3,752,438)	(4,323,858)	1,257,643
-	-	1,440
(3,752,438)	(4,323,858)	1,259,083
<u>10,796,207</u>	<u>13,000,373</u>	<u>207,173</u>
<u>7,043,769</u>	<u>8,676,515</u>	<u>1,466,256</u>

Story County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 30,732,855	95,857	30,828,712
Expenditures	33,809,307	38,222	33,847,529
Net	(3,076,452)	57,635	(3,018,817)
Other financing sources, net	1,440	1,000	2,440
Beginning fund balances	13,366,826	(835,466)	12,531,360
Ending fund balances	\$ 10,291,814	(776,831)	9,514,983

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,047,350. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service function.

Story County

Other Supplementary Information

Story County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction	Drainage Districts	Employee Wellness
Assets				
Cash and pooled investments	\$ 112,378	2,067	149,043	221
Receivables:				
Accounts	141	3	-	-
Assessments	-	-	866	-
Due from other governments	-	-	-	-
Total assets	\$ 112,519	2,070	149,909	221
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other governments	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Unreserved	112,519	2,070	149,909	221
Total liabilities and fund equity	\$ 112,519	2,070	149,909	221

See accompanying independent auditor's report.

Resource Enhancement and Protection	Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Total
56,443	36,938	37,007	46,684	117,566	14,048	572,395
70	-	10,594	58	147	-	11,013
-	-	-	-	-	-	866
-	391	-	-	53,103	-	53,494
56,513	37,329	47,601	46,742	170,816	14,048	637,768
65	1,505	2,984	327	67	-	4,948
-	2,163	-	-	-	-	2,163
-	-	-	-	53,103	-	53,103
65	3,668	2,984	327	53,170	-	60,214
56,448	33,661	44,617	46,415	117,646	14,048	577,554
56,513	37,329	47,601	46,742	170,816	14,048	637,768

Story County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction	Drainage Districts	Employee Wellness
Revenues:				
Intergovernmental	\$ -	-	-	-
Charges for service	14,170	14,596	-	-
Use of money and property	1,605	-	-	-
Miscellaneous	-	-	56,408	460
Total revenues	15,775	14,596	56,408	460
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	67,286	-
Governmental services to residents	2,683	35,355	-	-
Administration	-	-	-	440
Total expenditures	2,683	35,355	67,286	440
Excess (deficiency) of revenues over (under) expenditures	13,092	(20,759)	(10,878)	20
Fund balances beginning of year	99,427	22,829	160,787	201
Fund balances end of year	\$ 112,519	2,070	149,909	221

See accompanying independent auditor's report.

Resource Enhancement and Protection	Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Total
61,374	4,223	-	-	8,709	-	74,306
-	-	-	-	-	14,228	42,994
623	-	128,262	633	1,607	-	132,730
-	14,280	235	11,774	83,468	-	166,625
61,997	18,503	128,497	12,407	93,784	14,228	416,655
-	27,529	106,159	-	-	180	133,868
31,195	-	-	6,988	121,079	-	226,548
-	-	-	-	-	-	38,038
-	-	-	-	-	-	440
31,195	27,529	106,159	6,988	121,079	180	398,894
30,802	(9,026)	22,338	5,419	(27,295)	14,048	17,761
25,646	42,687	22,279	40,996	144,941	-	559,793
56,448	33,661	44,617	46,415	117,646	14,048	577,554

Story County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,401	101,428	125,653	413,865
Other County officials	158,708	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	416	2,716	163	82,784
Succeeding year	-	223,000	548,000	572,000	40,044,000
Accounts	-	-	5	63	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 158,708	225,817	652,149	697,879	40,540,649
Liabilities					
Accounts payable	\$ -	-	2,271	3,979	-
Salaries and benefits payable	-	-	21,459	21,151	-
Due to other governments	62,004	225,817	610,309	633,738	40,540,649
Trusts payable	96,704	-	-	-	-
Compensated absences	-	-	18,110	39,011	-
Total liabilities	\$ 158,708	225,817	652,149	697,879	40,540,649

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
16,697	261,970	4,013	24,389	1,378,956	849,686	3,179,058
-	-	-	-	-	-	158,708
-	-	-	-	-	12,601	12,601
3,404	18,510	2,095	-	-	1,811	111,899
1,830,000	26,156,000	355,000	-	-	974,000	70,702,000
-	-	-	-	-	127,136	127,204
-	-	-	1,089,161	-	-	1,089,161
-	-	-	-	-	43,921	43,921
1,850,101	26,436,480	361,108	1,113,550	1,378,956	2,009,155	75,424,552
-	-	-	-	-	45,955	52,205
-	-	-	-	-	8,554	51,164
1,850,101	26,436,480	361,108	1,113,550	1,378,956	1,833,022	75,045,734
-	-	-	-	-	114,678	211,382
-	-	-	-	-	6,946	64,067
1,850,101	26,436,480	361,108	1,113,550	1,378,956	2,009,155	75,424,552

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

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets and Liabilities					
Balances beginning of year	\$ 155,705	226,266	534,784	650,239	39,111,035
Additions:					
Property and other county tax	-	223,563	549,575	573,635	40,011,920
E911 surcharge	-	-	-	-	-
State tax credits	-	6,373	22,285	9,490	1,141,519
Office fees and collections	1,405,530	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,153,083	-	-	-	-
Miscellaneous	-	-	5,884	1,975	2,777
Total additions	2,558,613	229,936	577,744	585,100	41,156,216
Deductions:					
Agency remittances:					
To other funds	722,076	-	-	-	-
To other governments	699,265	230,385	460,379	537,460	39,726,602
Trusts paid out	1,134,269	-	-	-	-
Total deductions	2,555,610	230,385	460,379	537,460	39,726,602
Balances end of year	\$ 158,708	225,817	652,149	697,879	40,540,649

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
1,572,165	25,504,803	343,826	1,339,317	1,408,075	1,813,212	72,659,427
1,835,356	26,340,788	354,433	-	-	987,660	70,876,930
-	-	-	-	-	394,772	394,772
44,318	622,468	17,041	-	-	28,271	1,891,765
-	-	-	-	-	17,513	1,423,043
-	-	-	-	14,439,156	-	14,439,156
-	-	-	116,377	-	12,741	129,118
-	-	-	-	-	1,955,976	3,109,059
-	-	427	-	-	886,511	897,574
1,879,674	26,963,256	371,901	116,377	14,439,156	4,283,444	93,161,417
-	-	-	-	419,116	-	1,141,192
1,601,738	26,031,579	354,619	342,144	14,049,159	1,820,630	85,853,960
-	-	-	-	-	2,266,871	3,401,140
1,601,738	26,031,579	354,619	342,144	14,468,275	4,087,501	90,396,292
1,850,101	26,436,480	361,108	1,113,550	1,378,956	2,009,155	75,424,552

Schedule 5

Story County

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

For the Last Seven Years

	Modified Accrual Basis						
	2005	2004	2003	2002	2001	2000	1999
Revenues:							
Property and other county tax	\$ 17,565,411	18,110,937	18,001,572	16,972,505	13,846,337	13,563,444	13,021,534
Interest and penalty on property tax	174,780	216,990	133,779	125,734	126,747	107,656	119,777
Intergovernmental	10,479,462	9,911,479	10,188,527	9,494,103	9,773,173	9,798,029	9,967,987
Licenses and permits	34,244	30,820	28,348	21,672	20,988	17,920	20,803
Charges for service	1,678,633	1,714,981	1,814,530	1,628,718	1,374,758	1,299,309	1,240,904
Use of money and property	573,746	417,697	511,801	927,047	1,228,089	1,310,350	1,105,044
Miscellaneous	322,436	358,339	679,989	278,059	271,509	327,174	239,652
Total	\$ 30,828,712	30,761,243	31,358,546	29,447,838	26,641,601	26,423,882	25,715,701
Expenditures:							
Operating:							
Public safety and legal services	\$ 7,251,375	7,194,684	6,818,644	6,476,253	6,163,325	5,415,096	4,989,557
Physical health and social services	1,732,944	1,702,512	1,621,737	1,619,212	1,588,620	1,739,900	1,611,290
Mental health	7,716,964	7,881,446	7,472,053	7,482,172	7,433,953	7,508,212	7,020,429
County environment and education	2,976,832	2,441,499	2,221,716	2,247,054	2,215,685	2,277,025	2,124,480
Roads and transportation	4,498,123	4,350,040	4,243,882	4,011,388	4,448,193	4,032,288	3,702,346
Governmental services to residents	1,106,653	1,067,021	976,721	908,022	930,415	863,226	870,446
Administration	3,880,953	3,848,303	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	1,193,858	1,191,462	1,200,417	1,204,684	1,786,970	1,122,816	289,092
Capital projects	3,489,827	713,520	460,893	3,765,993	8,683,012	4,220,498	4,104,179
Total	\$ 33,847,529	30,390,487	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, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bullet Proof Vest Partnership Program:	16.607		\$ 6,602
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program	10.561		26,839
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program	14.228	04-CF-040	594,088
U.S. Department of Justice:			
Iowa Department of Public Health:			
Tobacco Surveillance Grant	16.000		1,750
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	04B-1130	30,482
Byrne Formula Grant Program	16.579	04A-0220	101,674
			<u>132,156</u>
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	03-HOTSPOTS-18	74,602
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-04-7724	20,000
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO85(82)--8J-85	359,053
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	20.601	PAP 04-410 Task 37	2,131
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	20.601	PAP 05-410 Task 33	4,530
			<u>6,661</u>
Safety Incentives to Prevent Operation of Motor			
Vehicles by Intoxicated Persons	20.605	PAP 04-163 Task 65	914
Iowa Department of Public Defense:			
Interagency Hazardous Materials Public			
Sector Training and Planning Grants	20.703	HMEP Planning	1,500
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003		7,481
Childhood Lead Poisoning Prevention Projects -			
State and Community - Based Childhood Lead			
Poisoning Prevention and Surveillance of			
Blood Lead Levels in Children	93.197	5885LP05	12,331
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5884EHC7	7,348

Schedule 6

Story County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		35,569
Refugee and Entrant Assistance - State Administered Programs	93.566		46
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		6,962
Foster Care - Title IV-E	93.658		18,773
Adoption Assistance	93.659		4,368
Medical Assistance Program	93.778		38,475
Social Services Block Grant	93.667		23,450
Social Services Block Grant	93.667		463,496
			<u>486,946</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.004	FY 03 SHSGP I	78,516 *
Homeland Security Grant Program	97.004	FY 03 SHSGP II (HLSEM)	183,802 **
Homeland Security Grant Program	97.004	FY 03 SHSGP (CIPA)	130,000
Homeland Security Grant Program	97.004	2002 DOJ Exercise	365
Homeland Security Grant Program	97.004	FY 04 SHSGP (Citizens Corps)	801
Homeland Security Grant Program	97.004	FY 04 HSGP (Planning)	43,062
			<u>436,546</u>
Public Assistance Grants	97.036	FEMA-IA-DR 1518	161,998
Hazard Mitigation Grant	97.039	PDM-2002-0010	16,675
Emergency Management Performance Grants	97.042		25,818
Community Emergency Response Team	97.054		7,332
			<u>2,484,231</u>
Total indirect			<u>2,484,231</u>
Total			<u>\$ 2,490,833</u>

* Includes \$58,630 of non-cash awards

** Includes \$149,442 of non-cash awards

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

To the Officials of Story County:

We have audited 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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated November 17, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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 do not believe the reportable conditions described above are material weaknesses.

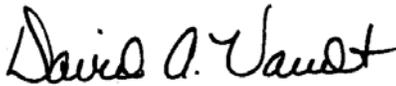
Compliance and Other Matters

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

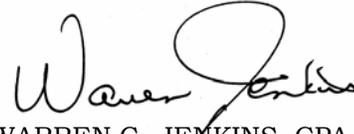
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

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, 2005

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

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
in Accordance with OMB Circular A-133

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, 2005. 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 each of 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, 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 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.

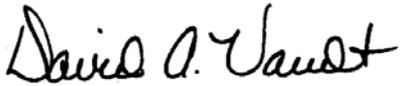
In our opinion, Story County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

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 its 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, 2005

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements. The reportable conditions are not 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) Unqualified opinions were issued on compliance with requirements applicable to the major programs.
- (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) The major programs were:
 - CFDA Number 14.228 – Community Development Block Grant/State's Program
 - CFDA Number 97.004 – Homeland Security Grant Program
- (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, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-05 County Sheriff – Jail inmate records are not retained to support disbursement activity.

Recommendation – Records should be retained to ensure disbursement activity is properly supported.

Response – We will take immediate action to comply with this recommendation. We will implement a procedure to keep a paper trail of items ordered by the inmates that includes a signature verification. These signed receipts will be received and filed with the commissary financial transaction documents.

We are exploring the possibility of purchasing an electronic signature pack which would allow us to document and maintain the signature electronically through the commissary software. Once this is in place the need for paper trail will be eliminated.

Conclusion – Response accepted.

II-B-05 Sanitation – Although receipts were issued for collections, the receipts were not prenumbered.

Recommendation – Prenumbered receipts should be issued for all collections.

Response – Story County has purchased software that will allow this capability. The goal is to have it up and running within six months.

Conclusion – Response accepted.

II-C-05 Planning and Zoning – Although receipts were issued for collections, the receipts were not prenumbered

Recommendation – Prenumbered receipts should be issued for all collections.

Response – Story County has purchased software that will allow this capability. The goal is to have it up and running within six months.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-D-05 Flexible Spending Benefit Account – The County contracts with an outside plan administrator to administer its flexible spending benefit plan for employees and maintains a separate bank account for activity related to the flexible benefit plan. This bank account is administered by the plan administrator. Although the County maintains a ledger documenting the book balance for the account, the ledger is not updated monthly and the balance is not reconciled to the bank account. The County does not obtain account reconciliations from the plan administrator monthly and does not reconcile the County’s ledger balance with the plan administrator’s balance. In addition, the County incurred insufficient fund charges of \$1,260 during the fiscal year due to reimbursements paid to employees in advance of flex contributions.

Recommendation – The County should maintain and update the flexible benefit ledger and reconcile the balance to the bank on a monthly basis. The County should obtain account reconciliations from the plan administrator monthly and reconcile the balances. The County should establish a reserve balance in the bank account sufficient to cover expense reimbursements made in advance of contributions.

Response – Story County will maintain the flex account ledger and will monthly reconcile the balance to the bank. Story County will obtain the account reconciliations from the plan administrator monthly and reconcile both balances. Story County will establish a reserve balance in the bank account sufficient to cover expense reimbursements made in advance of contributions.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 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, 2005.

However, the County did not adopt a new depository resolution at the time First State Bank became Fidelity Bank.

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

Response – The Board will work with the Treasurer’s office and the Recorder’s office on an annual basis to maintain an accurate depository resolution to be on file in the Auditor’s office.

Conclusion – Response accepted.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the debt service function.

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

Response – The Auditor’s office will continue to monitor disbursements monthly and be more diligent to ascertain that no disbursements exceed the budget.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – We noted certain expenditures that 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. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Hickory Park Restaurant	Food for Empowerment Board meeting	\$ 60
Comfort Suites	Banquet room and china rental for Sheriff volunteers	243

Since the County jail provided the food for the Sheriff volunteer banquet, the total cost of the food was not available.

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.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation – The County and the Empowerment Board should determine and document the public purpose served by these expenditures prior to authorizing any further payments. If this practice is continued, the County and Empowerment Board should establish written policies and procedures, including the requirement for proper documentation.

Board of Supervisor Response – Plans exist to create various purchasing guidelines in addition to the financial reporting policy and the credit card policy. These guidelines will include the documentation necessary for expenditures that provide public purpose.

Empowerment Board Response – A policy will be adopted by the Story County Empowerment Board to address how these expenditures meet the test of public purpose.

Conclusion – Response accepted.

IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

However, during the year, a Secondary Roads employee received a mileage reimbursement in excess of the County's allowable reimbursement rate.

Recommendation – The County should ensure employee travel reimbursements comply with County policy.

Response – The Auditor's office will monitor travel expenditures more diligently to ensure proper reimbursement.

Conclusion – Response accepted.

IV-E-05 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Jan Sayer, employee of the Human Resources department	Cleaning County vehicles	\$ 506
Wayne Clinton, Board of Supervisors, spouse is employee at Clientele Associates, LLC	Cultural Diversity Seminar	1,432
Michelle Good, Sheriff's Office, Husband owns Good and Quick	Auto repair and fuel	4,639

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation – In accordance with Chapter 331.342(10) of the Code of Iowa, the vehicle cleaning and seminar transactions do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342(4) of the Code of Iowa, the transactions with Good and Quick do not appear to represent conflicts of interest since the Sheriff's office employee's remuneration is not directly affected as a result of the contract and the employee's duties do not directly involve procurement or preparation of any part of the contract.

- IV-F-05 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-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-05 Deposits and Investments – Except as noted above, 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-05 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-05 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 check. The County Treasurer 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 – The Treasurer's Office will work with our bank to resolve as soon as possible.

Conclusion – Response accepted.

- IV-K-05 County Ordinances – The County Board of Supervisors last completed a compilation of County ordinances in April 2000. Chapter 331.302(9) of the Code of Iowa requires the Board to compile a code of ordinances containing all ordinances in effect at least once every five years.

Recommendation – The compilation of County ordinances should be prepared as required.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – The County is working on preparing this compilation.

Conclusion – Response accepted.

- IV-L-05 Economic Development – During the year ended June 30, 2005, the County contributed \$88,494 to various cities and economic development organizations for annual allocations and funding of special projects. The Story County Economic Development Group acts as an advisory board and makes recommendations to the Board of Supervisors for funding of projects.

The expenditures may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditures before authorizing further payments.

Response – As the County is approached for funding assistance in various economic development projects, the necessary documentation for serving a public purpose will be discussed and included as part of the public Board meeting prior to the funding being approved.

Conclusion – Response accepted.

- IV-M-05 Public Hearing for Public Improvements – Notice was not given and a public hearing was not held on the proposed plans, specifications, form of contract and estimated cost for the improvement of the administration building main interior renovations project and the administration building main parking lot project as required by Chapters 331.341 and 384.102 of the Code of Iowa.

Recommendation – Before entering into any contract for a public improvement where the estimated cost exceeds the sum of \$25,000, the County should hold a public hearing and publish notice of the hearing as required. The County should review this for compliance on future projects.

Response – The County will comply with the Code of Iowa requirements.

Conclusion – Response accepted.

- IV-N-05 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.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Disbursements during the year ended June 30, 2005 for the County Extension Office exceeded the amount budgeted.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budgets.

Response – We will monitor our expenses and carryover much more closely in the future. We are aware of Chapter 176A of the Code of Iowa and will amend the budget, as needed, in the future.

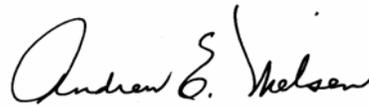
Conclusion – Response accepted.

Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Donna F. Kruger, CPA, Senior Auditor II
Julie J. Lyon, CPA, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
Jeffrey L. Lenhart, Staff Auditor
Shawn R. Elsbury, Assistant Auditor
Joseph M. Seuntjens, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State