



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
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**NEWS RELEASE**

FOR RELEASE

February 19, 2008

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 \$95,652,155 for the year ended June 30, 2007, which included \$2,380,760 in tax credits from the state. The County forwarded \$77,956,969 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$17,695,186 of the local tax revenue to finance County operations, a 3.4 percent increase over the prior year. Other revenues included charges for service of \$3,051,861, operating grants, contributions and restricted interest of \$7,550,110, capital grants, contributions and restricted interest of \$1,017,597, local option sales tax of \$1,893,254, unrestricted investment earnings of \$986,168 and other general revenues of \$474,643.

Expenses for County operations totaled \$32,168,335, a 3.25 percent increase over the prior year. Expenses included \$8,403,194 for mental health, \$8,391,142 for public safety and legal services and \$5,452,493 for roads and transportation.

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

# # #



**STORY COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2007**

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**Story County**  
**Officials**  
**(Before January 2007)**

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

**(After January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wayne E. Clinton	Board of Supervisors	Jan 2009
Jane E. Halliburton	Board of Supervisors	Jan 2011
James M. Strohman	Board of Supervisors	Jan 2011
Mary L. Mosiman	County Auditor	Jan 2009
David Jamison	County Treasurer	Jan 2011
Susan Vande Kamp	County Recorder	Jan 2011
Paul H. Fitzgerald	County Sheriff	Jan 2009
Stephen Holmes	County Attorney	Jan 2011
Wayne Schwickerath	County Assessor	Jan 2010
Gregory P. Lynch	City Assessor	Jan 2009

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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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Story County's management. Our responsibility is to express opinions on these financial statements based on our audit.

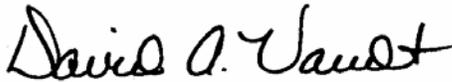
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Story County at June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2007 on our consideration of Story County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Story County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 28, 2007

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

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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, 2007, along with comparative data for the year ended June 30, 2006. Readers are encouraged to consider this information in conjunction with the County's financial statements which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- Governmental activities revenue decreased approximately \$2.5 million from fiscal 2006 (FY06). This included a property tax revenue increase of approximately \$582,000 and a decrease in grants and contributions of approximately \$3.6 million.
- Program expenses increased 3.25 percent, or approximately \$1 million, from FY06.
- Net assets increased \$500,484 from FY06. This increase is due primarily to the completion of the Story County Administration Building remodel, as well as an increase in property tax revenues, local option sales tax revenues and interest on investments.

### **USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Story County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Story County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Story County acts solely as an agent or custodian for the benefit of those outside of County government.
- 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 governmental 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 and interest on long-term debt. 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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The 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.

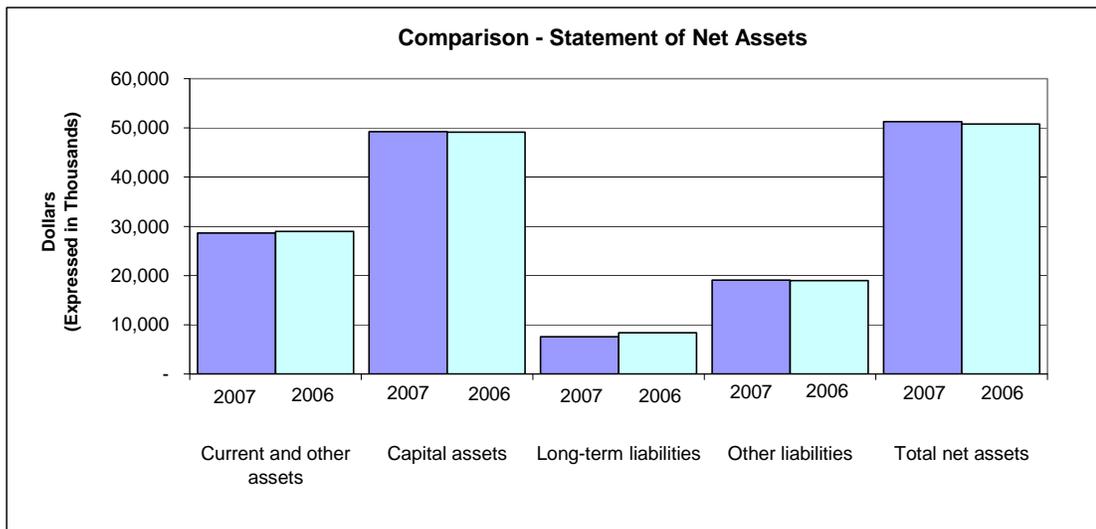
The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

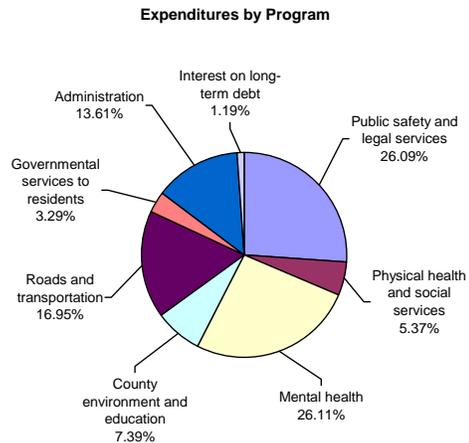
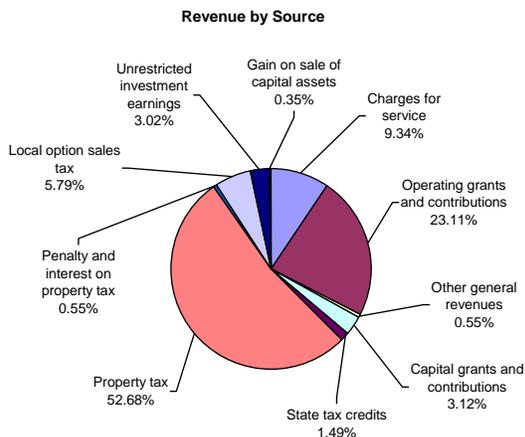
As noted earlier, net assets may serve over time as a useful indicator of financial position. Story County's net assets for FY07 totaled approximately \$51 million. This compares to FY06, also at approximately \$51 million. The analysis that follows focuses on the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2007	2006
Current and other assets	\$ 28,647	28,953
Capital assets	49,236	49,138
Total assets	<u>77,883</u>	<u>78,091</u>
Long-term liabilities	7,554	8,362
Other liabilities	19,065	18,965
Total liabilities	<u>26,619</u>	<u>27,327</u>
Net assets:		
Invested in capital assets, net of related debt	42,346	41,433
Restricted	3,972	5,266
Unrestricted	4,946	4,065
Total net assets	<u>\$ 51,264</u>	<u>50,764</u>



Total net assets of Story County's governmental activities increased approximately \$500,000 over the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County's assets. This increase is due primarily to the completed remodel of the County Administration Building, including the installation of geothermal heating and cooling. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount decreased from FY06 due to the timing of secondary roads construction projects.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 3,052	2,931
Operating grants and contributions	7,550	9,251
Capital grants and contributions	1,018	2,926
General revenues:		
Property tax	17,208	16,626
Penalty and interest on property tax	181	176
State tax credits	487	485
Local option sales tax	1,893	1,678
Unrestricted investment earnings	986	663
Gain on sale of capital assets	113	264
Other general revenues	180	185
Total revenues	<u>32,668</u>	<u>35,185</u>
Program expenses:		
Public safety and legal services	8,391	7,894
Physical health and social services	1,729	1,832
Mental health	8,403	7,903
County environment and education	2,376	2,434
Roads and transportation	5,452	5,177
Governmental services to residents	1,057	1,245
Administration	4,378	4,250
Interest on long-term debt	382	420
Total expenses	<u>32,168</u>	<u>31,155</u>
Increase in net assets	500	4,030
Net assets beginning of year	50,764	46,734
Net assets end of year	<u>\$ 51,264</u>	<u>50,764</u>



Revenues for governmental activities decreased approximately \$2.5 million from FY06, due primarily to a decrease in operating and capital grants that amounted to approximately \$3.6 million. Mental health funding decreases make up approximately \$1.5 million of this decrease, while a decrease in road infrastructure contributions make up the remaining decrease.

The increase in property tax for FY07 was a combination of things. Valuation of countywide property increased from \$2,747,067,500 in FY06 to \$2,839,719,316 in FY07. The levy rate for countywide property increased from \$5.56 per \$1,000 of taxable valuation in FY06 to \$5.63 per \$1,000 of taxable valuation in FY07. However, the valuation of rural property decreased from \$549,681,663 in FY06 to \$546,551,075 in FY07. The levy rate for rural property decreased from \$3.17 per \$1,000 of taxable valuation to \$3.10 per \$1,000 of taxable valuation in FY07. This combination led to the increase in tax asking of approximately \$582,000.

Expenses in FY07 were slightly higher than FY06, with a majority of the increases coming in the public safety and legal services and mental health functions.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Story County completed the year, its governmental funds reported a combined fund balance of \$9,308,494, which is less than the \$9,778,669 combined fund balance at the end of FY06. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended FY07 with an ending balance totaling \$4,950,842. This is an increase of \$568,446. This is primarily due to an increase in interest revenues, fee and permit revenues and care of prisoner revenues.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY07 ended with a \$760,302 balance compared to \$1,984,011 at the end of FY06. This decrease is due to the decrease in State funding for Community Service and the Allowed Growth Factor. Story County continues to average 220 clients per month for mental health administration.

The Rural Service Fund ended FY07 with a \$1,000,646 balance compared to the prior year balance of \$801,175. The increase is due to higher than anticipated local option sales tax revenues.

The Secondary Roads Fund ended FY07 with a \$1,627,961 balance compared to the prior year balance of \$1,906,613. Expenditures for bridges and culverts decreased in FY07. Two were repaired in FY07 as compared to six in FY06. Ten road maintenance districts were maintained for FY07. The Department maintained 720 miles of gravel, 22 miles of dirt and over 200 miles of paved roads. Three major construction projects were completed during FY07.

The Debt Service Fund ended FY07 with a \$53,987 balance compared to the prior year balance of \$54,531. Bond principal and interest payments are made according to the bond maturity schedule.

The Capital Projects Fund FY07 ending fund balance was \$(194) compared to the prior year balance of (\$100,798). The deficit in FY06 was created by project expenditures which exceeded available funds. The County transferred funds from the General Fund in FY07 to cover these expenses and more accurately monitored the payment of claims during the course of the year. The remodel of the County Administration Building and the installation of the geothermal heating and cooling system were paid from the Capital Projects Fund.

## **BUDGETARY HIGHLIGHTS**

Story County amended the FY07 budget twice. The first amendment was made in October 2006 to allow the Secondary Roads Department to spend construction dollars carried over from FY06. This amendment also accounted for grant receipts and disbursements not previously budgeted and a payment from local option sales tax funds for a FY06 commitment to Iowa Games that was billed July 2007. The second amendment was made in May 2007 to accurately reflect both receipts and disbursements in various departments. This amendment increased receipts from local option sales tax and interest on investments and lowered receipts from various grants. Disbursements were lowered from corresponding grants but increased for roads and transportation costs and administrative expenses.

The County's receipts were \$101,599 more than the amended budget, a variance of less than one percent.

Total disbursements were \$1,840,615 less than the amended budget. This was due primarily to lower than anticipated personnel overtime costs, fuel and maintenance costs, project costs and communication services in virtually all functions except debt service.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY07, Story County had approximately \$49.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount is an increase of only \$97,485 over FY06.

Story County had depreciation expense in FY07 of \$2,306,320 and total accumulated depreciation of \$21,834,329 on the capital assets. This is an increase of \$107,933 in depreciation expense and \$1,821,183 for accumulated depreciation from FY06. Story County takes a full year's depreciation in the year of acquisition of a capital asset and in the year of disposal. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### **Long-Term Debt**

Story County retired \$815,000 of general obligation bonds during FY07 and had \$6,890,000 outstanding at the end of FY07, compared to \$7,705,000 at the end of FY06.

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 \$240 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTS AND NEXT YEAR'S BUDGET AND RATES**

Story County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees that apply for the various County services. One of those factors is the economy. According to information from Iowa Workforce Development, at the end of FY07 unemployment in Story County stood at 3.3% versus 2.9% a year ago. This compared with the State's unemployment rate of 3.8% and the national rate of 4.6% for the same period ending June 30, 2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. The County's FY08 countywide valuation increased \$66,710,005 and the rural valuation increased \$10,461,287 over the respective FY07 valuations. The residential rollback decreased to 45.5596% for FY08 as compared to the FY07 rollback of 45.9960%. The FY08 budget proposed a 2.20% increase in receipts over the FY07 budget, along with a 2.33% increase in disbursements. The increase in revenues is primarily from property taxes. Story County added no major programs or initiatives to the 2008 budget. Pay plan staff and union members received a 2.5% increase in salary and wages. Flex reimbursement for all employees remained unchanged at \$550 per month. Re-estimated ending fund balances were anticipated to be lower with the General Fund estimated to be 23.8% of disbursements at the end of FY07 and approximately 16% of disbursements by the close of FY08.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Story County**

## **Basic Financial Statements**

**Exhibit A**

Story County  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 9,279,081
Receivables:	
Property tax:	
Delinquent	47,884
Succeeding year	17,443,000
Interest and penalty on property tax	57,748
Accounts	85,249
Accrued interest	279,968
Due from other governments	1,069,820
Inventories	384,767
Capital assets - nondepreciable	3,993,091
Capital assets - depreciable, net	45,242,770
<b>Total assets</b>	<u>77,883,378</u>
<b>Liabilities</b>	
Accounts payable	543,137
Accrued interest payable	28,657
Salaries and benefits payable	304,769
Contracts payable	44,220
Due to other governments	679,410
Deferred revenue:	
Succeeding year property tax	17,443,000
Other	21,429
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	860,000
Compensated absences	664,346
Portion due or payable after one year:	
General obligation bonds	6,030,000
<b>Total liabilities</b>	<u>26,618,968</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	42,345,861
Restricted for:	
Supplemental levy purposes	535,517
Mental health purposes	623,697
Secondary roads purposes	1,528,484
Debt service	27,719
Community betterment	342,514
Other purposes	914,950
Unrestricted	4,945,668
<b>Total net assets</b>	<u>\$ 51,264,410</u>

See notes to financial statements.

Story County

Statement of Activities

Year ended June 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 8,391,142	1,418,039	224,470	-	(6,748,633)
Physical health and social services	1,728,723	25,435	435,966	-	(1,267,322)
Mental health	8,403,194	235,704	3,859,791	-	(4,307,699)
County environment and education	2,376,174	177,278	142,272	-	(2,056,624)
Roads and transportation	5,452,493	122,567	2,744,398	1,017,597	(1,567,931)
Governmental services to residents	1,057,203	1,052,901	6,881	-	2,579
Administration	4,377,611	19,937	121,039	-	(4,236,635)
Interest on long-term debt	381,795	-	15,293	-	(366,502)
<b>Total</b>	<b>\$ 32,168,335</b>	<b>3,051,861</b>	<b>7,550,110</b>	<b>1,017,597</b>	<b>(20,548,767)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					16,053,924
Debt service					1,154,072
Penalty and interest on property tax					181,498
State tax credits					487,190
Local option sales tax					1,893,254
Unrestricted investment earnings					986,168
Gain on sale of capital assets					113,269
Miscellaneous					179,876
<b>Total general revenues</b>					<b>21,049,251</b>
Change in net assets					500,484
Net assets beginning of year					50,763,926
Net assets end of year					<b>\$ 51,264,410</b>

See notes to financial statements.

Story County  
Balance Sheet  
Governmental Funds

June 30, 2007

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 5,078,568	1,343,160	743,338
Receivables:			
Property tax:			
Delinquent	26,338	6,789	12,252
Succeeding year	11,624,000	2,996,000	1,663,000
Interest and penalty on property tax	57,748	-	-
Accounts	15,676	38,987	11,819
Accrued interest	278,206	-	-
Due from other governments	277,842	263,828	277,642
Inventories	-	-	-
<b>Total assets</b>	<b>\$ 17,358,378</b>	<b>4,648,764</b>	<b>2,708,051</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 303,005	157,251	7,052
Salaries and benefits payable	174,459	61,589	25,477
Contracts payable	-	-	-
Due to other governments	23,752	645,720	-
Deferred revenue:			
Succeeding year property tax	11,624,000	2,996,000	1,663,000
Other	282,320	27,902	11,876
Total liabilities	12,407,536	3,888,462	1,707,405
Fund balances:			
Reserved for:			
Supplemental levy purposes	571,597	-	-
Debt service	-	-	-
Community betterment	-	-	342,514
Unreserved:			
Designated for:			
Election equipment	170,000	-	-
Real estate software	186,000	-	-
Centralized dispatch software	103,500	-	-
Geothermal for community life building	-	250,000	-
Analysis of social services evaluation team (ASSET)	7,500	-	-
Undesignated, reported in:			
General fund	3,912,245	-	-
Special revenue funds	-	510,302	658,132
Capital projects fund	-	-	-
Total fund balances	4,950,842	760,302	1,000,646
<b>Total liabilities and fund balances</b>	<b>\$ 17,358,378</b>	<b>4,648,764</b>	<b>2,708,051</b>

See notes to financial statements.

Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
1,113,596	53,735	55,624	891,060	9,279,081
-	2,505	-	-	47,884
-	1,160,000	-	-	17,443,000
-	-	-	-	57,748
8,261	-	-	10,506	85,249
-	136	-	1,626	279,968
232,982	-	-	17,526	1,069,820
384,767	-	-	-	384,767
<b>1,739,606</b>	<b>1,216,376</b>	<b>55,624</b>	<b>920,718</b>	<b>28,647,517</b>
58,733	-	11,598	5,498	543,137
43,244	-	-	-	304,769
-	-	44,220	-	44,220
9,668	-	-	270	679,410
-	1,160,000	-	-	17,443,000
-	2,389	-	-	324,487
<b>111,645</b>	<b>1,162,389</b>	<b>55,818</b>	<b>5,768</b>	<b>19,339,023</b>
-	-	-	-	571,597
-	53,987	-	-	53,987
-	-	-	-	342,514
-	-	-	-	170,000
-	-	-	-	186,000
-	-	-	-	103,500
-	-	-	-	250,000
-	-	-	-	7,500
-	-	-	-	3,912,245
1,627,961	-	-	914,950	3,711,345
-	-	(194)	-	(194)
<b>1,627,961</b>	<b>53,987</b>	<b>(194)</b>	<b>914,950</b>	<b>9,308,494</b>
<b>1,739,606</b>	<b>1,216,376</b>	<b>55,624</b>	<b>920,718</b>	<b>28,647,517</b>

**Story County**

Story County

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

June 30, 2007

**Total governmental fund balances (page 19)** \$ 9,308,494

***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 \$ 71,070,190 and the accumulated depreciation is \$21,834,329. 49,235,861

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 303,058

Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (7,583,003)

**Net assets of governmental activities (page 16)** \$ 51,264,410

See notes to financial statements.

Story County

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

Year ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 11,457,169	2,976,756	3,510,308	-
Interest and penalty on property tax	175,492	-	-	-
Intergovernmental	1,837,453	3,937,622	469,913	2,809,200
Licenses and permits	10,680	-	18,666	8,800
Charges for service	1,427,714	235,704	38,812	9,419
Use of money and property	830,962	-	-	-
Miscellaneous	79,782	8,960	7,337	55,573
<b>Total revenues</b>	<b>15,819,252</b>	<b>7,159,042</b>	<b>4,045,036</b>	<b>2,882,992</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	6,428,621	-	1,586,743	-
Physical health and social services	1,723,515	-	-	-
Mental health	-	8,382,751	-	-
County environment and education	1,227,509	-	1,025,366	-
Roads and transportation	-	-	240,000	3,831,732
Governmental services to residents	1,045,258	-	1,783	-
Administration	4,129,058	-	-	-
Debt service	-	-	-	-
Capital projects	53,374	-	-	786,585
<b>Total expenditures</b>	<b>14,607,335</b>	<b>8,382,751</b>	<b>2,853,892</b>	<b>4,618,317</b>
Excess (deficiency) of revenues over (under) expenditures	1,211,917	(1,223,709)	1,191,144	(1,735,325)
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	105,000
Operating transfers in	6,529	-	-	1,351,673
Operating transfers out	(650,000)	-	(991,673)	-
<b>Total other financing sources (uses)</b>	<b>(643,471)</b>	<b>-</b>	<b>(991,673)</b>	<b>1,456,673</b>
Net change in fund balances	568,446	(1,223,709)	199,471	(278,652)
Fund balances beginning of year	4,382,396	1,984,011	801,175	1,906,613
Fund balances end of year	\$ 4,950,842	760,302	1,000,646	1,627,961

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,153,979	-	-	19,098,212
-	-	-	175,492
30,307	-	39,109	9,123,604
-	-	-	38,146
-	-	22,009	1,733,658
15,293	-	111,919	958,174
-	21,353	174,964	347,969
1,199,579	21,353	348,001	31,475,255
-	-	118,147	8,133,511
-	-	-	1,723,515
-	-	-	8,382,751
-	-	94,439	2,347,314
-	-	-	4,071,732
-	-	10,737	1,057,778
-	-	469	4,129,527
1,200,123	-	-	1,200,123
-	164,220	-	1,004,179
1,200,123	164,220	223,792	32,050,430
(544)	(142,867)	124,209	(575,175)
-	-	-	105,000
-	250,000	40,000	1,648,202
-	(6,529)	-	(1,648,202)
-	243,471	40,000	105,000
(544)	100,604	164,209	(470,175)
54,531	(100,798)	750,741	9,778,669
53,987	(194)	914,950	9,308,494

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, 2007

**Net change in fund balances - Total governmental funds (page 23)** \$ (470,175)

**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	\$ 1,377,939	
Capital assets contributed by the Iowa Department of Transportation and others	1,017,597	
Depreciation expense	<u>(2,306,320)</u>	89,216

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 8,269

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	2,784	
Other	<u>59,913</u>	62,697

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. 815,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(7,851)	
Interest on long-term debt	<u>3,328</u>	<u>(4,523)</u>

**Change in net assets of governmental activities (page 17)** \$ 500,484

See notes to financial statements.

Story County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2007

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 4,101,456
Other County officials	258,052
Employee health insurance plan	9,745
Receivables:	
Property tax:	
Delinquent	147,058
Succeeding year	76,309,000
Accounts	91,956
Accrued Interest	1,443
Assessments	594,637
Due from other governments	324,512
<b>Total assets</b>	<b>81,837,859</b>

**Liabilities**

Accounts payable	406,087
Salaries and benefits payable	23,008
Due to other governments	80,925,096
Trusts payable	418,779
Compensated absences	64,889
<b>Total liabilities</b>	<b>81,837,859</b>

**Net assets**

\$ -

See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2007

**(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 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 and Central Iowa Drug Task Force. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Central Iowa Juvenile Detention Center, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, 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 financial statements:

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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 acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), 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 and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2007 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 County.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,797,482 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 6,529
Special Revenue:		
Secondary Roads	General	360,000
	Rural Services	991,673
		<u>1,351,673</u>
Conservation Land Acquisition	General	<u>40,000</u>
Capital Projects	General	<u>250,000</u>
Total		<u>\$ 1,648,202</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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,731,626	-	-	3,731,626
Land, road network	117,327	-	-	117,327
Construction in progress, road network	-	1,676,164	(1,605,035)	71,129
Construction in progress	3,663,885	217,293	(3,808,169)	73,009
Total capital assets not being depreciated	<u>7,512,838</u>	<u>1,893,457</u>	<u>(5,413,204)</u>	<u>3,993,091</u>
Capital assets being depreciated:				
Buildings	21,764,322	3,808,169	-	25,572,491
Improvements other than buildings	170,204	-	-	170,204
Equipment and vehicles	8,840,349	579,479	(554,268)	8,865,560
Infrastructure, road network	29,464,892	1,605,035	-	31,069,927
Infrastructure, other	1,398,917	-	-	1,398,917
Total capital assets being depreciated	<u>61,638,684</u>	<u>5,992,683</u>	<u>(554,268)</u>	<u>67,077,099</u>
Less accumulated depreciation for:				
Buildings	4,458,856	510,692	-	4,969,548
Improvements other than buildings	12,206	8,510	-	20,716
Equipment and vehicles	5,503,266	683,344	(485,137)	5,701,473
Infrastructure, road network	9,790,310	1,062,948	-	10,853,258
Infrastructure, other	248,508	40,826	-	289,334
Total accumulated depreciation	<u>20,013,146</u>	<u>2,306,320</u>	<u>(485,137)</u>	<u>21,834,329</u>
Total capital assets being depreciated, net	<u>41,625,538</u>	<u>3,686,363</u>	<u>(69,131)</u>	<u>45,242,770</u>
Governmental activities capital assets, net	<u>\$ 49,138,376</u>	<u>5,579,820</u>	<u>(5,482,335)</u>	<u>49,235,861</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 402,454
Physical health and social services		3,624
Mental health		64,269
County environment and education		92,833
Roads and transportation		1,468,404
Administration		274,736
		<u>2,306,320</u>
Total depreciation expense - governmental activities		<u>\$ 2,306,320</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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 23,752
Special Revenue:		
Mental Health	Services	645,720
Secondary Roads	Services	9,668
Other	Services	270
		<u>655,658</u>
Total for governmental funds		<u>\$ 679,410</u>
Agency:		
County Offices	Collections	\$ 135,831
Agricultural Extention Education		262,230
County Assessor		714,499
City Assessor		846,823
Schools		42,803,437
Community Colleges		1,975,271
Corporations		29,378,326
Townships		376,712
City Special Assessments		602,502
Auto License and Use Tax		1,381,711
All other		2,447,754
Total for agency funds		<u>\$ 80,925,096</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Bonds	Compen- sated Absences	Total
Balances beginning of year	\$ 7,705,000	656,495	8,361,495
Increases	-	440,828	440,828
Decreases	(815,000)	(432,977)	(1,247,977)
Balances end of year	\$ 6,890,000	664,346	7,554,346
Due within one year	\$ 860,000	664,346	1,524,346

**Bonds Payable**

A summary of the County's June 30, 2007 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Series 1999 Issued Sep 1, 1999			Series 2000 Issued Aug 1, 2000		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2008		\$ -	250,332	4.95%	\$ 860,000	93,555
2009		-	250,332	4.95	905,000	50,985
2010	4.90%	825,000	250,332	4.95	125,000	6,188
2011	4.95	975,000	209,908		-	-
2012	5.00	1,020,000	161,646		-	-
2013-2014	5.05-5.10	2,180,000	167,256		-	-
Total		\$ 5,000,000	1,289,806		\$ 1,890,000	150,728

Year Ending June 30,	Total		
	Principal	Interest	Total
2008	\$ 860,000	343,887	1,203,887
2009	905,000	301,317	1,206,317
2010	950,000	256,520	1,206,520
2011	975,000	209,908	1,184,908
2012	1,020,000	161,646	1,181,646
2013-2014	2,180,000	167,256	2,347,256
Total	\$ 6,890,000	1,440,534	8,330,534

During the year ended June 30, 2007, the County retired \$815,000 of general obligation bonds.

**(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$959,301, \$948,306 and \$909,883, 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 556 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property and inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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, 2007 were \$291,879.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at

June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

**(9) Justice Center Agreements**

In January 2000, the County entered into a contract with Alliant Energy for geothermal supply services for heating and cooling the Justice Center. The agreement calls for the County to pay a fixed charge of \$5,350 per month for 20 years. Alliant Energy retains ownership of the equipment.

In January 2000, the County entered into a contract with Alliant Energy for stand-by generator services for the Justice Center. The agreement calls for the County to pay a fixed charge of \$6,500 per month for 20 years. Alliant Energy retains ownership of the equipment.

**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, 2007

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 19,088,511	-	19,088,511
Interest and penalty on property tax	174,512	-	174,512
Intergovernmental	9,069,124	-	9,069,124
Licenses and permits	37,423	-	37,423
Charges for service	1,713,386	-	1,713,386
Use of money and property	937,862	-	937,862
Miscellaneous	332,486	27,083	305,403
Total receipts	<u>31,353,304</u>	<u>27,083</u>	<u>31,326,221</u>
<b>Disbursements:</b>			
Public safety and legal services	8,100,929	-	8,100,929
Physical health and social services	1,728,924	-	1,728,924
Mental health	8,352,820	-	8,352,820
County environment and education	2,354,484	19,337	2,335,147
Roads and transportation	4,201,352	-	4,201,352
Governmental services to residents	1,065,720	-	1,065,720
Administration	4,144,012	-	4,144,012
Debt service	1,200,123	-	1,200,123
Capital projects	1,154,074	-	1,154,074
Total disbursements	<u>32,302,438</u>	<u>19,337</u>	<u>32,283,101</u>
Excess (deficiency) of receipts over (under) disbursements	(949,134)	7,746	(956,880)
Other financing sources, net	108,300	-	108,300
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(840,834)	7,746	(848,580)
Balance beginning of year	10,119,915	161,945	9,957,970
Balance end of year	<u>\$ 9,279,081</u>	<u>169,691</u>	<u>9,109,390</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
19,027,266	19,227,266	(138,755)
62,164	62,164	112,348
10,110,169	9,080,939	(11,815)
28,650	35,650	1,773
1,650,080	1,662,080	51,306
622,365	889,765	48,097
196,348	266,758	38,645
<u>31,697,042</u>	<u>31,224,622</u>	<u>101,599</u>
8,193,586	8,234,386	133,457
1,987,200	1,904,017	175,093
8,712,215	8,712,215	359,395
2,457,203	2,521,203	186,056
4,272,300	4,422,300	220,948
1,802,434	1,262,434	196,714
4,495,528	4,563,178	419,166
1,200,323	1,200,323	200
861,074	1,303,660	149,586
<u>33,981,863</u>	<u>34,123,716</u>	<u>1,840,615</u>
(2,284,821)	(2,899,094)	1,942,214
125,000	108,000	300
(2,159,821)	(2,791,094)	1,942,514
7,791,692	9,755,596	202,374
<u>5,631,871</u>	<u>6,964,502</u>	<u>2,144,888</u>

Story County  
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 31,353,304	121,951	31,475,255
Expenditures	32,302,438	(252,008)	32,050,430
Net	(949,134)	373,959	(575,175)
Other financing sources, net	108,300	(3,300)	105,000
Beginning fund balances	10,119,915	(341,246)	9,778,669
Ending fund balances	\$ 9,279,081	29,413	9,308,494

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$141,853. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

**Story County**

**Other Supplementary Information**

Story County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

	County Recorder's Records Management	Drainage Districts	Employee Wellness	Special Resource Enhancement and Protection
<b>Assets</b>				
Cash and pooled investments	\$ 141,851	169,691	162	97,060
Receivables:				
Accounts	-	-	-	-
Accrued interest	353	-	-	245
Due from other governments	-	-	-	7,392
<b>Total assets</b>	<b>\$ 142,204</b>	<b>169,691</b>	<b>162</b>	<b>104,697</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other governments	-	-	-	-
Total liabilities	-	-	-	-
Fund balance:				
Unreserved	142,204	169,691	162	104,697
<b>Total liabilities and fund equity</b>	<b>\$ 142,204</b>	<b>169,691</b>	<b>162</b>	<b>104,697</b>

See accompanying independent auditor's report.

Revenue							
Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Conservation Land Acquisition		Total
23,769	50,487	54,886	298,141	15,013	40,000		891,060
5,003	5,083	420	-	-	-		10,506
-	132	138	758	-	-		1,626
541	-	-	9,593	-	-		17,526
<u>29,313</u>	<u>55,702</u>	<u>55,444</u>	<u>308,492</u>	<u>15,013</u>	<u>40,000</u>		<u>920,718</u>
641	2,106	-	2,751	-	-		5,498
270	-	-	-	-	-		270
<u>911</u>	<u>2,106</u>	<u>-</u>	<u>2,751</u>	<u>-</u>	<u>-</u>		<u>5,768</u>
<u>28,402</u>	<u>53,596</u>	<u>55,444</u>	<u>305,741</u>	<u>15,013</u>	<u>40,000</u>		<u>914,950</u>
<u>29,313</u>	<u>55,702</u>	<u>55,444</u>	<u>308,492</u>	<u>15,013</u>	<u>40,000</u>		<u>920,718</u>

Story County

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

Year ended June 30, 2007

	County Recorder's Records Management	Drainage Districts	Employee Wellness	Special Resource Enhancement and Protection
Revenues:				
Intergovernmental	\$ -	-	-	25,881
Charges for service	14,579	-	-	-
Use of money and property	4,681	-	-	2,984
Miscellaneous	-	26,382	410	-
Total revenues	19,260	26,382	410	28,865
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	19,337	-	-
Governmental services to residents	10,737	-	-	-
Administration	-	-	469	-
Total expenditures	10,737	19,337	469	-
Excess (deficiency) of revenues over (under) expenditures	8,523	7,045	(59)	28,865
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	8,523	7,045	(59)	28,865
Fund balances beginning of year	133,681	162,646	221	75,832
Fund balances end of year	\$ 142,204	169,691	162	104,697

See accompanying independent auditor's report.

Revenue							
Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Conservation Land Acquisition		Total
541	-	-	12,687	-	-		39,109
-	-	-	-	7,430	-		22,009
-	94,032	1,802	8,420	-	-		111,919
22,759	351	3,897	121,165	-	-		174,964
23,300	94,383	5,699	142,272	7,430	-		348,001
18,357	94,639	-	-	5,151	-		118,147
-	-	1,872	73,230	-	-		94,439
-	-	-	-	-	-		10,737
-	-	-	-	-	-		469
18,357	94,639	1,872	73,230	5,151	-		223,792
4,943	(256)	3,827	69,042	2,279	-		124,209
-	-	-	-	-	40,000		40,000
4,943	(256)	3,827	69,042	2,279	40,000		164,209
23,459	53,852	51,617	236,699	12,734	-		750,741
28,402	53,596	55,444	305,741	15,013	40,000		914,950

Story County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,643	229,586	170,586	451,016
Other County officials	258,052	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	587	3,082	360	105,421
Succeeding year	-	259,000	526,000	709,000	42,247,000
Accounts	445	-	40	104	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 258,497</b>	<b>262,230</b>	<b>758,708</b>	<b>880,050</b>	<b>42,803,437</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ -	-	824	72	-
Salaries and benefits payable	-	-	9,339	9,359	-
Due to other governments	135,831	262,230	714,499	846,823	42,803,437
Trusts payable	122,666	-	-	-	-
Compensated absences	-	-	34,046	23,796	-
<b>Total liabilities</b>	<b>\$ 258,497</b>	<b>262,230</b>	<b>758,708</b>	<b>880,050</b>	<b>42,803,437</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
20,393	306,880	5,157	7,865	1,381,711	1,525,619	4,101,456
-	-	-	-	-	-	258,052
-	-	-	-	-	9,745	9,745
3,878	28,446	2,555	-	-	2,729	147,058
1,951,000	29,043,000	369,000	-	-	1,205,000	76,309,000
-	-	-	-	-	91,367	91,956
-	-	-	-	-	1,443	1,443
-	-	-	594,637	-	-	594,637
-	-	-	-	-	324,512	324,512
<b>1,975,271</b>	<b>29,378,326</b>	<b>376,712</b>	<b>602,502</b>	<b>1,381,711</b>	<b>3,160,415</b>	<b>81,837,859</b>
-	-	-	-	-	405,191	406,087
-	-	-	-	-	4,310	23,008
1,975,271	29,378,326	376,712	602,502	1,381,711	2,447,754	80,925,096
-	-	-	-	-	296,113	418,779
-	-	-	-	-	7,047	64,889
<b>1,975,271</b>	<b>29,378,326</b>	<b>376,712</b>	<b>602,502</b>	<b>1,381,711</b>	<b>3,160,415</b>	<b>81,837,859</b>

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

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 209,554	249,952	736,845	770,317	42,264,130
Additions:					
Property and other county tax	-	257,496	525,944	705,246	42,078,683
E911 surcharge	-	-	-	-	-
State tax credits	-	6,418	26,440	9,922	1,127,797
Office fees and collections	1,628,772	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	967,870	-	-	-	-
Miscellaneous	-	-	897	1,805	3,086
Total additions	2,596,642	263,914	553,281	716,973	43,209,566
Deductions:					
Agency remittances:					
To other funds	750,185	-	-	-	-
To other governments	839,713	251,636	531,418	607,240	42,670,259
Trusts paid out	957,801	-	-	-	-
Total deductions	2,547,699	251,636	531,418	607,240	42,670,259
Balances end of year	\$ 258,497	262,230	758,708	880,050	42,803,437

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
1,926,924	28,256,740	362,848	769,853	1,261,273	2,519,248	79,327,684
1,941,791	28,987,778	367,064	-	-	1,199,397	76,063,399
-	-	-	-	-	405,093	405,093
49,533	624,774	18,083	-	-	30,603	1,893,570
-	-	-	-	-	-	1,628,772
-	-	-	-	14,798,160	-	14,798,160
-	-	-	44,980	-	3,883	48,863
-	-	-	-	-	1,966,692	2,934,562
-	-	475	-	-	2,026,687	2,032,950
1,991,324	29,612,552	385,622	44,980	14,798,160	5,632,355	99,805,369
-	-	-	-	427,687	-	1,177,872
1,942,977	28,490,966	371,758	212,331	14,250,035	3,106,099	93,274,432
-	-	-	-	-	1,885,089	2,842,890
1,942,977	28,490,966	371,758	212,331	14,677,722	4,991,188	97,295,194
1,975,271	29,378,326	376,712	602,502	1,381,711	3,160,415	81,837,859

Story County

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

For the Last Nine Years

	2007	2006	2005	Modified 2004
<b>Revenues:</b>				
Property and other county tax	\$ 19,098,212	18,297,769	17,565,411	18,110,937
Interest and penalty on property tax	175,492	165,595	174,780	216,990
Intergovernmental	9,123,604	10,627,342	10,479,462	9,911,479
Licenses and permits	38,146	35,570	34,244	30,820
Charges for service	1,733,658	1,740,150	1,678,633	1,714,981
Use of money and property	958,174	643,740	573,746	417,697
Miscellaneous	347,969	614,733	322,436	358,339
<b>Total</b>	<b>\$ 31,475,255</b>	<b>32,124,899</b>	<b>30,828,712</b>	<b>30,761,243</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 8,133,511	7,619,168	7,251,375	7,194,684
Physical health and social services	1,723,515	1,831,092	1,732,944	1,702,512
Mental health	8,382,751	7,899,548	7,716,964	7,881,446
County environment and education	2,347,314	2,393,141	2,976,832	2,441,499
Roads and transportation	4,071,732	4,145,529	4,498,123	4,350,040
Governmental services to residents	1,057,778	1,223,635	1,106,653	1,067,021
Administration	4,129,527	4,043,982	3,880,953	3,848,303
Non-program	-	-	-	-
Debt service	1,200,123	1,203,342	1,193,858	1,191,462
Capital projects	1,004,179	1,521,996	3,489,827	713,520
<b>Total</b>	<b>\$ 32,050,430</b>	<b>31,881,433</b>	<b>33,847,529</b>	<b>30,390,487</b>

See accompanying independent auditor's report.

Accrual Basis				
2003	2002	2001	2000	1999
18,001,572	16,972,505	13,846,337	13,563,444	13,021,534
133,779	125,734	126,747	107,656	119,777
10,188,527	9,494,103	9,773,173	9,798,029	9,967,987
28,348	21,672	20,988	17,920	20,803
1,814,530	1,628,718	1,374,758	1,299,309	1,240,904
511,801	927,047	1,228,089	1,310,350	1,105,044
679,989	278,059	271,509	327,174	239,652
<b>31,358,546</b>	<b>29,447,838</b>	<b>26,641,601</b>	<b>26,423,882</b>	<b>25,715,701</b>
6,818,644	6,476,253	6,163,325	5,415,096	4,989,557
1,621,737	1,619,212	1,588,620	1,739,900	1,611,290
7,472,053	7,482,172	7,433,953	7,508,212	7,020,429
2,221,716	2,247,054	2,215,685	2,277,025	2,124,480
4,243,882	4,011,388	4,448,193	4,032,288	3,702,346
976,721	908,022	930,415	863,226	870,446
3,500,402	3,655,489	3,226,911	3,250,340	2,663,601
-	37,877	18,591	19,539	44,525
1,200,417	1,204,684	1,786,970	1,122,816	289,092
460,893	3,765,993	8,683,012	4,220,498	4,104,179
<b>28,516,465</b>	<b>31,408,144</b>	<b>36,495,675</b>	<b>30,448,940</b>	<b>27,419,945</b>

**Schedule 6**

Story County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bullet Proof Vest Partnership Program	16.607		\$ 2,812
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		33,256
U.S. Department of Justice:			
Iowa Department of Public Health:			
Tobacco Surveillance Grant	16.000		1,250
Governor's Office of Drug Control Policy:			
Part E - Developing, Testing and Demonstrating Promising			
New Programs	16.541	05-OJJDP14	15,608
Part E - Developing, Testing and Demonstrating Promising			
New Programs	16.541	06-OJJPD06	6,489
			22,097
Public Safety Partnership and Community Policing Grants	16.710	HS-A23	40,987
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06JAG	30,062
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DHBX0373	23,570
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006DJBX0653	23,288
			76,920
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-07-52	20,800
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-ES-E-CO85(90)-8T-85	48,678
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP-06-04 Task 27	451
State and Community Highway Safety	20.600	PAP-07-04 Task 27	2,697
			3,148
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	20.601	PAP 06-163, Task 62	8,148
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	20.601	PAP 07-163, Task 78	11,313
			19,461
Iowa Department of Public Defense:			
Interagency Hazardous Materials Public			
Sector Training and Planning Grants	20.703	HMEP	4,000

Story County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Treasury:			
Iowa Department of Economic Development:			
Temporary State Fiscal Relief (Jobs and Growth Tax Reconciliation Act of 2003)	21.000	05-CEBA-042	47,394
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		45,145
Refugee and Entrant Assistance-State Administered Program	93.566		77
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		10,044
Foster Care - Title IV-E	93.658		24,657
Adoption Assistance	93.659		5,031
State Children's Insurance Program	93.767		294
Medical Assistance Program	93.778		58,773
Social Services Block Grant	93.667		29,676
Social Services Block Grant	93.667		405,987
			435,663
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Pre-Disaster Mitigation (PDM) Competitive Grant	97.017	PDMC-PL-07-IA-2005-074	13,867
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1688 DR IA	29,776
Emergency Management Performance Grants	97.042		39,009
Homeland Security Grant Program	97.067	2005-GE-T5-56 (Citizens Corp)	2,562
Homeland Security Grant Program	97.067	2005-GE-T5-56 (Regional)	35,137
			37,699
Total indirect			1,018,026
Total			\$ 1,020,838

**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.

**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

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

To the Officials of Story County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Story County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Story County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Story County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Story County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Story County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Story County's financial statements that is more than inconsequential will not be prevented or detected by Story County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Story County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Story County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Story County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Story County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 28, 2007

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

**Story County**



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

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

To the Officials of Story County:

Compliance

We have audited the compliance of Story County 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, 2007. 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 grant agreements applicable its major federal program is the responsibility of Story County's management. Our responsibility is to express an opinion on Story County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 OMB Circular A-133 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, 2007.

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 grant agreements applicable to federal programs. In planning and performing our audit, we considered Story County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Story County's internal control over compliance.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

December 28, 2007

Story County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program 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, 2007

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

**SIGNIFICANT DEFICIENCIES:**

II-A-07 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the office identified may have control over the following areas for which no compensating controls exist:

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Applicable  
Office

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All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. Treasurer

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Treasurer should review the operating procedures of his office to obtain the maximum internal control possible under the circumstances. The Treasurer should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Treasurer's Office understands the importance of sound internal controls and segregation of duties. We will comply, to the extent possible, with current personnel. We currently have mail opened by an employee that makes a list of cash and checks received periodically and on spontaneous, random occasions. These lists are then compared to cash receipts. We can increase the frequency of this practice. All employees are authorized to do data entry and post to our internal system so without additional personnel, having a person not authorized to post open the mail is not possible.

Conclusion – Response accepted.

II-B-07 Deferred Compensation Plan – Certain participants in the County's deferred compensation plan have received distribution checks from their accounts which were made payable to Story County. Certain of these checks were restrictively endorsed directly to the participant and, accordingly, were not recorded in the County's financial system or reported on an Internal Revenue Service (IRS) Form 1099R.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

In addition, one individual is responsible for collecting and endorsing these distribution checks.

Recommendation – Distribution checks written in the name of the County should be deposited and recorded in an Agency fund. The County should write a check to the appropriate participant and should issue an IRS Form 1099R for the distribution.

The Board should review operating procedures over these disbursements to obtain the maximum internal control possible under the circumstances. The Board should provide additional control through review of financial transactions and reports. Such reviews should be performed by someone independent of collecting and accounting for the distribution checks and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The County will deposit any deferred compensation distribution checks written in the name of the County into an Agency fund. The County will issue a check in a timely manner to the appropriate individual or authorized company. The County will issue an IRS Form 1099R as necessary.

The County is currently reviewing the deferred compensation plan and administrative procedures to fully comply with IRS requirements and plan documents.

Conclusion – Response accepted.

II-C-07 Capital Asset Deletions – The County does not have a written policy governing capital asset deletions. Although the departments provide inventory cards indicating deletions, there is no evidence of proper authorization for the disposal.

Recommendation – The County should adopt a written capital asset deletion policy, including the requirement for proper authorization of deletions.

Response – The County will determine a policy for deletion of assets prior to the end of FY08. It will be drafted into the Financial Reporting policy under the Capital Assets section. The policy will include the proper authorization necessary for deletion.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Story County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2007

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

IV-B-07 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Jan Sayer, employee of the Human Resources department	Cleaning County vehicles	\$ 360
Michelle Good, Sheriff's Office, Husband owns Good and Quick	Auto repair and maintenance	4,032
Susan McCaskey, Animal Control, Husband owns McCaskey's Gun Shop	Firearm cleaning and maintenance	1,287

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

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

IV-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-07 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.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-H-07 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-I-07 County Ordinances – The County Board of Supervisors last completed a compilation of County ordinances in April 2000. Chapter 331.302(9) of the Code of Iowa requires the Board to compile a code of ordinances containing all ordinances in effect at least once every five years.

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

Response – We are in the process of moving forward with your recommendation.

Conclusion – Response accepted.

IV-J-07 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, 2007 for the County Extension Office did not exceed the amount budgeted.

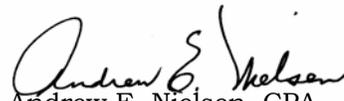
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Story County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Donna F. Kruger, CPA, Manager  
Billie Jo Heth, Senior Auditor  
Janet K. Mortvedt, Staff Auditor  
Aaron P. Wagner, Staff Auditor  
Adam D. Steffensmier, Assistant Auditor  
Keith C. Kistenmacher, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State