



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE June 4, 2003

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

The County has implemented new reporting standards for the year ended June 30, 2002, with significant changes to the content and structure of the financial statements. The financial statements now include a statement of net assets and a statement of activities, which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements which provides an objective and easily readable analysis of its financial activities.

The County had local tax revenue of \$82,904,161 for the year ended June 30, 2002, which included \$2,567,706 in tax credits from the state. The County forwarded \$66,745,046 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$16,159,115 of the local tax revenue to finance County operations. Other revenue included charges for service of \$2,324,729, operating grants and contributions of \$7,724,767, capital grants and contributions of \$1,701,803, local option sales tax of \$1,416,560, interest on investments of \$640,625 and other general revenues of \$1,032,872.

Expenses for County operations totaled \$27,927,959. Expenses included \$7,559,578 for mental health, \$6,441,659 for public safety and \$4,633,554 for roads and transportation.

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

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STORY COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

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Story County

Officials

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

Story County



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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, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Story County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2002, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget for the General and each major Special Revenue Fund of Story County for the year ended June 30, 2002.

As described in Note 11 to the financial statements, during the year ended June 30, 2002, Story County adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated January 27, 2003 on our consideration of Story County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Story County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned 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.

January 27, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

MANAGEMENT'S DISCUSSION AND ANALYSIS

Story County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2002. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Story County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2002 FINANCIAL HIGHLIGHTS

- ◆ Story County governmental funds revenue increased \$2.8 million from fiscal year 2001 (FY01). Property taxes increased approximately \$3.1 million from FY01.
- ◆ Story County program expenses decreased from \$36.5 million in FY01 to \$31.4 million in fiscal year 2002 (FY02).
- ◆ Story County's net assets increased approximately \$3.1 million from FY01.
- ◆ Story County began construction of a Justice Center in FY00. This capital project was substantially completed in March 2002.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of Story County as a whole and present an overall view of the County's finances.

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

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

Supplemental Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

Reporting the County as a Whole

Includes 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 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, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

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

The County has two kinds of funds:

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

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

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government'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 fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows 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 FY02 totaled approximately \$39.4 million. This compares to FY01 at \$36.3 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) | |
|---|----------------------|
| | <u>June 30, 2002</u> |
| Current and other assets | \$ 27,674 |
| Capital assets | <u>41,346</u> |
| Total assets | <u>69,020</u> |
| Long-term debt outstanding | 9,920 |
| Other liabilities | <u>19,741</u> |
| Total liabilities | <u>29,661</u> |
| Net assets: | |
| Invested in capital assets, net of related debt | 30,751 |
| Restricted | 4,123 |
| Unrestricted | <u>4,485</u> |
| Total net assets | <u>\$ 39,359</u> |

Net assets of Story County's governmental activities increased by approximately \$3.1 million from FY01. 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, since they are unavailable for future spending. Restricted net assets represent resources that are subject to external restrictions, constitutions 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 \$4.5 million.

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

| | Year Ended <u>June 30, 2002</u> |
|---|------------------------------------|
| Revenues: | |
| Program revenues: | |
| Charges for service | \$ 2,325 |
| Operating grants and contributions | 7,725 |
| Capital grants and contributions | 1,702 |
| General revenues: | |
| Property taxes | 15,573 |
| Penalty and interest on property taxes | 126 |
| State tax credits | 586 |
| Local option sales and service tax | 1,416 |
| Grants and contributions not restricted to specific purposes | 700 |
| Unrestricted investment earnings | 640 |
| Loss on sale of general fixed assets | (21) |
| Other general revenues | <u>228</u> |
| Total revenues | <u>31,000</u> |
| | |
| Program expenses: | |
| Public safety | 6,442 |
| Court services | 111 |
| Physical health | 842 |
| Mental health | 7,560 |
| Social services | 1,096 |
| County environment and education | 1,949 |
| Roads and transportation | 4,634 |
| Government services to residents | 923 |
| Administrative services | 3,803 |
| Non-program | 40 |
| Interest on long-term debt | <u>528</u> |
| Total expenses | <u>27,928</u> |
| | |
| Increase in net assets | 3,072 |
| Net assets beginning of year, as restated | <u>36,287</u> |
| | |
| Net assets end of year | <u>\$39,359</u> |

Story County increased property tax rates by \$.10 per \$1,000 of valuation in the rural levy and \$.97 per \$1,000 of valuation in the countywide levy for a total increase of \$1.07 in FY02. This was multiplied by the increase in rural assessed property valuation of \$39,271,614 and countywide assessed property valuation of \$157,967,147. Revenues from the State of Iowa in the form of Mental Health funding decreased by \$234,000 and local option sales tax decreased by \$158,000 during the fiscal year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of \$9.1 million, which is less than the \$11.0 million combined fund balance of FY01. The decrease is due mainly to the completion of the Justice Center, which is within the Capital Projects Fund.

The General Fund, as the operating fund for Story County, ended FY02 with a 22% ending balance totaling \$2.7 million. This was an improvement over FY01's 14% ending balance of \$1.7 million. Fiscal year 2002 saw an increase in property valuation from \$2,313,120,887 in FY01 to \$2,474,951,519 in FY02. The levy rate increased from \$7.85 in FY01 to \$8.91 in FY02.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY02 ended with a \$1.5 million balance, whereas FY01 ended with \$1.3 million. Case Management revenues increased approximately \$120,000 and the Adult Rehab Option Medicaid Program increased approximately \$200,000 over the budgeted amounts for FY02.

The Rural Services Fund ended FY02 with a \$533,000 balance compared to the prior year ending balance of \$441,000. Although property tax revenue for the Rural Services Fund tax increased from \$1.6 million in FY01 to \$1.8 million in FY02, local option sales tax revenue decreased by approximately \$158,000 in FY02 from FY01. The other revenues and expenditures within the Rural Services Fund remained virtually unchanged.

The Secondary Roads Fund ended FY02 with a \$1.8 million balance compared to the prior year ending balance of \$1.3 million. A \$200,000 grant was received in FY01. Capital project expenditures in FY02 decreased approximately \$1 million from FY01. Equipment and equipment operation decreased from FY01 by approximately \$400,000. Story County maintained 720 miles of gravel, 22 miles of dirt, and 200 miles of paved roads with the resources of this fund, as well as constructing 2 miles of paved roads during FY02.

The Debt Service Fund ended FY02 with a \$55,517 balance compared to the prior year ending balance of \$83,121. Bond payments decreased by approximately \$300,000 in FY02 according to the bond maturity schedule.

The Capital Projects Fund ended FY02 with a \$2.1 million balance compared to the prior year balance of \$5.8 million. Interest decreased in FY02 due to the decrease in the fund balance. This fund financed the construction of the Justice Center that opened in March 2002.

General Fund Budgetary Highlights

Over the course of the year, Story County amended the General Fund budget twice. The first amendment was made in January 2002 for the Capital Project Fund since the level of completion through the end of FY01 for the Justice Center was not as high as anticipated. The second amendment was made in May 2002 to finance the additional operating expenses associated with the opening of the Justice Center.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY02, Story County had approximately \$41.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges. This is a net increase of approximately \$4.5 million from FY01. This year's major addition was the completion of the Justice Center with a cost of approximately \$13 million and related debt of approximately \$10.6 million.

Story County had depreciation expense of \$1,566,257 in FY02 and total accumulated depreciation of \$12,850,771 at June 30, 2002.

Debt

At the end of FY02, Story County had \$10,595,000 in general obligation bonds outstanding compared to \$11,250,000 at the end of FY01.

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 \$124 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2003 budget, tax rates, and fees that finance the various County services. One of those factors is the economy. Story County's employment growth has mirrored its population growth during 1997-2002, averaging per year gains of 6.2%. Unemployment in Story County now stands at 2.7% versus 1.6% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 5.9% for the same period ended June 30, 2002.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2002 compared with the national rate of 3.4%. However, the State's modest financial condition and relatively flat revenue projection continue to be common knowledge.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2003. Amounts available for appropriation in the General Fund are approximately \$13,314,000, an increase of 2.0% over the final 2002 budget. Property taxes lead this increase. Story County will use the increase in revenues to finance programs currently offered with the effect inflation has on program costs. Increased wage adjustments for pay-plan employees represent the largest portion of the increased expenses, even though all of Story County's elected officials and statutory deputies, as well as a number of department heads and other salaried employees, requested and received no pay increase. Story County has added no major programs or initiatives to the 2003 budget.

If these estimates are realized, Story County's budgetary General Fund balance is expected to decrease from 23% to approximately 19% by the close of 2003.

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.

Story County

Story County
Statement of Net Assets
June 30, 2002

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Cash and pooled investments | \$ 9,948,208 |
| Receivables: | |
| Property tax: | |
| Delinquent | 38,111 |
| Succeeding year | 16,560,000 |
| Accounts | 169,659 |
| Accrued interest | 132,565 |
| Drainage assessments | 2,751 |
| Due from other governments | 692,032 |
| Inventories | 130,389 |
| Capital assets (net of accumulated depreciation) (note 4) | 41,346,378 |
| | 69,020,093 |
| Total assets | |
| Liabilities: | |
| Accounts payable | 639,503 |
| Salaries and benefits payable | 619,993 |
| Due to other governments | 410,599 |
| Accrued interest payable | 42,766 |
| Contracts payable | 297,348 |
| Deferred revenue: | |
| Succeeding year property tax | 16,560,000 |
| Long-term liabilities (note 6): | |
| Portion due or payable within one year: | |
| Stamped drainage district warrants | 11,321 |
| General obligation bonds | 675,000 |
| Compensated absences | 484,213 |
| Portion due or payable after one year: | |
| General obligation bonds | 9,920,000 |
| | 29,660,743 |
| Total liabilities | |

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net Assets | |
| Invested in capital assets, net of related debt | 30,751,378 |
| Restricted for: | |
| Supplemental levy purposes | 496,223 |
| Secondary roads purposes | 1,762,886 |
| Mental health purposes | 1,390,044 |
| Debt service | 15,491 |
| Other purposes | 458,787 |
| Unrestricted | <u>4,484,541</u> |
| Total net assets | <u>\$ 39,359,350</u> |

See notes to financial statements.

Exhibit B

Story County

Statement of Activities

For the Year Ended June 30, 2002

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|---|----------------------|------------------------|--|---|--|
| | Expenses | Charges for Service | Operating Grants and Contributions | | Capital Grants and Contributions |
| Functions / Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety | \$ 6,441,659 | 707,977 | 169,472 | - | (5,564,210) |
| Court services | 111,476 | 52,165 | - | - | (59,311) |
| Physical health | 842,058 | 12,353 | - | - | (829,705) |
| Mental health | 7,559,578 | 251,562 | 4,464,107 | - | (2,843,909) |
| Social services | 1,096,212 | 21,208 | 185,367 | - | (889,637) |
| County environment and education | 1,949,206 | 106,984 | 153,518 | 16,782 | (1,671,922) |
| Roads and transportation | 4,633,554 | 135,014 | 2,752,303 | 1,685,021 | (61,216) |
| Government services to residents | 923,414 | 1,007,599 | - | - | 84,185 |
| Administrative services | 3,802,959 | - | - | - | (3,802,959) |
| Non-program | 39,587 | 29,867 | - | - | (9,720) |
| Interest on long-term debt | 528,256 | - | - | - | (528,256) |
| Total | \$ 27,927,959 | 2,324,729 | 7,724,767 | 1,701,803 | (16,176,660) |
| General revenues: | | | | | |
| Property and other county taxes levied for: | | | | | |
| General purposes | | | | | 14,443,924 |
| Debt service | | | | | 1,129,564 |
| Penalty and interest on property tax | | | | | 125,734 |
| State tax credits | | | | | 585,627 |
| Local option sales tax | | | | | 1,416,560 |
| Grants and contributions not restricted to specific purpose | | | | | 700,286 |
| Unrestricted investment earnings | | | | | 640,625 |
| Loss on sale of general fixed assets | | | | | (21,417) |
| Miscellaneous | | | | | 228,269 |
| Total general revenues | | | | | 19,249,172 |
| Change in net assets | | | | | 3,072,512 |
| Net assets beginning of year, as restated (note 11) | | | | | 36,286,838 |
| Net assets end of year | | | | | \$ 39,359,350 |

See notes to financial statements.

Story County

Story County
Balance Sheet
Governmental Funds

June 30, 2002

| | Special Revenue | | | |
|--|----------------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 2,996,453 | 2,046,412 | 395,045 | 1,581,807 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 24,918 | 7,380 | 3,034 | - |
| Succeeding year | 10,450,000 | 2,977,000 | 1,980,000 | - |
| Accounts | 21,469 | 127,273 | 1,967 | 680 |
| Accrued interest | 132,565 | - | - | - |
| Drainage district assessments | - | - | - | - |
| Due from other governments | 204,930 | 14,017 | 224,625 | 248,460 |
| Inventories | - | - | - | 130,389 |
| Total assets | \$ 13,830,335 | 5,172,082 | 2,604,671 | 1,961,336 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 359,813 | 173,450 | 10,150 | 29,233 |
| Salaries and benefits payable | 314,672 | 142,562 | 78,241 | 84,518 |
| Contracts payable | - | - | - | - |
| Due to other governments | 23,816 | 383,690 | 55 | 3,038 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 10,450,000 | 2,977,000 | 1,980,000 | - |
| Other | 24,549 | 7,274 | 2,828 | - |
| Total liabilities | 11,172,850 | 3,683,976 | 2,071,274 | 116,789 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Inventories | - | - | - | 130,389 |
| Supplemental levy purposes | 496,223 | - | - | - |
| Debt service | - | - | - | - |
| Designated for administration building | - | - | - | - |
| Unreserved | 2,161,262 | 1,488,106 | 533,397 | 1,714,158 |
| Total fund balances | 2,657,485 | 1,488,106 | 533,397 | 1,844,547 |
| Total liabilities and fund balances | \$ 13,830,335 | 5,172,082 | 2,604,671 | 1,961,336 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|------------------|------------------|--------------------------|-------------------|
| 55,478 | 2,396,783 | 476,230 | 9,948,208 |
| 2,779 | - | - | 38,111 |
| 1,153,000 | - | - | 16,560,000 |
| - | 17,128 | 1,142 | 169,659 |
| - | - | - | 132,565 |
| - | - | 2,751 | 2,751 |
| - | - | - | 692,032 |
| - | - | - | 130,389 |
| <u>1,211,257</u> | <u>2,413,911</u> | <u>480,123</u> | <u>27,673,715</u> |
| - | 58,551 | 8,306 | 639,503 |
| - | - | - | 619,993 |
| - | 297,348 | - | 297,348 |
| - | - | - | 410,599 |
| 1,153,000 | - | - | 16,560,000 |
| 2,740 | - | - | 37,391 |
| <u>1,155,740</u> | <u>355,899</u> | <u>8,306</u> | <u>18,564,834</u> |
| - | - | - | 130,389 |
| - | - | - | 496,223 |
| 55,517 | - | - | 55,517 |
| - | 2,058,012 | - | 2,058,012 |
| - | - | 471,817 | 6,368,740 |
| <u>55,517</u> | <u>2,058,012</u> | <u>471,817</u> | <u>9,108,881</u> |
| <u>1,211,257</u> | <u>2,413,911</u> | <u>480,123</u> | <u>27,673,715</u> |

Story County

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

June 30, 2002

| | |
|--|-----------------------------|
| Total governmental fund balances (page 19) | \$ 9,108,881 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The cost of assets is \$54,197,149 and the accumulated depreciation is \$12,850,771. | 41,346,378 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 37,391 |
| Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(11,133,300)</u> |
| Net assets of governmental activities (page 15) | <u><u>\$ 39,359,350</u></u> |

Story County

Story County

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

Year Ended June 30, 2002

| | Special Revenue | | | |
|--|---------------------|------------------|--------------------|------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other County tax | \$ 9,651,914 | 2,855,876 | 3,337,003 | - |
| Interest and penalty on property tax | 125,734 | - | - | - |
| Intergovernmental | 1,578,449 | 4,565,988 | 418,657 | 2,874,078 |
| Licenses and permits | 7,900 | - | 12,829 | 943 |
| Charges for service | 1,285,922 | 251,562 | 59,542 | 12,297 |
| Use of money and property | 681,909 | - | - | - |
| Fines, forfeitures and defaults | - | - | 1,063 | - |
| Miscellaneous | 89,531 | 10,768 | 8,613 | 41,175 |
| Total revenues | <u>13,421,359</u> | <u>7,684,194</u> | <u>3,837,707</u> | <u>2,928,493</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 4,749,248 | - | 1,479,543 | - |
| Court services | 119,676 | - | - | - |
| Physical health and education | 590,648 | - | 250,000 | - |
| Mental health | - | 7,482,172 | - | - |
| Social services | 1,092,764 | - | - | - |
| County environment | 1,105,347 | - | 781,154 | - |
| Roads and transportation | - | - | 186,612 | 3,824,776 |
| State and local government services | 905,242 | - | 2,780 | - |
| Interprogram services | 3,654,205 | - | - | - |
| Non-program | - | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | 69,277 | - | - | 24,614 |
| Total expenditures | <u>12,286,407</u> | <u>7,482,172</u> | <u>2,700,089</u> | <u>3,849,390</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,134,952</u> | <u>202,022</u> | <u>1,137,618</u> | <u>(920,897)</u> |
| Other financing sources (uses): | | | | |
| Sale of general fixed assets | 9,400 | - | - | - |
| Drainage district warrants issued | - | - | - | - |
| Operating transfers in | 200,000 | - | - | 1,463,025 |
| Operating transfers out | (417,648) | - | (1,045,377) | - |
| Total other financing sources (uses) | <u>(208,248)</u> | <u>-</u> | <u>(1,045,377)</u> | <u>1,463,025</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 926,704 | 202,022 | 92,241 | 542,128 |
| Fund balances beginning of year, as restated (note 11) | 1,730,781 | 1,286,084 | 441,156 | 1,296,015 |
| Increase in reserve for inventories | - | - | - | 6,404 |
| Fund balances end of year | <u>\$ 2,657,485</u> | <u>1,488,106</u> | <u>533,397</u> | <u>1,844,547</u> |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total (Memorandum Only) |
|------------------|------------------|--------------------------|-------------------------|
| 1,127,712 | - | - | 16,972,505 |
| - | - | - | 125,734 |
| 39,757 | - | 17,174 | 9,494,103 |
| - | - | - | 21,672 |
| - | - | 19,395 | 1,628,718 |
| - | 167,087 | 78,051 | 927,047 |
| - | - | - | 1,063 |
| - | - | 126,909 | 276,996 |
| <u>1,167,469</u> | <u>167,087</u> | <u>241,529</u> | <u>29,447,838</u> |
| - | - | 127,786 | 6,356,577 |
| - | - | - | 119,676 |
| - | - | - | 840,648 |
| - | - | - | 7,482,172 |
| - | - | - | 1,092,764 |
| - | - | 46,353 | 1,932,854 |
| - | - | - | 4,011,388 |
| - | - | - | 908,022 |
| - | - | 1,284 | 3,655,489 |
| - | - | 37,877 | 37,877 |
| 1,195,073 | - | 9,611 | 1,204,684 |
| - | 3,672,102 | - | 3,765,993 |
| <u>1,195,073</u> | <u>3,672,102</u> | <u>222,911</u> | <u>31,408,144</u> |
| (27,604) | (3,505,015) | 18,618 | (1,960,306) |
| - | - | - | 9,400 |
| - | - | 11,321 | 11,321 |
| - | - | - | 1,663,025 |
| - | (200,000) | - | (1,663,025) |
| <u>-</u> | <u>(200,000)</u> | <u>11,321</u> | <u>20,721</u> |
| (27,604) | (3,705,015) | 29,939 | (1,939,585) |
| 83,121 | 5,763,027 | 441,878 | 11,042,062 |
| - | - | - | 6,404 |
| <u>55,517</u> | <u>2,058,012</u> | <u>471,817</u> | <u>9,108,881</u> |

Story County

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year Ended June 30, 2002

Amounts reported for governmental activities (page 16) in the statement of activities are different because:

Net change in fund balances - Total governmental funds (page 23) \$ (1,939,585)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay exceeded depreciation expense in the current year as follows:

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 4,348,059 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,685,021 | |
| Capital assets contributed for railroad right of ways | 53,094 | |
| Depreciation expense | <u>(1,566,257)</u> | 4,519,917 |

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (21,417)

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

| | | |
|--------------|------------------|-----------|
| Property tax | 26,198 | |
| Other | <u>(191,976)</u> | (165,778) |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal and drainage district warrants paid are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Assets. Debt repayments exceeded new borrowing in the current year as follows:

| | | |
|-----------------------------------|----------------|---------|
| Drainage district warrants issued | (11,321) | |
| Drainage district warrants paid | 9,611 | |
| Principal payments | <u>655,000</u> | 653,290 |

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 | 7,864 | |
| Interest on long-term debt | <u>11,817</u> | 19,681 |

Inventories in the governmental funds have been recorded as expenditure when paid. However, the statement of activities reports these items as expenditures in the period that the asset is exhausted. 6,404

Change in net assets of governmental funds (page 16) \$ 3,072,512

See notes to financial statements.

Story County
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2002

Assets

| | |
|--------------------------------|-------------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 2,555,404 |
| Other County officials | 134,927 |
| Employee health insurance plan | 19,139 |
| Property tax receivable: | |
| Delinquent | 150,046 |
| Succeeding year | 64,544,000 |
| Special assessments | 1,183,691 |
| Accounts receivable | 96,848 |
| Due from other governments | 1,867 |
| Total assets | 68,685,922 |

Liabilities

| | |
|-------------------------------|-------------------|
| Liabilities: | |
| Accounts payable | 11,583 |
| Salaries and benefits payable | 30,273 |
| Due to other governments | 68,478,824 |
| Trusts payable | 131,443 |
| Compensated absences | 33,799 |
| Total liabilities | 68,685,922 |

| | |
|------------|------|
| Net Assets | \$ - |
|------------|------|

See notes to financial statements.

Story County

General Fund

Statement of Receipts, Disbursements and Changes in
Fund Balance – Budget and Actual (Cash Basis)

Year Ended June 30, 2002

| | Budgeted Amounts | | Actual | Final to Actual Variance - Favorable (Unfavorable) |
|---|---------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Receipts: | | | | |
| Property and other County tax | \$ 9,662,071 | 9,663,849 | 9,651,612 | (12,237) |
| Interest and penalty on property tax | 107,000 | 107,000 | 125,734 | 18,734 |
| Intergovernmental | 1,827,565 | 1,729,267 | 1,532,025 | (197,242) |
| Licenses and permits | 7,975 | 7,975 | 7,900 | (75) |
| Charges for service | 999,963 | 1,122,881 | 1,478,578 | 355,697 |
| Use of money and property | 916,100 | 650,826 | 594,166 | (56,660) |
| Miscellaneous | 119,100 | 94,425 | 68,490 | (25,935) |
| Total receipts | <u>13,639,774</u> | <u>13,376,223</u> | <u>13,458,505</u> | <u>82,282</u> |
| Disbursements: | | | | |
| Public safety | 4,777,038 | 4,860,038 | 4,760,884 | 99,154 |
| Court services | 88,000 | 121,000 | 116,649 | 4,351 |
| Physical health and education | 606,376 | 604,785 | 594,941 | 9,844 |
| Social services | 1,316,473 | 1,166,982 | 1,061,816 | 105,166 |
| County environment | 1,080,259 | 1,187,259 | 1,104,928 | 82,331 |
| State and local government services | 923,585 | 932,485 | 916,883 | 15,602 |
| Interprogram services | 3,965,066 | 4,004,066 | 3,546,721 | 457,345 |
| Capital projects | 135,000 | 135,000 | 49,253 | 85,747 |
| Total disbursements | <u>12,891,797</u> | <u>13,011,615</u> | <u>12,152,075</u> | <u>859,540</u> |
| Excess of receipts over disbursements | 747,977 | 364,608 | 1,306,430 | |
| Other financing sources, net | (417,648) | (213,248) | (213,248) | |
| Excess of receipts and other financing sources over disbursements and other financing uses | 330,329 | 151,360 | 1,093,182 | |
| Balance beginning of year | 1,753,139 | 1,903,270 | 1,903,271 | |
| Balance end of year | <u>\$ 2,083,468</u> | <u>2,054,630</u> | <u>2,996,453</u> | |
| Reconciliation between cash and modified accrual basis: | | | | |
| | Cash | Accrual | Modified | |
| | Basis | Adjustments | Accrual | |
| | | | Basis | |
| Revenues | \$ 13,458,505 | (32,146) | 13,426,359 | |
| Expenditures | 12,152,075 | 134,332 | 12,286,407 | |
| Net | 1,306,430 | (166,478) | 1,139,952 | |
| Other financing sources (uses) | (213,248) | - | (213,248) | |
| Beginning fund balance | 1,903,271 | (172,490) | 1,730,781 | |
| Ending fund balance | <u>\$ 2,996,453</u> | <u>(338,968)</u> | <u>2,657,485</u> | |

See notes to financial statements.

Story County

Special Revenue, Mental Health Fund

Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Cash Basis)

Year Ended June 30, 2002

| | Budgeted Amounts | | Actual | Final to Actual Variance - Favorable (Unfavorable) |
|--|------------------|-----------|-----------|---|
| | Original | Final | | |
| Receipts: | | | | |
| Property and other County tax | \$ 2,903,739 | 2,906,637 | 2,855,791 | (50,846) |
| Intergovernmental | 4,665,720 | 4,399,777 | 4,523,031 | 123,254 |
| Charges for services | 255,000 | 255,000 | 270,586 | 15,586 |
| Miscellaneous | 5,000 | 9,653 | 12,563 | 2,910 |
| Total receipts | 7,829,459 | 7,571,067 | 7,661,971 | 90,904 |
| Disbursements: | | | | |
| Mental health | 8,056,243 | 8,062,243 | 7,463,671 | 598,572 |
| Excess (deficiency) of receipts over (under) disbursements | (226,784) | (491,176) | 198,300 | |
| Balance beginning of year | 1,569,731 | 1,848,113 | 1,848,112 | |
| Balance end of year | \$ 1,342,947 | 1,356,937 | 2,046,412 | |

Reconciliation between cash and modified accrual basis:

| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
|------------------------|--------------|---------------------|------------------------|
| Revenues | \$ 7,661,971 | 22,223 | 7,684,194 |
| Expenditures | 7,463,671 | 18,501 | 7,482,172 |
| Net | 198,300 | 3,722 | 202,022 |
| Beginning fund balance | 1,848,112 | (562,028) | 1,286,084 |
| Ending fund balance | \$ 2,046,412 | (558,306) | 1,488,106 |

See notes to financial statements

Story County

Special Revenue, Rural Services Fund

Statement of Receipts, Disbursements and Changes in Fund Balance -
Budget and Actual (Cash Basis)

Year Ended June 30, 2002

| | Budgeted Amounts | | Actual | Final to Actual Variance - Favorable (Unfavorable) |
|--|--------------------|---------------------|------------------------|--|
| | Original | Final | | |
| Receipts: | | | | |
| Property and other County tax | \$ 3,507,062 | 3,372,732 | 3,368,998 | (3,734) |
| Intergovernmental | 393,569 | 421,457 | 409,592 | (11,865) |
| Licenses and permits | 12,250 | 12,250 | 12,879 | 629 |
| Charges for service | 45,775 | 51,960 | 58,849 | 6,889 |
| Fines, forfeitures and defaults | 700 | 700 | - | (700) |
| Miscellaneous | 3,920 | 6,959 | 10,560 | 3,601 |
| Total receipts | <u>3,963,276</u> | <u>3,866,058</u> | <u>3,860,878</u> | <u>(5,180)</u> |
| Disbursements: | | | | |
| Public safety | 1,461,851 | 1,461,851 | 1,472,250 | 10,399 |
| Physical health and education | 250,000 | 250,000 | 250,000 | - |
| County environmental | 791,810 | 839,810 | 784,594 | (55,216) |
| Roads and transportation | 181,428 | 253,354 | 253,354 | - |
| State and local government services | 2,650 | 2,650 | 2,781 | 131 |
| Total disbursements | <u>2,687,739</u> | <u>2,807,665</u> | <u>2,762,979</u> | <u>(44,686)</u> |
| Excess of receipts over disbursements | 1,275,537 | 1,058,393 | 1,097,899 | |
| Other financing sources, net | <u>(1,045,377)</u> | <u>(1,045,377)</u> | <u>(1,045,377)</u> | |
| Excess of receipts and other financing sources over disbursements and other financing uses | 230,160 | 13,016 | 52,522 | |
| Balance beginning of year | <u>140,803</u> | <u>342,523</u> | <u>342,523</u> | |
| Balance end of year | <u>\$ 370,963</u> | <u>355,539</u> | <u>395,045</u> | |
| Reconciliation between cash and modified accrual basis: | | | | |
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis | |
| Revenues | \$ 3,860,878 | (23,171) | 3,837,707 | |
| Expenditures | 2,762,979 | (62,890) | 2,700,089 | |
| Net | 1,097,899 | 39,719 | 1,137,618 | |
| Other financing sources (uses) | (1,045,377) | - | (1,045,377) | |
| Beginning fund balance | 342,523 | 98,633 | 441,156 | |
| Ending fund balance | <u>\$ 395,045</u> | <u>138,352</u> | <u>533,397</u> | |

See notes to financial statements.

Story County

Special Revenue, Secondary Roads Fund

Statement of Receipts, Disbursements and Changes in Fund Balance -
Budget and Actual (Cash Basis)

Year Ended June 30, 2002

| | Budgeted Amounts | | Actual | Final to Actual Variance - Favorable (Unfavorable) |
|--|-------------------|------------------|------------------|---|
| | Original | Final | | |
| Receipts: | | | | |
| Intergovernmental | \$ 3,105,238 | 2,906,650 | 2,831,061 | (75,589) |
| Licenses and permits | 1,000 | 1,000 | 1,058 | 58 |
| Charges for service | 12,000 | 12,000 | 11,957 | (43) |
| Miscellaneous | 23,000 | 42,308 | 41,079 | (1,229) |
| Total receipts | <u>3,141,238</u> | <u>2,961,958</u> | <u>2,885,155</u> | <u>(76,803)</u> |
| Disbursements: | | | | |
| Roads and transportation | 4,281,152 | 4,281,152 | 3,847,004 | 434,148 |
| Capital projects | 649,000 | 649,000 | 22,139 | 626,861 |
| Total disbursements | <u>4,930,152</u> | <u>4,930,152</u> | <u>3,869,143</u> | <u>1,061,009</u> |
| Deficiency of receipts under disbursements | (1,788,914) | (1,968,194) | (983,988) | |
| Other financing sources, net | <u>1,463,025</u> | <u>1,463,025</u> | <u>1,463,025</u> | |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (325,889) | (505,169) | 479,037 | |
| Balance beginning of year | <u>998,723</u> | <u>1,102,770</u> | <u>1,102,770</u> | |
| Balance end of year | <u>\$ 672,834</u> | <u>597,601</u> | <u>1,581,807</u> | |

Reconciliation between cash and modified accrual basis:

| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
|-------------------------------------|---------------------|------------------------|------------------------------|
| Revenues | \$ 2,885,155 | 43,338 | 2,928,493 |
| Expenditures | <u>3,869,143</u> | <u>(19,753)</u> | <u>3,849,390</u> |
| Net | (983,988) | 63,091 | (920,897) |
| Other financing sources (uses) | 1,463,025 | - | 1,463,025 |
| Beginning fund balance | 1,102,770 | 193,245 | 1,296,015 |
| Increase in reserve for inventories | - | 6,404 | 6,404 |
| Ending fund balance | <u>\$ 1,581,807</u> | <u>262,740</u> | <u>1,844,547</u> |

See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2002

(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 (GASB).

A. Reporting Entity

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

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

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

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Story County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial

transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Story County Auditor's office.

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

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of changes in net assets report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, are supported by property tax and intergovernmental revenues or other nonexchange transactions.

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

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

The government reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property taxes 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 taxes and other revenues to provide services which are primarily intended to benefit those persons residing in the country outside of incorporated city areas.

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

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

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

Additionally, the County reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

All governmental funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid tax for the current and prior years. The succeeding year property tax receivable represents tax 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost 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.

| | | |
|----------------------------------|----|--------|
| Land, buildings and improvements | \$ | 5,000 |
| Equipment and vehicles | | 5,000 |
| Infrastructure, road network | | 50,000 |

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivable not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002. The compensated absences liability attributable to the governmental activities have been paid primarily by the General, Special Revenue, Mental Health, Rural Services and Secondary Roads Funds as statutorily required.

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds, using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are reported in the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

E. Budgets and Budgetary Accounting

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 service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and the capital projects fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,934,674. These 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 and City Assessors by the County and City Conference Boards, for the E911 System by the Joint E911 Services Board and for Emergency Management Services by the County Emergency Management Commission.

The following is a comparison of disbursements to budget for the year ended June 30, 2002:

| | Actual | Less Funds not Required to be Budgeted | Net | Amended Budget | Variance - Favorable (Unfavorable) | Net as % of Amended Budget |
|-------------------------------------|----------------------|---|-------------------|-------------------|--|-------------------------------------|
| Disbursements: | | | | | | |
| Public safety | \$ 6,356,966 | - | 6,356,966 | 6,434,889 | 77,923 | 99% |
| Court services | 116,649 | - | 116,649 | 121,000 | 4,351 | 96% |
| Physical health and education | 844,941 | - | 844,941 | 854,785 | 9,844 | 99% |
| Mental health | 7,463,672 | - | 7,463,672 | 8,062,243 | 598,571 | 93% |
| Social services | 1,061,816 | - | 1,061,816 | 1,166,982 | 105,166 | 91% |
| County environment | 1,935,976 | - | 1,935,976 | 2,079,319 | 143,343 | 93% |
| Roads and transportation | 4,100,359 | - | 4,100,359 | 4,534,506 | 434,147 | 90% |
| State and local government services | 919,665 | - | 919,665 | 951,135 | 31,470 | 97% |
| Interprogram services | 3,548,005 | - | 3,548,005 | 4,005,366 | 457,361 | 89% |
| Non-program | 37,877 | 37,877 | - | - | - | |
| Debt service | 1,195,073 | - | 1,195,073 | 1,195,123 | 50 | 100% |
| Capital projects | 3,937,226 | - | 3,937,226 | 5,021,682 | 1,084,456 | 78% |
| Total | \$ 31,518,225 | 37,877 | 31,480,348 | 34,427,030 | 2,946,682 | 91% |

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2002, is as follows:

| Transfer to | Transfer from | Amount |
|------------------|------------------|---------------------|
| General | Capital Projects | \$ 200,000 |
| Special Revenue: | | |
| Secondary Roads | General | 417,648 |
| | Special Revenue: | |
| | Rural Services | 1,045,377 |
| | | <u>1,463,025</u> |
| Total | | \$ 1,663,025 |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Also, Story County approved returning \$200,000 to the General Fund, transferred in prior years from the General Fund to the Capital Projects Fund, to meet payroll and other expenditures in the General Fund.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2002, was as follows:

| | Balance Beginning of Year | Adjustments | Balance Beginning of Year (as restated, note 12) | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-------------|--|-----------|-----------|---------------------------|
| Governmental activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 4,040,900 | (429,055) | 3,611,845 | 53,094 | 5,500 | 3,659,439 |
| Construction in progress | 9,984,711 | - | 9,984,711 | 3,563,143 | - | 13,547,854 |
| Total capital assets, not being depreciated | 14,025,611 | (429,055) | 13,596,556 | 3,616,237 | 5,500 | 17,207,293 |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 8,465,507 | 3,500 | 8,469,007 | 9,801 | - | 8,478,808 |
| Improvements other than buildings | - | 899,389 | 899,389 | 55,054 | - | 954,443 |
| Equipment and vehicles | 8,732,368 | (1,537,469) | 7,194,899 | 729,461 | 211,501 | 7,712,859 |
| Infrastructure, road network | - | 18,158,725 | 18,158,725 | 1,685,021 | - | 19,843,746 |
| Total capital assets being depreciated | 17,197,875 | 17,524,145 | 34,722,020 | 2,479,337 | 211,501 | 36,989,856 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | - | 2,473,886 | 2,473,886 | 167,111 | - | 2,640,997 |
| Improvements other than buildings | - | 64,603 | 64,603 | 31,616 | - | 96,219 |
| Equipment and vehicles | - | 3,132,447 | 3,132,447 | 703,724 | 186,184 | 3,649,987 |
| Infrastructure, road network | - | 5,799,762 | 5,799,762 | 663,806 | - | 6,463,568 |
| Total accumulated depreciation | - | 11,470,698 | 11,470,698 | 1,566,257 | 186,184 | 12,850,771 |
| Total capital assets, being depreciated, net | 17,197,875 | 6,053,447 | 23,251,322 | 913,080 | 25,317 | 24,139,085 |
| Governmental activities capital assets, net | \$ 31,223,486 | 5,624,392 | 36,847,878 | 4,529,317 | 30,817 | 41,346,378 |

Depreciation expense was charged to functions of the primary government as follows:

| | |
|--|--------------|
| Governmental activities: | |
| Public safety | \$ 200,143 |
| Mental health | 82,697 |
| Social services | 3,580 |
| County environment and education | 72,534 |
| Roads and transportation | 991,250 |
| Government services to residents | 16,996 |
| Administrative services | 199,057 |
| Total governmental activities depreciation expense | \$ 1,566,257 |

(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:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|----------------------|
| General | Services | \$ 23,816 |
| Special Revenue: | | |
| Mental Health | Services | 383,690 |
| Rural Services | Services | 55 |
| Secondary Roads | Services | 3,038 |
| | | <u>386,783</u> |
| Total for governmental funds | | <u>\$ 410,599</u> |
| Agency: | | |
| County Assessor | Collections | \$ 565,704 |
| City Assessor | | 582,192 |
| Schools | | 38,200,864 |
| Community Colleges | | 1,405,216 |
| Corporations | | 22,947,274 |
| Special Assessments | | 1,185,846 |
| Auto License and Use Tax | | 1,133,445 |
| County Hospital | | 979,424 |
| E911 | | 626,746 |
| All other | | 852,113 |
| Total for agency funds | | <u>\$ 68,478,824</u> |

(6) Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2002 are summarized as follows:

| | <u>General Obligation Bonds</u> | <u>Drainage District Warrants</u> | <u>Compen- sated Absences</u> | <u>Total</u> |
|--|---|---|---------------------------------------|-------------------|
| Balances beginning of year, as restated (note 11) | \$ 11,250,000 | 9,611 | 492,077 | 11,751,688 |
| Increases | - | 11,321 | - | 11,321 |
| Decreases | (655,000) | (9,611) | (7,864) | (672,475) |
| Balance end of year | <u>\$ 10,595,000</u> | <u>11,321</u> | <u>484,213</u> | <u>11,090,534</u> |

Bonds Payable

Debt service requirements for the County's June 30, 2002 general obligation bonded indebtedness is as follows:

| Year Ending June 30, | Governmental Activities | | | | | |
|----------------------------|---------------------------------|---------------------|---------------|--------------------------------|---------------------|------------------|
| | Series 1998 Issued Dec 30, 1998 | | | Series 1999 Issued Sep 1, 1999 | | |
| | Interest | | | Interest | | |
| | Rates | Principal | Interest | Rates | Principal | Interest |
| 2003 | 3.80% | \$ 575,000 | 45,538 | | \$ - | 250,333 |
| 2004 | 3.90 | 600,000 | 23,400 | | - | 250,332 |
| 2005 | | - | - | | - | 250,332 |
| 2006 | | - | - | | - | 250,332 |
| 2007 | | - | - | | - | 250,332 |
| 2008 | | - | - | | - | 250,332 |
| 2009 | | - | - | | - | 250,332 |
| 2010 | | - | - | 4.90% | 825,000 | 250,332 |
| 2011 | | - | - | 4.95 | 975,000 | 209,908 |
| 2012 | | - | - | 5.00 | 1,020,000 | 161,646 |
| 2013 | | - | - | 5.05 | 1,070,000 | 110,646 |
| 2014 | | - | - | 5.10 | 1,110,000 | 56,610 |
| Total | | <u>\$ 1,175,000</u> | <u>68,938</u> | | <u>\$ 5,000,000</u> | <u>2,541,467</u> |

| Year Ending June 30, | Governmental Activities | | | | | |
|----------------------------|--------------------------------|---------------------|------------------|----------------------|------------------|-------------------|
| | Series 2000 Issued Aug 1, 2000 | | | Total | | |
| | Interest | | | Principal | Interest | Total |
| | Rates | Principal | Interest | Principal | Interest | Total |
| 2003 | 4.80% | \$ 100,000 | 217,325 | \$ 675,000 | 513,196 | 1,188,196 |
| 2004 | 4.80 | 100,000 | 212,525 | 700,000 | 486,257 | 1,186,257 |
| 2005 | 4.90 | 735,000 | 207,725 | 735,000 | 458,057 | 1,193,057 |
| 2006 | 4.90 | 780,000 | 171,710 | 780,000 | 422,042 | 1,202,042 |
| 2007 | 4.90 | 815,000 | 133,490 | 815,000 | 383,822 | 1,198,822 |
| 2008 | 4.95 | 860,000 | 93,555 | 860,000 | 343,887 | 1,203,887 |
| 2009 | 4.95 | 905,000 | 50,985 | 905,000 | 301,317 | 1,206,317 |
| 2010 | 4.95 | 125,000 | 6,188 | 950,000 | 256,520 | 1,206,520 |
| 2011 | | - | - | 975,000 | 209,908 | 1,184,908 |
| 2012 | | - | - | 1,020,000 | 161,646 | 1,181,646 |
| 2013 | | - | - | 1,070,000 | 110,646 | 1,180,646 |
| 2014 | | - | - | 1,110,000 | 56,610 | 1,166,610 |
| Total | | <u>\$ 4,420,000</u> | <u>1,093,503</u> | <u>\$ 10,595,000</u> | <u>3,703,908</u> | <u>14,298,908</u> |

During the year ended June 30, 2002, the County retired \$655,000 of general obligation bonds.

Drainage District Warrants

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

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

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 1999 were \$822,886, \$786,839, and \$730,597, respectively, equal to the required contributions for each year.

(8) Risk Management

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2002 were \$253,309.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2002, no liability has been recorded in the County's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(9) Construction Commitment

On January 13, 2001, the Board approved a contract totaling \$13,644,465 for construction of the Justice Center Building. At June 30, 2002, costs of \$13,347,117 had been incurred against the contract. The balance of \$297,348 remaining at June 30, 2002 will be paid as work on the project progresses.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by Service Area or amounts appropriated by department. During the year ended June 30, 2002, disbursements in one department exceeded the amount appropriated.

(11) Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented during the year ended June 30, 2002. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, Statement Number 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus and Statement Number 38, Certain Financial Statement Note Disclosures were implemented during the year ended June 30, 2002. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2001 resulting from the conversion to the accrual basis of accounting.

| | <u>Amount</u> |
|---|-----------------------------|
| Net assets, June 30, 2001, as previously reported | \$ 10,891,376 |
| GASB Interpretation 6 adjustments | <u>150,686</u> |
| Net assets, July 1, 2001, as restated for governmental funds | 11,042,062 |
| GASB 34 adjustments: | |
| Capital assets, net of accumulated depreciation of \$11,470,698 | 36,847,878 |
| Change in long-term liabilities | (11,806,271) |
| Change in deferral of long-term assets | <u>203,169</u> |
| Net assets, July 1, 2001, as restated | <u><u>\$ 36,286,838</u></u> |

Story County

Supplemental Information

Story County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2002

| | County Recorder's Records Drainage Employee Management Districts Wellness | | |
|--|--|----------------|--------------|
| Assets | | | |
| Cash and pooled investments | \$ 106,581 | 153,653 | 1,438 |
| Receivables: | | | |
| Accounts | - | - | - |
| Drainage assessments | - | 2,751 | - |
| | | | |
| Total assets | \$ 106,581 | 156,404 | 1,438 |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | - | - |
| Fund equity: | | | |
| Unreserved fund balances | 106,581 | 156,404 | 1,438 |
| | | | |
| Total liabilities and fund equity | \$ 106,581 | 156,404 | 1,438 |
| | | | |

| Resource Enhancement and Protection | Special Law Enforcement | Jail Commissary | Friends of Animals | Friends of Conservation | Total |
|--|-------------------------------|--------------------|--------------------------|-------------------------------|---------|
| 95,911 | 21,916 | 19,283 | 33,293 | 44,155 | 476,230 |
| - | - | 947 | 195 | - | 1,142 |
| - | - | - | - | - | 2,751 |
| 95,911 | 21,916 | 20,230 | 33,488 | 44,155 | 480,123 |
| - | 168 | 6,364 | - | 1,774 | 8,306 |
| 95,911 | 21,748 | 13,866 | 33,488 | 42,381 | 471,817 |
| 95,911 | 21,916 | 20,230 | 33,488 | 44,155 | 480,123 |

Story County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds

Year Ended June 30, 2002

| | County Recorder's | | |
|--|-----------------------|-----------------------|----------------------|
| | Records Management | Drainage Districts | Employee Wellness |
| Revenues: | | | |
| Intergovernmental | \$ - | - | - |
| Charges for service | 19,395 | - | - |
| Use of money and property | 2,759 | - | - |
| Miscellaneous | - | 29,867 | - |
| Total revenues | 22,154 | 29,867 | - |
| Expenditures: | | | |
| Operating: | | | |
| Public safety | - | - | - |
| County environment | - | - | - |
| Interprogram services | - | - | 1,284 |
| Non-program | - | 37,877 | - |
| Debt service | - | 9,611 | - |
| Total expenditures | - | 47,488 | 1,284 |
| Excess (deficiency) of revenues over (under) expenditures | 22,154 | (17,621) | (1,284) |
| Other financing sources: | | | |
| Drainage district warrants issued | - | 11,321 | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures | 22,154 | (6,300) | (1,284) |
| Fund balances beginning of year | 84,427 | 162,704 | 2,722 |
| Fund balances end of year | \$ 106,581 | 156,404 | 1,438 |

| Resource Enhancement and Protection | Special Law Enforcement | Jail Commissary | Friends of Animals | Friends of Conservation | Total |
|---|-------------------------------|--------------------|--------------------------|-------------------------------|---------|
| 17,174 | - | - | - | - | 17,174 |
| - | - | - | - | - | 19,395 |
| 2,532 | - | 70,825 | 878 | 1,057 | 78,051 |
| - | 39,732 | - | 6,763 | 50,547 | 126,909 |
| 19,706 | 39,732 | 70,825 | 7,641 | 51,604 | 241,529 |
| - | 30,951 | 96,835 | - | - | 127,786 |
| 8,136 | - | - | 776 | 37,441 | 46,353 |
| - | - | - | - | - | 1,284 |
| - | - | - | - | - | 37,877 |
| - | - | - | - | - | 9,611 |
| 8,136 | 30,951 | 96,835 | 776 | 37,441 | 222,911 |
| 11,570 | 8,781 | (26,010) | 6,865 | 14,163 | 18,618 |
| - | - | - | - | - | 11,321 |
| 11,570 | 8,781 | (26,010) | 6,865 | 14,163 | 29,939 |
| 84,341 | 12,967 | 39,876 | 26,623 | 28,218 | 441,878 |
| 95,911 | 21,748 | 13,866 | 33,488 | 42,381 | 471,817 |

Story County
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2002

| | County Offices | | | Agricultural |
|--------------------------------|-------------------------|--------------------|-------------------|------------------------|
| | Board of Supervisors | County Recorder | County Sheriff | Extension Education |
| Assets | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ - | - | - | 1,391 |
| Other County officials | 46,852 | 58,060 | 30,015 | - |
| Employee health insurance plan | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | 528 |
| Succeeding year | - | - | - | 211,000 |
| Special assessments | - | - | - | - |
| Accounts | - | 306 | - | - |
| Due from other governments | - | - | - | - |
| Total assets | \$ 46,852 | 58,366 | 30,015 | 212,919 |
| Liabilities | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | - | - | - |
| Salaries and benefits payable | - | - | - | - |
| Due to other governments | - | 58,366 | - | 212,919 |
| Trusts payable | 46,852 | - | 30,015 | - |
| Compensated absences | - | - | - | - |
| Total liabilities | \$ 46,852 | 58,366 | 30,015 | 212,919 |

| County Assessor | City Assessor | Schools | Community Colleges | Corporations | Townships | Special Assessments | Drainage Districts | Auto License and Use Tax |
|-----------------|----------------|-------------------|--------------------|-------------------|----------------|---------------------|--------------------|--------------------------|
| 101,190 | 111,995 | 241,318 | 8,856 | 150,131 | 3,750 | 2,155 | 6,492 | 1,133,445 |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 379 | 1,782 | 90,546 | 3,360 | 50,143 | 684 | - | - | - |
| 494,000 | 496,000 | 37,869,000 | 1,393,000 | 22,747,000 | 354,000 | - | - | - |
| - | - | - | - | - | - | 1,183,691 | - | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 595,569 | 609,777 | 38,200,864 | 1,405,216 | 22,947,274 | 358,434 | 1,185,846 | 6,492 | 1,133,445 |
| - | - | - | - | - | - | - | - | - |
| 13,429 | 13,367 | - | - | - | - | - | - | - |
| 565,704 | 582,192 | 38,200,864 | 1,405,216 | 22,947,274 | 358,434 | 1,185,846 | 6,492 | 1,133,445 |
| - | - | - | - | - | - | - | - | - |
| 16,436 | 14,218 | - | - | - | - | - | - | - |
| 595,569 | 609,777 | 38,200,864 | 1,405,216 | 22,947,274 | 358,434 | 1,185,846 | 6,492 | 1,133,445 |

Story County
 Agency Funds
 Combining Statement of Fiduciary Assets and Liabilities
 June 30, 2002

| | County Hospital | Emergency Management Services | Brucellosis and Tuberculosis Eradication | E911 |
|--------------------------------|--------------------|-------------------------------------|---|----------------|
| Assets | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | 6,831 | 65,157 | 14 | 530,204 |
| Other County officials | - | - | - | - |
| Employee health insurance plan | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 2,593 | - | 31 | - |
| Succeeding year | 970,000 | - | 10,000 | - |
| Special assessments | - | - | - | - |
| Accounts | - | - | - | 96,542 |
| Due from other governments | - | 1,867 | - | - |
| Total assets | 979,424 | 67,024 | 10,045 | 626,746 |
| Liabilities | | | | |
| Liabilities: | | | | |
| Accounts payable | - | - | - | - |
| Salaries and benefits payable | - | 3,477 | - | - |
| Due to other governments | 979,424 | 60,402 | 10,045 | 626,746 |
| Trusts payable | - | - | - | - |
| Compensated absences | - | 3,145 | - | - |
| Total liabilities | 979,424 | 67,024 | 10,045 | 626,746 |

| Tax Sale Redemption | Future Real Estate Payments | Advance Tax | Employee Health Insurance | Empowerment | Anatomical Gift Public Awareness and Transportation | Total |
|------------------------|-----------------------------------|----------------|---------------------------------|---------------|--|-------------------|
| 54,576 | 41,272 | 210 | 29,397 | 66,945 | 75 | 2,555,404 |
| - | - | - | - | - | - | 134,927 |
| - | - | - | 19,139 | - | - | 19,139 |
| - | - | - | - | - | - | 150,046 |
| - | - | - | - | - | - | 64,544,000 |
| - | - | - | - | - | - | 1,183,691 |
| - | - | - | - | - | - | 96,848 |
| - | - | - | - | - | - | 1,867 |
| 54,576 | 41,272 | 210 | 48,536 | 66,945 | 75 | 68,685,922 |
| - | - | - | 11,583 | - | - | 11,583 |
| - | - | - | - | - | - | 30,273 |
| - | 41,272 | 210 | 36,953 | 66,945 | 75 | 68,478,824 |
| 54,576 | - | - | - | - | - | 131,443 |
| - | - | - | - | - | - | 33,799 |
| 54,576 | 41,272 | 210 | 48,536 | 66,945 | 75 | 68,685,922 |

Story County

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

Year Ended June 30, 2002

| | County Offices | | | Agricultural | County |
|------------------------------------|----------------------|-----------------|----------------|---------------------|----------|
| | Board of Supervisors | County Recorder | County Sheriff | Extension Education | Assessor |
| Assets and Liabilities | | | | | |
| Balances beginning of year | \$ 35,701 | 173,289 | 43,930 | 206,025 | 541,067 |
| Additions: | | | | | |
| Property and other County tax | - | - | - | 211,742 | 494,090 |
| E911 surcharge | - | - | - | - | - |
| State tax credits | - | - | - | 7,291 | 25,012 |
| Office fees and collections | - | 992,870 | 134,172 | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | 332,187 | - | 797,547 | - | - |
| Miscellaneous | - | - | - | - | 6,654 |
| Total additions | 332,187 | 992,870 | 931,719 | 219,033 | 525,756 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | - | 673,471 | 221,440 | - | - |
| To other governments | - | 434,322 | 378 | 212,139 | 471,254 |
| Trusts paid out | 321,036 | - | 723,816 | - | - |
| Total deductions | 321,036 | 1,107,793 | 945,634 | 212,139 | 471,254 |
| Balances end of year | \$ 46,852 | 58,366 | 30,015 | 212,919 | 595,569 |

| City Assessor | Schools | Community Colleges | Corporations | Townships | Special Assessments | Drainage Districts | Auto License and Use Tax |
|---------------|------------|--------------------|--------------|-----------|---------------------|--------------------|--------------------------|
| 585,681 | 34,965,163 | 1,313,201 | 20,829,373 | 383,992 | 1,031,238 | 4,097 | 1,146,904 |
| 497,677 | 37,965,912 | 1,396,437 | 22,820,034 | 353,962 | - | - | - |
| - | - | - | - | - | - | - | - |
| 10,254 | 1,250,582 | 46,429 | 625,953 | 20,057 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 14,324,724 |
| - | - | - | - | - | 459,466 | 6,490 | - |
| - | - | - | - | - | - | - | - |
| 7,913 | - | - | - | - | - | - | - |
| 515,844 | 39,216,494 | 1,442,866 | 23,445,987 | 374,019 | 459,466 | 6,490 | 14,324,724 |
| - | - | - | - | - | - | - | 452,431 |
| 491,748 | 35,980,793 | 1,350,851 | 21,328,086 | 399,577 | 304,858 | 4,095 | 13,885,752 |
| - | - | - | - | - | - | - | - |
| 491,748 | 35,980,793 | 1,350,851 | 21,328,086 | 399,577 | 304,858 | 4,095 | 14,338,183 |
| 609,777 | 38,200,864 | 1,405,216 | 22,947,274 | 358,434 | 1,185,846 | 6,492 | 1,133,445 |

Story County

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

Year Ended June 30, 2002

| | County Hospital | Emergency Management Services | Brucellosis and Tuberculosis Eradication | E911 | Tax Sale Redemption |
|------------------------------------|--------------------|-------------------------------------|---|---------|------------------------|
| Assets and Liabilities | | | | | |
| Balances beginning of year | 1,011,440 | 97,292 | 12,009 | 405,035 | 112,736 |
| Additions: | | | | | |
| Property and other County tax | 973,396 | - | 9,961 | - | - |
| E911 surcharge | - | - | - | 456,804 | - |
| State tax credits | 35,801 | - | 426 | - | - |
| Office fees and collections | - | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | - | - | - | - | 479,704 |
| Miscellaneous | - | 147,966 | - | - | - |
| Total additions | 1,009,197 | 147,966 | 10,387 | 456,804 | 479,704 |
| Deductions: | | | | | |
| Agency Remittances: | | | | | |
| To other funds | - | - | - | - | - |
| To other governments | 1,041,213 | 178,234 | 12,351 | 235,093 | 537,864 |
| Trusts paid out | - | - | - | - | - |
| Total deductions | 1,041,213 | 178,234 | 12,351 | 235,093 | 537,864 |
| Balances end of year | 979,424 | 67,024 | 10,045 | 626,746 | 54,576 |

| Future Real Estate Payments | State Tax Credit | Advance Tax | Employee Health Insurance | State General | Empowerment | Anatomical Gift Public Awareness and Transportation | Total |
|-----------------------------------|---------------------|----------------|---------------------------------|------------------|-------------|--|------------|
| 39,184 | - | 187 | 73,312 | - | 164,894 | 156 | 63,175,906 |
| - | - | - | - | - | - | - | 64,723,211 |
| - | - | - | - | - | - | - | 456,804 |
| - | 30 | - | - | - | - | - | 2,021,835 |
| - | - | - | - | - | - | - | 1,127,042 |
| - | - | - | - | - | - | - | 14,324,724 |
| - | - | - | - | - | - | - | 465,956 |
| 55,152 | - | 84,980 | 878,362 | 21,531 | 312,175 | - | 2,961,638 |
| - | - | - | - | - | - | 1,676 | 164,209 |
| 55,152 | 30 | 84,980 | 878,362 | 21,531 | 312,175 | 1,676 | 86,245,419 |
| - | - | - | - | - | - | - | 1,347,342 |
| 53,064 | 30 | 84,957 | - | 21,531 | - | 1,757 | 77,029,947 |
| - | - | - | 903,138 | - | 410,124 | - | 2,358,114 |
| 53,064 | 30 | 84,957 | 903,138 | 21,531 | 410,124 | 1,757 | 80,735,403 |
| 41,272 | - | 210 | 48,536 | - | 66,945 | 75 | 68,685,922 |

Story County

Revenues By Source
All Governmental Funds

Modified Accrual Basis

For the Last Four Years

| | 1999 | 2000 | 2001 | 2002 |
|--------------------------------------|---------------|------------|------------|------------|
| Revenues: | | | | |
| Property and other County tax | \$ 13,021,534 | 13,563,444 | 13,846,337 | 16,972,505 |
| Interest and penalty on property tax | 119,777 | 107,656 | 126,747 | 125,734 |
| Intergovernmental | 9,967,987 | 9,798,029 | 9,773,173 | 9,494,103 |
| Licenses and permits | 20,803 | 17,920 | 20,988 | 21,672 |
| Charges for service | 1,240,904 | 1,299,309 | 1,374,758 | 1,628,718 |
| Use of money and property | 1,105,044 | 1,310,350 | 1,228,089 | 927,047 |
| Fines, forfeitures and defaults | - | - | - | 1,063 |
| Miscellaneous | 239,652 | 327,174 | 271,509 | 276,996 |
| Total revenues | \$ 25,715,701 | 26,423,882 | 26,641,601 | 29,447,838 |

Expenditures By Function
All Governmental Funds

Modified Accrual Basis

For the Last Four Years

| | 1999 | 2000 | 2001 | 2002 |
|-------------------------------------|---------------|------------|------------|------------|
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | \$ 4,817,876 | 5,277,807 | 6,061,785 | 6,356,577 |
| Court services | 171,681 | 137,289 | 101,540 | 119,676 |
| Physical health and education | 819,729 | 711,645 | 844,129 | 840,648 |
| Mental health | 7,020,429 | 7,508,212 | 7,433,953 | 7,482,172 |
| Social services | 1,059,718 | 1,319,290 | 1,050,794 | 1,092,764 |
| County environment | 1,856,323 | 1,985,990 | 1,909,382 | 1,932,854 |
| Roads and transportation | 3,702,346 | 4,032,288 | 4,448,193 | 4,011,388 |
| State and local government services | 870,446 | 863,226 | 930,415 | 908,022 |
| Interprogram services | 2,663,601 | 3,250,340 | 3,226,911 | 3,655,489 |
| Non-program | 44,525 | 19,539 | 18,591 | 37,877 |
| Debt service | 289,092 | 1,122,816 | 1,786,970 | 1,204,684 |
| Capital projects | 4,104,179 | 4,220,498 | 8,683,012 | 3,765,993 |
| Total expenditures | \$ 27,419,945 | 30,448,940 | 36,495,675 | 31,408,144 |

Story County
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2002

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Direct: | | | |
| U.S. Department of Justice: | | | |
| State Criminal Alien Assistance Program | 16.606 | | \$ 79,738 |
| Indirect: | | | |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for Food Stamp Program | 10.561 | | 19,086 |
| Temporary Assistance for Needy Families | 93.558 | | 29,796 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | | 132 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 3,905 |
| Foster Care - Title IV-E | 93.658 | | 10,015 |
| Adoption Assistance | 93.659 | | 3,401 |
| Medical Assistance Program | 93.778 | | 30,298 |
| Social Services Block Grant | 93.667 | | 19,588 |
| Social Services Block Grant | 93.667 | | 292,256 |
| | | | 311,844 |
| Iowa Department of Public Health: | | | |
| Childhood Lead Poisoning Prevention Projects State and Community Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | 5882LP07 | 690 |
| Federal Emergency Management Agency: | | | |
| Iowa Department of Public Defense: | | | |
| Hazard Mitigation Grant | 83.548 | 911-GIS-0008 | 433 |
| Hazard Mitigation Grant | 83.548 | 0996-0103 | 3,855 |
| | | | 4,288 |
| Emergency Management Performance Grants Block Grant to the States | 83.552 | | 22,845 |

Schedule 6

Story County
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2002

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---|----------------|-------------------------------------|-------------------------|
| Indirect (continued): | | | |
| U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction | 20.205 | | <u>16,782</u> |
| Iowa Department of Public Safety: State and Community Highway Safety | 20.600 | PAP-02-04 Task 25 | <u>4,616</u> |
| Iowa Department of Public Defense: Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | | <u>8,125</u> |
| U.S. Department of Justice: Governor's Office of Drug Control Policy: Byrne Formula Grant Program | 16.579 | | <u>90,646</u> |
| Violence Against Women Formula Grants | 16.588 | 01V-0252 | <u>20,406</u> |
| Iowa Department of Public Health: Tobacco Surveillance Grant | 16.000 | | <u>600</u> |
| U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/State's Program | 14.228 | | <u>65,964</u> |
| Emergency Shelter Grants Program | 14.231 | 00-HES-003 | <u>11,297</u> |
| Emergency Shelter Grants Program | 14.231 | 01-HES-004 | <u>57,850</u> |
| | | | <u>69,147</u> |
| Total indirect | | | <u>712,586</u> |
| Total | | | <u>\$ 792,324</u> |

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

See accompanying independent auditor's report.



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

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Auditor of State

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

To the Officials of Story County:

We have audited the financial statements of Story County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 27, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item IV-E-02.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-02 is a material weakness. Prior year reportable conditions have been resolved except for items II-B-02 and II-C-02.

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

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

January 27, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

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

Story County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Story County:

Compliance

We have audited the compliance of Story County, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. Story County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Story County's management. Our responsibility is to express an opinion on Story County's compliance based on our audit.

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

In our opinion, Story County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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

January 27, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (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 identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 93.667 – Social Services Block Grant.
- (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, 2002

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-02 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Incoming mail in the County Treasurer's Office is opened by an employee who is authorized to make entries to the accounting records.

Recommendation – An employee who is not authorized to make entries to the accounting records should open all incoming mail. This employee should prepare a listing of cash and checks received. The mail could then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Treasurer should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – We do not have the personnel to assign mail opening to someone who does not have the authority to enter payments. We will resume spot checks on the mail by someone who does not have payment entry as part of their routine duties.

Conclusion – Response accepted.

II-B-02 Community Life Program – The client's change fund at the Community Life Program is not maintained on an imprest basis.

Recommendation – The change fund should be maintained on an imprest basis.

Response – The imprest basis does not work well for this fund as the activity associated with it frequently varies, making a set amount difficult to work with.

Conclusion – Response acknowledged. However, the established balance for the change fund can increase or decrease by documenting when the amount of the established balance of the change fund was changed.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

II-C-02 Payroll Authorization – The County Attorney’s office does not provide written approval of each payroll for Assistant Attorneys to the payroll department.

Recommendation – The County Attorney’s office should submit written documentation that approves payroll for the Assistant Attorney’s and Deputies each pay period to the payroll department.

Responses – Currently, I submit a sheet with the attorneys employee number, pay period and whether they receive the full amount of pay.

Conclusion – Response accepted.

II-D-02 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – This recommendation is acknowledged and will be discussed with appropriate county personnel.

Conclusion – Response accepted.

II-E-02 Flexible Benefit Spending Account – The County contracts with a vendor to administer its flexible spending benefit plan for employees. The plan administrator is responsible for receiving employee contributions to the plan, making expenditures for the plan and for reconciling the plan’s bank account.

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

Response – Bank statements will be sent to the flexible benefit plan administrator the first of every month. Copies of the reconciliations will be reviewed by the 15th of the month to ensure that they are accurate.

Conclusion – Response accepted.

II-F-02 Insurance Fund – The personnel policy allows retirees that elect early retirement to receive health insurance benefits if certain years of service requirements are met. These County paid health insurance payments cease when the retiree becomes eligible for Medicare. The personnel policy also allows retirees to obtain coverage for other family members under the County policy with the additional premium paid by the retiree. Under the Consolidated Omnibus Budget Reconciliation Act, the County is required to make available continuation coverage, at group rates, to participants and participants’ dependents who have lost group health coverage due to termination, divorce, death, parent becomes eligible for medicare, or dependent ceases to be a dependent child, for a period of up to thirty-six months depending on the circumstances. The participants must pay 100% of premiums.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

The County has not formally established written policies and procedures for collection, reconciliation and payment of participants' coverage.

Recommendation – Written policies and procedures should be approved for collection, reconciliation and payment of participants' coverage. Records should include name of participant, date of effective coverage, amount paid and date paid. A record of all retirees currently being covered by the County should be maintained with names and dates of each retiree. These reconciliations should be reviewed by the Board monthly.

Response – A spreadsheet has been created that lists the employees name, effective date of coverage, ending date of coverage, how they qualify for continued coverage, i.e., COBRA or early retirement, amount payable by employee, and date that payment was received. Payments are due by the 25th of each month for those individuals paying premiums. A review will be made to determine if payments have been received. If not, a request for payment letter will be sent to the individual by the 30th of the month. This information will be given to the County Auditor's Office at the end of each month.

Conclusion – Response accepted.

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-02 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, 2002.

IV-B-02 Certified Budget – Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted. Disbursements in one department exceeded the amount appropriated.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The recommendation is accepted.

Conclusion – Response acknowledged.

IV-C-02 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-D-02 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-02 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> |
|--|--------------------------|---------------|
| Stephanie Allen, Planning and Zoning | Cleaning County vehicles | \$ 716 |

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

IV-F-02 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 that coverage is adequate for current operations.

IV-G-02 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

- IV-H-02 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-02 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-02 Maximum Secondary Road Transfer – Chapter 331.429 of the Code of Iowa establishes a maximum amount that can be transferred from the General and Rural Services Funds to the Secondary Roads Fund. For the year ended June 30, 2002, the amount was exceeded by \$7,590.

Recommendation – The County should transfer \$7,590 from the Secondary Roads Fund to the General Fund.

Response – The recommendation is acknowledged and the appropriate transfer will take place.

Conclusion – Response accepted.

- IV-K-02 Credit Cards – The County has credit cards for use by various employees while on County business. The County has adopted a policy to regulate the use of credit cards, but it does not clearly establish procedures for the proper accounting of credit card charges and does not address what detail should be submitted for proper claim submission.

Also, certain travel claims did not indicate the place of departure, destination and the reason for the trip.

Recommendation – The County should revise its written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Travel claims should indicate the place of departure, destination or destinations, if more than one, and the reason for the trip to clearly show the basis of the claim. Chapter 331.504(8) of the Code of Iowa states, in part: “claims, before being audited or paid, shall be itemized to clearly show the basis of the claim.”

Response – The recommendation is accepted and the current policy will be modified.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

IV-L-02 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 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 bank was contacted and they said that they will provide images of the backs of the checks for us.

Conclusion – Response accepted.

IV-M-02 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2002 for the County Extension Office did not exceed the amount budgeted.

Certain disbursements were noted 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 disbursements are detailed as follows:

| Paid to | Purpose | Amount |
|----------------|------------------------------------|--------|
| The Flower Bed | Flower arrangements for funeral | \$ 27 |

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

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Council should establish written policies and procedures, including the requirement for proper documentation.

Response – We will look into this matter further and take the steps necessary to correct this matter.

Conclusion – Response accepted.

Story County

Staff

This audit was performed by:

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