



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ January 28, 2005

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$86,806,795 for the year ended June 30, 2004, which included \$2,321,278 in tax credits from the state. The County forwarded \$69,901,725 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$16,905,070 of the local tax revenue to finance County operations, a 1 percent decrease from the prior year. Other revenues included charges for service of \$2,774,805, operating grants, contributions and restricted interest of \$8,584,966, capital grants, contributions and restricted interest of \$1,830,094, local option sales tax of \$1,698,346, unrestricted investment earnings of \$295,376 and other general revenues of \$459,040.

Expenses for County operations totaled \$30,335,100, a 5 percent increase over the prior year. Expenses included \$7,942,537 for mental health, \$7,519,427 for public safety and legal services and \$5,201,690 for roads and transportation.

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

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STORY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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Story County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wayne E. Clinton	Board of Supervisors	Jan 2005
Jane E. Halliburton	Board of Supervisors	Jan 2007
Donald L. Toms	Board of Supervisors	Jan 2007
Mary L. Mosiman	County Auditor	Jan 2005
David Jamison	County Treasurer	Jan 2007
Susan Vande Kamp	County Recorder	Jan 2007
Paul H. Fitzgerald	County Sheriff	Jan 2005
Stephen Holmes	County Attorney	Jan 2007
Gary Bilyeu	County Assessor	Jan 2004
Wayne Schwickerath	County Assessor	Jan 2010
Richard Horn	City Assessor	Jan 2009

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, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Story County's management. Our responsibility is to express opinions on these financial statements based on our audit.

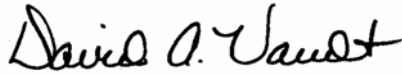
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Story County at June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our reports dated October 8, 2004 on our consideration of Story County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Story County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Story County provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the County for the year ended June 30, 2004, along with comparative data for the year ended June 30, 2003. Readers are encouraged to consider this information in conjunction with the County's financial statements which follow.

2004 FINANCIAL HIGHLIGHTS

- Governmental activities revenue decreased approximately \$94,000 from fiscal 2003 (FY03). This included a property tax revenue decrease of approximately \$127,000.
- Program expenses increased from \$28.8 million in FY03 to \$30.3 million in FY04. This included an increase in Mental Health expenses of approximately \$396,000.
- Net assets increased approximately \$2.2 million from FY03.

USING THIS ANNUAL REPORT

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Story County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Story County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Story County acts solely as an agent or custodian for the benefit of those outside of the government (Agency Funds).
- *Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information* further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Other Supplementary Information* provides detailed information about the nonmajor Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

REPORTING THE COUNTY BY FUNDS

Fund Financial Statements

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

The County has two kinds of funds:

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

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

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

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Story County's net assets for FY04 totaled approximately \$45 million. This compares to FY03 at \$42.8 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2004	2003
Current and other assets	\$ 30,787	30,357
Capital assets	42,313	41,114
Total assets	<u>73,100</u>	<u>71,471</u>
Long-term liabilities	9,813	9,224
Other liabilities	18,226	19,399
Total liabilities	<u>28,039</u>	<u>28,623</u>
Net assets:		
Invested in capital assets, net of related debt	33,093	31,194
Restricted	4,710	5,455
Unrestricted	7,258	6,199
Total net assets	<u>\$ 45,061</u>	<u>42,848</u>

Net assets of Story County's governmental activities increased by approximately \$2.2 million from FY03. The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is \$7.3 million, a 17% increase from FY03. The increase in unrestricted net assets is primarily due to higher ending fund balances in the General and Secondary Roads Funds. Property valuations increased in FY04 and expenditures in the Secondary Roads Fund were not as high as anticipated due to various project delays.

Changes in Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Revenues:		
Program revenues:		
Charges for service	\$ 2,775	2,783
Operating grants and contributions	8,585	8,492
Capital grants and contributions	1,830	1,433
General revenues:		
Property tax	16,399	16,526
Penalty and interest on property tax	217	134
State tax credits	507	546
Local option sales tax	1,698	1,520
Grants and contributions not restricted to specific purposes	-	434
Unrestricted investment earnings	295	375
Gain on disposition of capital assets	37	55
Other general revenues	205	344
Total revenues	<u>32,548</u>	<u>32,642</u>
Program expenses:		
Public safety and legal services	7,519	7,228
Physical health and social services	1,705	1,626
Mental health	7,942	7,546
County environment and education	2,328	2,234
Roads and transportation	5,202	4,998
Governmental services to residents	1,087	996
Administration	4,067	3,642
Interest on long-term debt	485	512
Total expenses	<u>30,335</u>	<u>28,782</u>
Increase in net assets	2,213	3,860
Net assets beginning of year	<u>42,848</u>	<u>38,988</u>
Net assets end of year	<u>\$ 45,061</u>	<u>42,848</u>

For FY04, Story County increased the property tax levy rate by \$.29 to \$3.55 per \$1,000 of valuation in the rural levy and decreased the levy rate by \$.37 to \$5.32 per \$1,000 of valuation in the countywide levy. These rates were multiplied by the rural assessed property valuation of \$640,321,254 and countywide assessed property valuation of \$2,742,763,923.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of \$12,531,360, which is greater than the \$12,124,223 combined fund balance of FY03.

The General Fund, the operating fund for Story County, ended FY04 with an ending balance totaling approximately \$5.1 million, an increase of approximately \$1 million. Property valuations increased from \$2,633,450,596 in FY03 to \$2,742,763,923 in FY04. The levy rate decreased from \$8.96 in FY03 to \$8.88 in FY04. Property tax revenues totaling over \$4.8 million were collected through the on-line payment vehicle in FY04, depositing payments into Story County's account within 3 business days. State-funded credits were reduced in the midst of FY04. The elimination of Chapter 405A replacement allocation credit lowered General Fund revenues by \$220,000.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY04 ended with a \$1.1 million balance, whereas FY03 ended with \$2.3 million.

The Rural Services Fund ended FY04 with a \$1,066,950 balance compared to the prior year balance of \$575,267. Property tax revenue for the Rural Services Fund increased approximately \$226,000 in FY04. The remaining difference comes from the following situations. The expenditure of \$81,100 for Sheriff Patrol Vehicles was removed from the Rural Fund to be paid from the General Fund for FY04. The annual expenditure of \$18,000 for the local SCORE project was completed in FY03. Local option sales tax revenue was budgeted at \$1.3 million, a decrease from FY03 of \$275,000. The local option sales tax revenue was actually \$1,698,346, an increase of \$178,586 for FY04.

The Secondary Roads Fund ended FY04 with a \$2.3 million balance compared to the prior year balance of \$2.2 million. Capital project expenditures in FY04 decreased approximately \$166,000 from FY03. One employee retired during FY04 and the position remains vacant. Ten road maintenance districts continued for FY04, a decrease from thirteen during FY03. The department maintained 720 miles of gravel, 22 miles of dirt and 200 miles of paved roads during the year, as well as completed 3 construction projects. The Iowa Department of Transportation transferred 3 miles of State road to Story County during FY04.

The Debt Service Fund ended FY04 with a \$43,882 balance compared to the prior year balance of \$51,544. Bond principal and interest payments decreased by \$1,937 in FY04 according to the bond maturity schedule.

The Capital Projects Fund balance remained relatively constant at \$2.3 million compared to \$2.4 million in FY03.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, Story County amended the General Fund budget twice. The first amendment was made November 2003 for unanticipated REAP and Employee Wellness revenues and for the Recorder's Records Management expenses for film to image conversions. The second amendment was made in May 2004 for additional revenues from Federal and State grants, the increase in local option sales tax, interest on investments, care of prisoners, recording of instruments and the MH/DD community service allocation from the State. Expenditures amended in May 2004 included juvenile court protective living services, hazard mitigation, management services and audit/clerical service, to name a few.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY04, Story County had approximately \$42.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount is an increase of approximately \$1.2 million from FY03. The Justice Center, which opened in FY02, carried related debt of approximately \$9.2 in FY04 compared to \$9.9 million of debt in FY03.

Story County had depreciation expense of \$2,086,772 in FY04 and total accumulated depreciation of \$16,641,563 on the capital assets. This is an increase from FY03's depreciation expense of \$1,919,407 and total accumulated depreciation of \$15,009,144. Additions to capital assets had a total cost of approximately \$3.3 million, and the total cost of the deletions was \$484,870. Story County takes a full year's depreciation in the year of acquisition of a capital asset and in the year of disposal.

Debt

At the end of FY04, Story County had \$9,220,000 in general obligation bonds outstanding compared to \$9,920,000 at the end of FY03.

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 \$137 million.

ECONOMIC FACTS AND NEXT YEAR'S BUDGETS AND RATES

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that apply for the various County services. One of those factors is the economy. Unemployment in Story County now stands at 3.1% versus 2.8% a year ago. This compares with the State's unemployment rate of 4.7% and the national rate of 5.5% for the same period ended June 30, 2004.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2005. The County had a valuation decrease of 2.88% countywide and 14.2% rural for FY05. Overall, the FY05 budget proposed a 3.01% decrease in taxes levied on property along with a 1.92% increase in expenditures. Increased wage and benefit adjustments represent the largest portion of the increased expenses. Effective July 1, 2004, the elected officials of Story County and the pay plan staff received 2% increases in salary and wages. Flex reimbursement for all employees was increased from \$500 to \$550 per month. Story County added no major programs or initiatives to the 2005 budget.

If estimates are realized, Story County's budgetary General Fund balance is expected to increase from 22% at the end of FY04 to approximately 25% by the close of 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Story County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 13,366,826
Receivables:	
Property tax:	
Delinquent	69,683
Succeeding year	15,847,000
Accounts	185,628
Accrued interest	71,542
Assessments	1,507
Due from other governments	833,410
Inventories	411,941
Capital assets (net of accumulated depreciation)	<u>42,312,616</u>
Total assets	<u>73,100,153</u>
Liabilities	
Accounts payable	1,004,136
Accrued interest payable	38,171
Salaries and benefits payable	797,686
Due to other governments	538,652
Deferred revenue:	
Succeeding year property tax	15,847,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	735,000
Compensated absences	582,141
Portion due or payable after one year:	
General obligation bonds	8,485,000
Drainage warrants payable	<u>11,351</u>
Total liabilities	<u>28,039,137</u>
Net Assets	
Invested in capital assets, net of related debt	33,092,616
Restricted for:	
Supplemental levy purposes	892,864
Mental health purposes	1,018,064
Secondary roads purposes	2,240,603
Debt service	9,974
Other purposes	548,442
Unrestricted	<u>7,258,453</u>
Total net assets	<u>\$ 45,061,016</u>

See notes to financial statements.

Story County
Statement of Activities
Year ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions / Programs:					
Governmental activities:					
Public safety and legal services	\$ 7,519,427	1,108,567	348,077	-	(6,062,783)
Physical health and social services	1,705,355	27,082	757,640	-	(920,633)
Mental health	7,942,537	207,451	4,380,578	-	(3,354,508)
County environment and education	2,327,737	155,743	480,963	-	(1,691,031)
Roads and transportation	5,201,690	74,943	2,590,091	1,817,594	(719,062)
Governmental services to residents	1,086,897	1,180,296	28	-	93,427
Administration	4,066,648	20,723	27,589	12,500	(4,005,836)
Interest on long-term debt	484,809	-	-	-	(484,809)
Total	\$ 30,335,100	2,774,805	8,584,966	1,830,094	(17,145,235)
General Revenues:					
Property and other county tax levied for:					
General purposes					15,252,861
Debt service					1,145,548
Penalty and interest on property tax					216,990
State tax credits					506,661
Local option sales tax					1,698,346
Unrestricted investment earnings					295,376
Gain on disposal of capital assets					37,450
Miscellaneous					204,600
Total general revenues					19,357,832
Change in net assets					2,212,597
Net assets beginning of year					42,848,419
Net assets end of year					\$ 45,061,016

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 5,448,297	1,871,795	889,718	2,106,733
Receivables:				
Property tax:				
Delinquent	43,693	8,310	13,341	-
Succeeding year	10,112,000	2,978,000	1,597,000	-
Accounts	583	178,551	4,592	289
Accrued interest	71,542	-	-	-
Assessments	-	-	-	-
Due from other governments	306,883	32,090	271,528	212,046
Inventories	-	-	-	411,941
Total assets	\$ 15,982,998	5,068,746	2,776,179	2,731,009
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 273,569	220,176	4,861	299,328
Salaries and benefits payable	405,964	192,112	93,980	105,630
Due to other governments	8,216	526,413	50	3,873
Deferred revenue:				
Succeeding year property tax	10,112,000	2,978,000	1,597,000	-
Other	42,997	8,105	13,338	-
Total liabilities	10,842,746	3,924,806	1,709,229	408,831
Fund balances:				
Reserved for:				
Supplemental levy purposes	925,873	-	-	-
Debt service	-	-	-	-
Unreserved:				
Designated for administration building	-	-	-	-
Undesignated, reported in:				
General fund	4,214,379	-	-	-
Special revenue funds	-	1,143,940	1,066,950	2,322,178
Total fund balances	5,140,252	1,143,940	1,066,950	2,322,178
Total liabilities and fund balances	\$ 15,982,998	5,068,746	2,776,179	2,731,009

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
43,502	2,441,761	565,020	13,366,826
4,339	-	-	69,683
1,160,000	-	-	15,847,000
-	-	1,613	185,628
-	-	-	71,542
-	-	1,507	1,507
304	-	10,559	833,410
-	-	-	411,941
<u>1,208,145</u>	<u>2,441,761</u>	<u>578,699</u>	<u>30,787,537</u>
-	187,396	18,806	1,004,136
-	-	-	797,686
-	-	100	538,652
1,160,000	-	-	15,847,000
4,263	-	-	68,703
<u>1,164,263</u>	<u>187,396</u>	<u>18,906</u>	<u>18,256,177</u>
-	-	-	925,873
43,882	-	11,351	55,233
-	2,254,365	-	2,254,365
-	-	-	4,214,379
-	-	548,442	5,081,510
<u>43,882</u>	<u>2,254,365</u>	<u>559,793</u>	<u>12,531,360</u>
<u>1,208,145</u>	<u>2,441,761</u>	<u>578,699</u>	<u>30,787,537</u>

Story County

Story County

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

June 30, 2004

Total governmental fund balances (page 17) \$ 12,531,360

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$58,954,179 and the accumulated depreciation is \$16,641,563. 42,312,616

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 68,703

Long-term liabilities, including bonds payable, compensated absences payable, drainage warrants payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (9,851,663)

Net assets of governmental activities (page 14) \$ 45,061,016

See notes to financial statements.

Story County

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

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 11,007,938	2,091,940	3,864,295	-
Interest and penalty on property tax	216,990	-	-	-
Intergovernmental	2,300,168	4,440,781	490,764	2,647,013
Licenses and permits	15,245	-	14,653	922
Charges for service	1,404,335	207,450	42,242	17,099
Use of money and property	289,633	-	-	-
Miscellaneous	75,555	2,025	10,673	16,339
Total revenues	15,309,864	6,742,196	4,422,627	2,681,373
Expenditures:				
Operating:				
Public safety and legal services	5,589,365	-	1,477,457	-
Physical health and social services	1,702,512	-	-	-
Mental health	-	7,881,446	-	-
County environment and education	1,215,478	-	1,008,668	-
Roads and transportation	-	-	184,000	4,166,040
Governmental services to residents	1,017,454	-	2,295	-
Administration	3,847,318	-	-	-
Debt service	-	-	-	-
Capital projects	268,859	-	-	154,676
Total expenditures	13,640,986	7,881,446	2,672,420	4,320,716
Excess (deficiency) of revenues over (under) expenditures	1,668,878	(1,139,250)	1,750,207	(1,639,343)
Other financing sources (uses):				
Sale of capital assets	4,150	1,080	-	19,800
Operating transfers in	-	-	-	1,708,524
Operating transfers out	(600,000)	-	(1,258,524)	-
Drainage warrants/drainage improvement certificates issued	-	-	-	-
Total other financing sources (uses)	(595,850)	1,080	(1,258,524)	1,728,324
Net change in fund balances	1,073,028	(1,138,170)	491,683	88,981
Fund balances beginning of year	4,067,224	2,282,110	575,267	2,233,197
Fund balances end of year	\$ 5,140,252	1,143,940	1,066,950	2,322,178

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
1,146,764	-	-	18,110,937
-	-	-	216,990
32,733	-	20	9,911,479
-	-	-	30,820
-	-	43,855	1,714,981
-	12,500	115,564	417,697
-	-	253,747	358,339
<u>1,179,497</u>	<u>12,500</u>	<u>413,186</u>	<u>30,761,243</u>
-	-	127,862	7,194,684
-	-	-	1,702,512
-	-	-	7,881,446
-	-	217,353	2,441,499
-	-	-	4,350,040
-	-	47,272	1,067,021
-	-	985	3,848,303
1,187,159	-	4,303	1,191,462
-	289,985	-	713,520
<u>1,187,159</u>	<u>289,985</u>	<u>397,775</u>	<u>30,390,487</u>
(7,662)	(277,485)	15,411	370,756
-	-	-	25,030
-	150,000	-	1,858,524
-	-	-	(1,858,524)
-	-	11,351	11,351
-	150,000	11,351	36,381
(7,662)	(127,485)	26,762	407,137
51,544	2,381,850	533,031	12,124,223
<u>43,882</u>	<u>2,254,365</u>	<u>559,793</u>	<u>12,531,360</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, 2004

Net change in fund balances - Total governmental funds (page 21) \$ 407,137

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

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

Expenditures for capital assets	\$ 1,455,484	
Capital assets contributed by the Iowa Department of Transportation	1,817,594	
Depreciation expense	<u>(2,086,772)</u>	1,186,306

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 12,420

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

Property tax	(14,182)	
Other	<u>(54,408)</u>	(68,590)

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

Drainage warrants issued	(11,351)	
Drainage warrants redeemed	4,303	
General obligation bond principal repaid	<u>700,000</u>	692,952

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	(19,978)	
Interest on long-term debt	<u>2,350</u>	<u>(17,628)</u>

Change in net assets of governmental activities (page 15) \$ 2,212,597

See notes to financial statements.

Story County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,079,624
Other County officials	155,467
Employee health insurance plan	20,119
Receivables:	
Property tax:	
Delinquent	237,612
Succeeding year	67,738,000
Accounts	87,602
Assessments	1,330,488
Due from other governments	10,515
Total assets	72,659,427

Liabilities

Accounts payable	8,352
Salaries and benefits payable	46,629
Due to other governments	72,264,370
Trusts payable	302,158
Compensated absences	37,918
Total liabilities	72,659,427

Net assets	\$ -
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See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

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

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

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

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

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

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

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

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

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Capital Projects	General	\$ 150,000
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	450,000 1,258,524
Total		<u>\$ 1,858,524</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,650,424	27,072	(20,000)	3,657,496
Land, road network	-	117,327	-	117,327
Construction in progress	122,033	741,638	-	863,671
Total capital assets not being depreciated	<u>3,772,457</u>	<u>886,037</u>	<u>(20,000)</u>	<u>4,638,494</u>
Capital assets being depreciated:				
Buildings	21,730,594	1,454	-	21,732,048
Improvements other than buildings	-	36,954	-	36,954
Equipment and vehicles	8,067,916	676,135	(464,870)	8,279,181
Infrastructure, road network	21,586,916	1,715,435	-	23,302,351
Infrastructure, other	965,151	-	-	965,151
Total capital assets being depreciated	<u>52,350,577</u>	<u>2,429,978</u>	<u>(464,870)</u>	<u>54,315,685</u>
Less accumulated depreciation for:				
Buildings	3,156,561	433,883	-	3,590,444
Improvements other than buildings	-	1,848	-	1,848
Equipment and vehicles	4,544,710	819,639	(454,353)	4,909,996
Infrastructure, road network	7,173,167	799,252	-	7,972,419
Infrastructure, other	134,706	32,150	-	166,856
Total accumulated depreciation	<u>15,009,144</u>	<u>2,086,772</u>	<u>(454,353)</u>	<u>16,641,563</u>
Total capital assets being depreciated, net	<u>37,341,433</u>	<u>343,206</u>	<u>(10,517)</u>	<u>37,674,122</u>
Governmental activities capital assets, net	<u>\$ 41,113,890</u>	<u>1,229,243</u>	<u>(30,517)</u>	<u>42,312,616</u>

Capital assets totaling \$965,151 at July 1, 2003 were reclassified from "Improvements other than buildings" to "Infrastructure, other" to reflect the assets in a more appropriate category. The reclassification had no effect on total beginning capital assets.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 459,065
Physical health and social services	2,000
Mental health	75,184
County environment and education	94,106
Roads and transportation	1,206,688
Governmental services to residents	18,730
Administration	<u>230,999</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 2,086,772</u></u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 8,216</u>
Special Revenue:		
Mental Health	Services	526,413
Rural Services	Services	50
Secondary Roads	Services	3,873
Special Law Enforcement	Services	<u>100</u>
		<u>530,436</u>
 Total for governmental funds		 <u><u>\$ 538,652</u></u>
Agency:		
County Assessor	Collections	\$ 497,665
City Assessor		610,147
Schools		39,111,035
Community Colleges		1,572,165
Corporations		25,504,803
City Special Assessments		1,339,317
Auto License and Use Tax		1,408,075
All other		<u>2,221,163</u>
 Total for agency funds		 <u><u>\$ 72,264,370</u></u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Drainage Warrants	Compen- sated Absences	Total
Balances beginning of year	\$ 9,920,000	4,303	562,163	10,486,466
Increases	-	11,351	474,036	485,387
Decreases	(700,000)	(4,303)	(454,058)	(1,158,361)
Balances end of year	\$ 9,220,000	11,351	582,141	9,813,492
Due within one year	\$ 735,000	-	582,141	1,317,141

Bonds Payable

Debt service requirements for the County's June 30, 2004 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Governmental Activities								
	Series 1999 Issued Sep 1, 1999			Series 2000 Issued Aug 1, 2000			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2005		\$ -	250,332	4.90%	\$ 735,000	207,725	735,000	458,057	1,193,057
2006		-	250,332	4.90	780,000	171,710	780,000	422,042	1,202,042
2007		-	250,332	4.90	815,000	133,490	815,000	383,822	1,198,822
2008		-	250,332	4.95	860,000	93,555	860,000	343,887	1,203,887
2009		-	250,332	4.95	905,000	51,985	905,000	302,317	1,207,317
2010-2014	4.90-5.10%	5,000,000	789,142	4.95	125,000	5,188	5,125,000	794,330	5,919,330
Total		\$5,000,000	2,040,802		\$4,220,000	663,653	\$9,220,000	2,704,455	11,924,455

During the year ended June 30, 2004, the County retired \$700,000 of general obligation bonds.

Drainage Warrants

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

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

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively, and protection occupation employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and the contribution rates for protection occupation employees and the County were 6.04% and 9.07%, respectively. For the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively, and the contribution rates for protection occupation employees and the County were 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$885,930, \$855,060 and \$822,886, 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 490 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 contributions to the Pool for the year ended June 30, 2004 were \$252,708.

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 a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, 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.

Required Supplementary Information

Story County

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

Required Supplementary Information

Year ended June 30, 2004

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 18,099,551	-
Interest and penalty on property tax	216,990	-
Intergovernmental	9,770,900	-
Licenses and permits	30,704	-
Charges for service	1,696,581	-
Use of money and property	457,551	-
Miscellaneous	344,402	19,816
Total receipts	<u>30,616,679</u>	<u>19,816</u>
Disbursements:		
Public safety and legal services	7,143,272	-
Physical health and social services	1,682,974	-
Mental health	7,753,567	-
County environment and education	2,443,680	36,610
Roads and transportation	4,329,074	-
Governmental services to residents	1,059,883	-
Administration	3,871,363	-
Debt service	1,191,461	4,303
Capital projects	493,621	-
Total disbursements	<u>29,968,895</u>	<u>40,913</u>
Exces (deficiency) of receipts over (under) disbursements	647,784	(21,097)
Other financing sources, net	36,200	11,351
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	683,984	(9,746)
Balance beginning of year	<u>12,682,842</u>	<u>169,026</u>
Balance end of year	<u>\$ 13,366,826</u>	<u>159,280</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
18,099,551	17,592,069	18,020,110	79,441
216,990	48,754	122,454	94,536
9,770,900	9,875,025	9,607,664	163,236
30,704	25,875	25,875	4,829
1,696,581	1,558,339	1,672,939	23,642
457,551	527,765	536,065	(78,514)
324,586	202,549	336,940	(12,354)
<u>30,596,863</u>	<u>29,830,376</u>	<u>30,322,047</u>	<u>274,816</u>
7,143,272	7,367,149	7,387,149	243,877
1,682,974	1,793,320	1,869,383	186,409
7,753,567	8,148,898	8,148,898	395,331
2,407,070	2,415,983	2,541,538	134,468
4,329,074	4,439,771	4,439,771	110,697
1,059,883	1,026,788	1,104,488	44,605
3,871,363	4,243,557	4,433,038	561,675
1,187,158	1,187,258	1,187,258	100
493,621	2,123,640	2,111,923	1,618,302
<u>29,927,982</u>	<u>32,746,364</u>	<u>33,223,446</u>	<u>3,295,464</u>
668,881	(2,915,988)	(2,901,399)	3,570,280
24,849	-	2,830	22,019
693,730	(2,915,988)	(2,898,569)	3,592,299
<u>12,513,816</u>	<u>10,088,065</u>	<u>12,246,370</u>	<u>267,446</u>
<u>13,207,546</u>	<u>7,172,077</u>	<u>9,347,801</u>	<u>3,859,745</u>

Story County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 30,616,679	144,564	30,761,243
Expenditures	29,968,895	421,592	30,390,487
Net	647,784	(277,028)	370,756
Other financing sources, net	36,200	181	36,381
Beginning fund balances	12,682,842	(558,619)	12,124,223
Ending fund balances	\$ 13,366,826	(835,466)	12,531,360

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$477,082. The budget amendments are reflected in the final budgeted amounts.

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

Story County

Other Supplementary Information

Story County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction	Drainage Districts
Assets			
Cash and pooled investments	\$ 99,427	22,829	159,280
Receivables:			
Accounts	-	-	-
Assessments	-	-	1,507
Due from other governments	-	-	-
Total assets	\$ 99,427	22,829	160,787
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other governments	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved for drainage warrants/drainage improvement certificates	-	-	11,351
Unreserved	99,427	22,829	149,436
Total fund equity	99,427	22,829	160,787
Total liabilities and fund equity	\$ 99,427	22,829	160,787

See accompanying independent auditor's report.

Employee Wellness	Resource Enhancement and Protection	Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Total
201	25,376	42,534	38,835	41,077	135,461	565,020
-	-	250	1,308	-	55	1,613
-	-	-	-	-	-	1,507
-	270	3	-	-	10,286	10,559
201	25,646	42,787	40,143	41,077	145,802	578,699
-	-	-	17,864	81	861	18,806
-	-	100	-	-	-	100
-	-	100	17,864	81	861	18,906
-	-	-	-	-	-	11,351
201	25,646	42,687	22,279	40,996	144,941	548,442
201	25,646	42,687	22,279	40,996	144,941	559,793
201	25,646	42,787	40,143	41,077	145,802	578,699

Story County

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

Year ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction	Drainage Districts
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	21,054	22,801	-
Use of money and property	1,780	28	-
Miscellaneous	-	-	18,953
Total revenues	<u>22,834</u>	<u>22,829</u>	<u>18,953</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	36,610
Governmental services to residents	47,272	-	-
Administration	-	-	-
Debt service	-	-	4,303
Total expenditures	<u>47,272</u>	<u>-</u>	<u>40,913</u>
Excess (deficiency) of revenues over (under) expenditures	(24,438)	22,829	(21,960)
Other financing sources:			
Drainage warrant/drainage improvement certificate proceeds	-	-	11,351
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(24,438)	22,829	(10,609)
Fund balances beginning of year	<u>123,865</u>	<u>-</u>	<u>171,396</u>
Fund balances end of year	<u>\$ 99,427</u>	<u>22,829</u>	<u>160,787</u>

See accompanying independent auditor's report.

Employee Wellness	Resource Enhancement and Protection	Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Total
-	-	20	-	-	-	20
-	-	-	-	-	-	43,855
-	874	-	110,080	643	2,159	115,564
750	25,295	16,781	91	4,118	187,759	253,747
750	26,169	16,801	110,171	4,761	189,918	413,186
-	-	33,518	94,344	-	-	127,862
-	90,973	-	-	2,040	87,730	217,353
-	-	-	-	-	-	47,272
985	-	-	-	-	-	985
-	-	-	-	-	-	4,303
985	90,973	33,518	94,344	2,040	87,730	397,775
(235)	(64,804)	(16,717)	15,827	2,721	102,188	15,411
-	-	-	-	-	-	11,351
(235)	(64,804)	(16,717)	15,827	2,721	102,188	26,762
436	90,450	59,404	6,452	38,275	42,753	533,031
201	25,646	42,687	22,279	40,996	144,941	559,793

Story County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004s

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,396	92,470	100,434	422,358
Other County officials	155,467	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	870	1,314	2,694	152,677
Succeeding year	-	223,000	441,000	547,000	38,536,000
Assessments	-	-	-	-	-
Accounts	238	-	-	111	-
Due from other governments	-	-	-	-	-
Total assets	\$ 155,705	226,266	534,784	650,239	39,111,035
Liabilities					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	19,647	19,646	-
Due to other governments	79,962	226,266	497,665	610,147	39,111,035
Trusts payable	75,743	-	-	-	-
Compensated absences	-	-	17,472	20,446	-
Total liabilities	\$ 155,705	226,266	534,784	650,239	39,111,035

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
17,006	274,152	3,541	8,829	1,408,075	750,363	3,079,624
-	-	-	-	-	-	155,467
-	-	-	-	-	20,119	20,119
6,159	67,651	2,285	-	-	3,962	237,612
1,549,000	25,163,000	338,000	-	-	941,000	67,738,000
-	-	-	1,330,488	-	-	1,330,488
-	-	-	-	-	87,253	87,602
-	-	-	-	-	10,515	10,515
1,572,165	25,504,803	343,826	1,339,317	1,408,075	1,813,212	72,659,427
-	-	-	-	-	8,352	8,352
-	-	-	-	-	7,336	46,629
1,572,165	25,504,803	343,826	1,339,317	1,408,075	1,571,109	72,264,370
-	-	-	-	-	226,415	302,158
-	-	-	-	-	-	37,918
1,572,165	25,504,803	343,826	1,339,317	1,408,075	1,813,212	72,659,427

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

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets and Liabilities					
Balances beginning of year	\$ 117,190	220,601	566,195	587,600	38,651,006
Additions:					
Property and other county tax	-	224,222	443,682	551,686	38,737,236
E911 surcharge	-	-	-	-	-
State tax credits	-	6,219	21,461	9,020	1,103,037
Office fees and collections	1,430,997	-	-	-	-
Electronic transaction fee	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,170,069	-	-	-	-
Miscellaneous	-	-	17,362	2,296	-
Total additions	2,601,066	230,441	482,505	563,002	39,840,273
Deductions:					
Agency remittances:					
To other funds	811,248	-	-	-	-
To other governments	606,534	224,776	513,916	500,363	39,380,244
Trusts paid out	1,144,769	-	-	-	-
Total deductions	2,562,551	224,776	513,916	500,363	39,380,244
Balances end of year	\$ 155,705	226,266	534,784	650,239	39,111,035

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
1,558,199	24,513,860	378,819	1,093,777	1,237,080	1,599,877	70,524,204
1,558,637	25,289,027	337,048	-	-	945,570	68,087,108
-	-	-	-	-	386,262	386,262
44,081	585,111	17,354	-	-	28,334	1,814,617
-	-	-	-	-	-	1,430,997
-	-	-	-	-	105,270	105,270
-	-	-	-	14,272,331	-	14,272,331
-	-	-	533,818	-	874	534,692
-	-	-	-	-	1,912,078	3,082,147
-	-	-	-	-	236,151	255,809
1,602,718	25,874,138	354,402	533,818	14,272,331	3,614,539	89,969,233
-	-	-	-	423,353	-	1,234,601
1,588,752	24,883,195	389,395	288,278	13,677,983	1,751,814	83,805,250
-	-	-	-	-	1,649,390	2,794,159
1,588,752	24,883,195	389,395	288,278	14,101,336	3,401,204	87,834,010
1,572,165	25,504,803	343,826	1,339,317	1,408,075	1,813,212	72,659,427

Schedule 5

Story County

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

For the Last Six Years

	Modified Accrual Basis					
	2004	2003	2002	2001	2000	1999
Revenues:						
Property and other county tax	\$ 18,110,937	18,001,572	16,972,505	13,846,337	13,563,444	13,021,534
Interest and penalty on property tax	216,990	133,779	125,734	126,747	107,656	119,777
Intergovernmental	9,911,479	10,188,527	9,494,103	9,773,173	9,798,029	9,967,987
Licenses and permits	30,820	28,348	21,672	20,988	17,920	20,803
Charges for service	1,714,981	1,814,530	1,628,718	1,374,758	1,299,309	1,240,904
Use of money and property	417,697	511,801	927,047	1,228,089	1,310,350	1,105,044
Miscellaneous	358,339	679,989	278,059	271,509	327,174	239,652
Total	\$ 30,761,243	31,358,546	29,447,838	26,641,601	26,423,882	25,715,701
Expenditures:						
Operating:						
Public safety and legal services	\$ 7,194,684	6,818,644	6,476,253	6,163,325	5,415,096	4,989,557
Physical health and social services	1,702,512	1,621,737	1,619,212	1,588,620	1,739,900	1,611,290
Mental health	7,881,446	7,472,053	7,482,172	7,433,953	7,508,212	7,020,429
County environment and education	2,441,499	2,221,716	2,247,054	2,215,685	2,277,025	2,124,480
Roads and transportation	4,350,040	4,243,882	4,011,388	4,448,193	4,032,288	3,702,346
Governmental services to residents	1,067,021	976,721	908,022	930,415	863,226	870,446
Administration	3,848,303	3,500,402	3,655,489	3,226,911	3,250,340	2,663,601
Non-program	-	-	37,877	18,591	19,539	44,525
Debt service	1,191,462	1,200,417	1,204,684	1,786,970	1,122,816	289,092
Capital projects	713,520	460,893	3,765,993	8,683,012	4,220,498	4,104,179
Total	\$ 30,390,487	28,516,465	31,408,144	36,495,675	30,448,940	27,419,945

See accompanying independent auditor's report.

Story County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
State Criminal Alien Assistance Program	16.606	2004-AP-BX-0665	\$ 21,376
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		28,726
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		37,082
Refugee and Entrant Assistance - State Administered Programs	93.566		133
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		6,727
Foster Care - Title IV-E	93.658		16,931
Adoption Assistance	93.659		4,517
Medical Assistance Program	93.778		37,271
Social Services Block Grant	93.667		24,393
Social Services Block Grant	93.667		439,032
			463,425
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	5884LP05	528
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884EHC7	9,825
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Public Assistance Grants	97.036	FEMA-IA-DR 1518	96,610
Hazard Mitigation Grant	97.039		28,152
Hazard Mitigation Grant	97.039	911-SRI-85-00	3,640
Hazard Mitigation Grant	97.039	PDM-2002-85-01	8,000
			39,792
Emergency Management Performance Grants	97.042		27,821
State and Local All Hazards Emergency Operations Planning	97.051		21,117
Citizens Corps	97.053		6,218
State Domestic Preparedness Equipment Support Program	97.004	FY 03 SHSGP I	264
State Domestic Preparedness Equipment Support Program	97.004	FY 03 SHSGP II	10,000
			10,264

Schedule 6

Story County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

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	BROS-CO85(72)--8J-85	<u>249,976</u>
Iowa Department of Public Defense:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>4,000</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 04-163 Task 65	3,500
State and Community Highway Safety	20.600	PAP 03-04 Task 25	2,500
			<u>6,000</u>
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP 03-410 Task 37	<u>3,179</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	03B-1165	29,738
Byrne Formula Grant Program	16.579	03A-0242	95,405
			<u>125,143</u>
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-04-7724	<u>25,000</u>
Iowa Department of Public Health:			
Tobacco Surveillance Grant	16.000		<u>800</u>
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program			
	16.580	02-HOTSPOTS-01	<u>74,362</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program	14.228	04-CF-040	5,912
Total indirect			<u>1,301,359</u>
Total			<u>\$ 1,322,735</u>

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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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, 2004, and have issued our report thereon dated October 8, 2004. 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, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item IV-E-04.

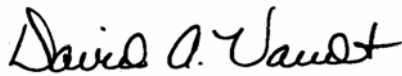
Internal Control Over Financial Reporting

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 a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

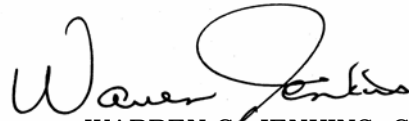
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 8, 2004

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

Story County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Story County:

Compliance

We have audited the compliance of Story County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. 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 the 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 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.

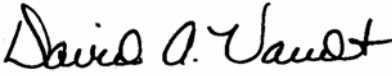
In our opinion, Story County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

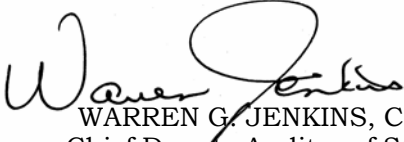
Internal Control Over Compliance

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

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 8, 2004

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. The reportable condition is not considered to be 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 noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the 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, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-04 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 staff. During the past year, staff has requested and received disaster recovery plans from other counties. Over the next year it is Story County's intention to develop a disaster recovery plan.

Conclusion – Response accepted.

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-04 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, 2004.
- IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-04 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Stephanie Memmer, Planning and Zoning	Cleaning County vehicles	\$ 130
Jane Halliburton, Member of County Board of Supervisors, Husband owns Halliburton Associates, LLC	Community Life Seminar	276
Michelle Good, Sheriff's Office, Husband owns Good and Quick	Auto repair and fuel	4,028
Stacie Herridge, Deputy Recorder, Husband owns Mid Iowa Trucking and Backhoe	Septic system installation for County Conservation Department	3,463

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

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

- IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-04 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-04 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.

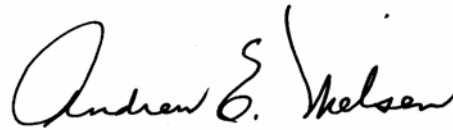
Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Pamela L. Brandenburg, Senior Auditor
Curtis J. Schroeder, Assistant Auditor
Sarah M. Wright, Staff Auditor
Jake P. Keegan, Staff Auditor
Donna R. Neubauer, Assistant Auditor
Amanda S. Mason, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State