



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

February 10, 2009

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 \$98,425,497 for the year ended June 30, 2008, which included \$2,259,896 in tax credits from the state. The County forwarded \$80,553,899 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$17,871,798 of the local tax revenue to finance County operations, a less than 1 percent increase over the prior year. Other revenues included charges for service of \$2,978,999, operating grants, contributions and restricted interest of \$10,890,891, capital grants, contributions and restricted interest of \$3,646,439, local option sales tax of \$1,862,831, unrestricted investment earnings of \$741,246 and other general revenues of \$417,773.

Expenses for County operations totaled \$33,599,129, a 4.4 percent increase over the prior year. Expenses included \$8,957,872 for mental health, \$8,752,869 for public safety and legal services and \$5,746,028 for roads and transportation.

A copy of the audit 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, 2008

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		38-39
Budget to GAAP Reconciliation		40
Notes to Required Supplementary Information – Budgetary Reporting		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46-47
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	48-49
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	50-51
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	52-53
Schedule of Expenditures of Federal Awards	6	54-55
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		61-62
Schedule of Findings and Questioned Costs		63-69
Staff		70

Story County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

Story County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Story County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Story County, Iowa, as of and for the year ended June 30, 2008, 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.

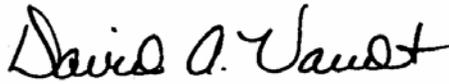
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2008, 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 January 20, 2009 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 nine years ended June 30, 2007 (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

January 20, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Story County provides this Management's Discussion and Analysis as a narrative overview of the financial activities of the County for the year ended June 30, 2008, along with comparative data for the year ended June 30, 2007. Readers are encouraged to consider this information in conjunction with the County's financial statements which follow.

2008 FINANCIAL HIGHLIGHTS

- Governmental activities revenue increased approximately \$5.7 million over fiscal 2007 (FY07). This included an increase in operating grants, contributions and restricted interest of approximately \$3.3 million and an increase in capital grants, contributions and restricted interest of approximately \$2.6 million.
- Program expenses increased 4.4 percent, or approximately \$1.4 million, over FY07.
- As a result of the above, net assets increased approximately \$4.8 million during FY08.

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 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.

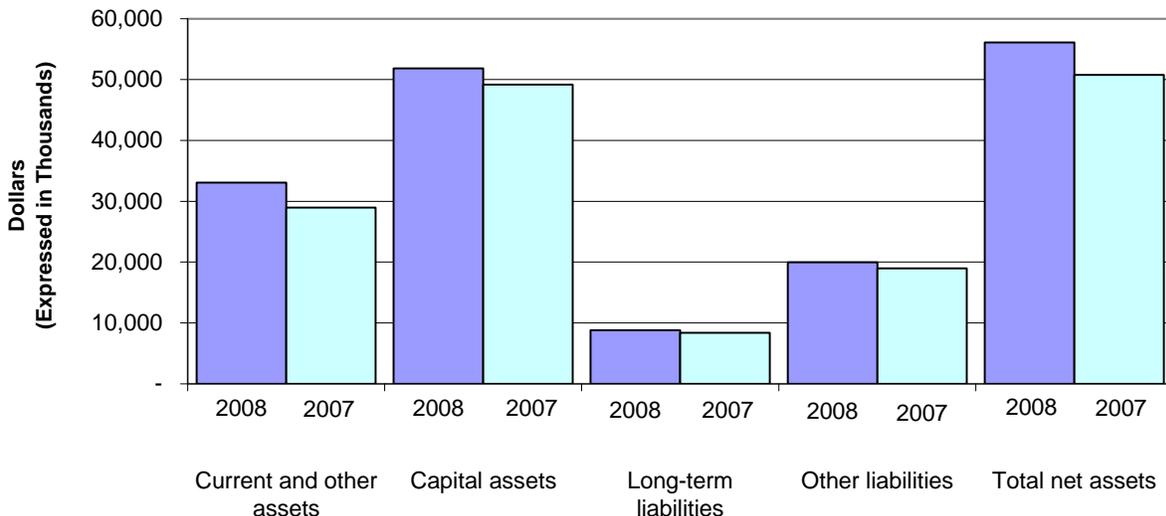
Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

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 FY08 totaled approximately \$56.1 million. This is an increase of approximately \$4.8 million compared to FY07, at approximately \$51.3 million. The analysis that follows focuses on the changes in net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2008	2007
Current and other assets	\$ 33,050	28,647
Capital assets	51,829	49,236
Total assets	84,879	77,883
Long-term liabilities	8,827	7,554
Other liabilities	19,977	19,065
Total liabilities	28,804	26,619
Net assets:		
Invested in capital assets, net of related debt	45,771	42,346
Restricted	5,577	3,972
Unrestricted	4,727	4,946
Total net assets	\$ 56,075	51,264

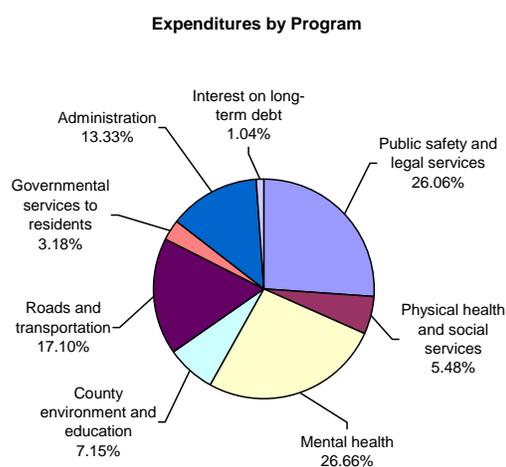
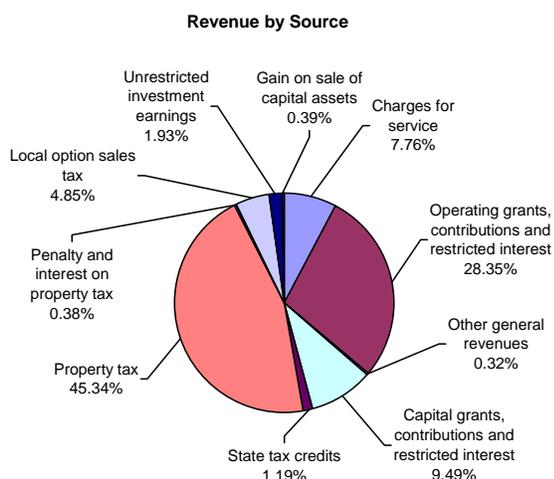
Comparison - Statement of Net Assets



Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased approximately \$1.6 million over the previous year due to an increase in net assets restricted for mental health purposes.

Total net assets of Story County's governmental activities increased approximately \$4.8 million over the previous year. Capital assets (land, infrastructure, buildings and equipment) are the largest portion of the County's net assets. This increase is due primarily to the road network infrastructure improvements contributed by the Iowa Department of Transportation.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 2,979	3,052
Operating grants, contributions and restricted interest	10,891	7,550
Capital grants, contributions and restricted interest	3,646	1,018
General revenues:		
Property tax	17,415	17,208
Penalty and interest on property tax	145	181
State tax credits	457	487
Local option sales tax	1,863	1,893
Unrestricted investment earnings	741	986
Gain on sale of capital assets	151	113
Other general revenues	122	180
Total revenues	38,410	32,668
Program expenses:		
Public safety and legal services	8,753	8,391
Physical health and social services	1,841	1,729
Mental health	8,958	8,403
County environment and education	2,403	2,376
Roads and transportation	5,746	5,452
Governmental services to residents	1,068	1,057
Administration	4,479	4,378
Interest on long-term debt	351	382
Total expenses	33,599	32,168
Increase in net assets	4,811	500
Net assets beginning of year	51,264	50,764
Net assets end of year	\$ 56,075	51,264



Revenues for governmental activities increased approximately \$5.7 million over FY07. Operating grants, contributions and restricted interest increase approximately \$3.3 million due to additional mental health funding received from the State. Capital grants, contributions and restricted interest increased approximately \$2.6 million due to increases in infrastructure contributions from the Iowa Department of Transportation.

The County's property taxes increased 1.2% over FY07. Valuation of countywide property increased from \$2,839,719,316 in FY07 to \$2,906,429,321 in FY08. The levy rate for countywide property decreased from \$5.63 per \$1,000 of taxable valuation in FY07 to \$5.54 per \$1,000 of taxable valuation in FY08. The levy rate for rural property increased slightly from \$3.10 per \$1,000 of taxable valuation to \$3.11 per \$1,000 of taxable valuation in FY08. This combination led to the increase in tax asking of approximately \$137,475.

Expenses in FY08 were 4.4% higher than FY07, with a majority of the increases coming in the public safety and legal services, mental health and roads and transportation functions.

INDIVIDUAL MAJOR FUND ANALYSIS

As Story County completed the year, its governmental funds reported a combined fund balance of \$12,834,245, which is \$3,525,751 more than the \$9,308,494 combined fund balance at the end of FY07. The difference is explained by individual fund.

The General Fund, the operating fund for Story County, ended FY08 with an ending balance totaling \$4,702,761. This is a decrease of \$248,081, or 5%.

Story County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY08 ended with a \$2,020,597 balance compared to \$760,302 at the end of FY07. This increase is due to an increase 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 Services Fund ended FY08 with a \$1,272,255 balance compared to the prior year balance of \$1,000,646. The increase is due to revenues exceeding expenditures and other financing uses.

The Secondary Roads Fund ended FY08 with a \$1,696,877 balance compared to the prior year balance of \$1,627,961. The Department maintained 707 miles of gravel, 25 miles of dirt and over 200 miles of paved roads. One major construction project was completed during FY08.

The Debt Service Fund ended FY08 with a \$121,229 balance compared to the prior year balance of \$53,987. Bond principal and interest payments are made according to the bond maturity schedule. During the year, the County received bond proceeds of \$74,167 for capitalized interest to be paid in FY09.

The Capital Projects Fund FY08 ending fund balance was \$1,986,236 compared to the prior year deficit balance of \$(194). The increase was due to bond proceeds received of \$2,025,833. The County issued \$2.1 million in general obligation county road improvement bonds.

BUDGETARY HIGHLIGHTS

Story County amended the FY08 budget during the year. The amendment was made in May 2008. Receipts and other financing sources were increased \$2,168,454 due to additional state grant monies, state mental health funding, wind farm fees and permits and interest on investments. Disbursements and other financing uses decreased \$373,690, due primarily to a delay in purchasing election equipment.

The County's receipts were \$145,549 more than the amended budget, a variance of less than one percent. Total disbursements were \$1,139,618 less than the amended budget, a variance of 3%. This was due primarily to lower than anticipated personnel costs in most departments and delays in completing construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY08, Story County had approximately \$51.8 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 \$2.6 million over FY07.

Story County had depreciation expense in FY08 of \$2,368,775 and total accumulated depreciation of \$23,519,042 on the capital assets. This is an increase of \$62,455 in depreciation expense and \$1,684,713 for accumulated depreciation from FY07. 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 \$860,000 of general obligation bonds during FY08 and had \$8,130,000 outstanding at the end of FY08, compared to \$6,890,000 at the end of FY07.

Outstanding debt increased due to the County issuing \$2.1 million in general obligation county road improvement bonds and 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 \$249 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 2009 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 FY08 unemployment in Story County stood at 3.5% versus 3.3% a year ago. This compared with the State's unemployment rate of 4.0% and the national rate of 3.8% for the same period ending June 30, 2008.

These indicators were taken into account when adopting the budget for fiscal year 2009. The County's FY09 countywide valuation increased \$69,920,655 and the rural valuation increased \$42,138,080 over the respective FY08 valuations. The residential rollback decreased to 44.0803% for FY09 as compared to the FY08 rollback of 45.5596%. The FY09 budget proposed a 1.9% increase in receipts over the FY08 budget, along with a 8.2% increase in disbursements. The increase in receipts is primarily from property taxes and charges for service. The increase in disbursements is due to improvements on roads and trails, capital projects for county facilities, general election costs and medical care for inmates. Story County added no major programs or initiatives to the 2009 budget. Pay plan staff and union members received a 2-3% increase in salary and wages. Elected officials received a \$2,000 increase to their FY08 salaries. Flex reimbursement for all employees remained unchanged at \$550 per month. Re-estimated ending fund balances were anticipated to be lower with the total estimated to be 29% of disbursements at the end of FY08 and approximately 14% of disbursements by the close of FY09.

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, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 12,960,957
Receivables:	
Property tax:	
Delinquent	43,050
Succeeding year	18,095,000
Interest and penalty on property tax	58,668
Accounts	49,635
Accrued interest	187,650
Due from other governments	1,205,101
Inventories	449,868
Capital assets (net of accumulated depreciation)	<u>51,829,003</u>
Total assets	<u>84,878,932</u>
Liabilities	
Accounts payable	710,605
Accrued interest payable	34,838
Salaries and benefits payable	370,322
Due to other governments	765,851
Deferred revenue:	
Succeeding year property tax	18,095,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	905,000
Compensated absences	697,058
Portion due or payable after one year:	
General obligation bonds	<u>7,225,000</u>
Total liabilities	<u>28,803,674</u>
Net Assets	
Invested in capital assets, net of related debt	45,770,758
Restricted for:	
Supplemental levy purposes	502,004
Mental health purposes	1,875,299
Secondary roads purposes	1,644,200
Debt service	14,399
Community betterment	507,061
Other purposes	1,034,290
Unrestricted	<u>4,727,247</u>
Total net assets	<u>\$ 56,075,258</u>

See notes to financial statements.

Story County
Statement of Activities
Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 8,752,869	1,276,671	259,047	-	(7,217,151)
Physical health and social services	1,841,685	22,976	499,217	-	(1,319,492)
Mental health	8,957,872	160,622	6,792,680	-	(2,004,570)
County environment and education	2,402,878	358,449	417,708	32,000	(1,594,721)
Roads and transportation	5,746,028	83,878	2,849,814	3,614,439	802,103
Governmental services to residents	1,068,212	1,052,883	7,603	-	(7,726)
Administration	4,478,716	23,520	52,458	-	(4,402,738)
Interest on long-term debt	350,869	-	12,364	-	(338,505)
Total	\$ 33,599,129	2,978,999	10,890,891	3,646,439	(16,082,800)
General Revenues:					
Property and other county tax levied for:					
General purposes					16,258,098
Debt service					1,157,064
Penalty and interest on property tax					145,007
State tax credits					456,636
Local option sales tax					1,862,831
Unrestricted investment earnings					741,246
Gain on sale of capital assets					150,525
Miscellaneous					122,241
Total general revenues					20,893,648
Change in net assets					4,810,848
Net assets beginning of year					51,264,410
Net assets end of year					\$ 56,075,258

See notes to financial statements.

Story County
Balance Sheet
Governmental Funds

June 30, 2008

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 5,002,373	2,603,254	993,936
Receivables:			
Property tax:			
Delinquent	24,707	6,040	10,056
Succeeding year	12,193,000	2,981,000	1,757,000
Interest and penalty on property tax	58,668	-	-
Accounts	23,843	4,973	6,863
Accrued interest	179,309	-	-
Due from other governments	213,451	399,080	313,256
Inventories	-	-	-
Total assets	\$ 17,695,351	5,994,347	3,081,111
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 354,873	187,871	7,645
Salaries and benefits payable	214,112	73,399	34,249
Due to other governments	27,514	725,630	-
Deferred revenue:			
Succeeding year property tax	12,193,000	2,981,000	1,757,000
Other	203,091	5,850	9,962
Total liabilities	12,992,590	3,973,750	1,808,856
Fund balances:			
Reserved for:			
Supplemental levy purposes	542,385	-	-
Debt service	-	-	-
Community betterment	-	-	507,061
Unreserved:			
Designated for:			
Election equipment	170,000	-	-
Real estate software	130,000	-	-
Centralized dispatch software	83,568	-	-
Geothermal for community life building	-	225,800	-
Analysis of social services evaluation team (ASSET)	7,500	-	-
Undesignated, reported in:			
General fund	3,769,308	-	-
Special revenue funds	-	1,794,797	765,194
Capital projects fund	-	-	-
Total fund balances	4,702,761	2,020,597	1,272,255
Total liabilities and fund balances	\$ 17,695,351	5,994,347	3,081,111

See notes to financial statements.

Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
1,181,839	121,019	2,030,876	1,027,660	12,960,957
-	2,247	-	-	43,050
-	1,164,000	-	-	18,095,000
-	-	-	-	58,668
4,380	-	28	9,548	49,635
-	139	7,311	891	187,650
279,314	-	-	-	1,205,101
449,868	-	-	-	449,868
<u>1,915,401</u>	<u>1,287,405</u>	<u>2,038,215</u>	<u>1,038,099</u>	<u>33,049,929</u>
105,708	-	51,979	2,529	710,605
48,562	-	-	-	370,322
11,427	-	-	1,280	765,851
-	1,164,000	-	-	18,095,000
52,827	2,176	-	-	273,906
<u>218,524</u>	<u>1,166,176</u>	<u>51,979</u>	<u>3,809</u>	<u>20,215,684</u>
-	-	-	-	542,385
-	121,229	-	-	121,229
-	-	-	-	507,061
-	-	-	-	170,000
-	-	-	-	130,000
-	-	-	-	83,568
-	-	-	-	225,800
-	-	-	-	7,500
-	-	-	-	3,769,308
1,696,877	-	-	1,034,290	5,291,158
-	-	1,986,236	-	1,986,236
<u>1,696,877</u>	<u>121,229</u>	<u>1,986,236</u>	<u>1,034,290</u>	<u>12,834,245</u>
<u>1,915,401</u>	<u>1,287,405</u>	<u>2,038,215</u>	<u>1,038,099</u>	<u>33,049,929</u>

Story County

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

June 30, 2008

Total governmental fund balances (page 19) \$ 12,834,245

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 governmental funds. The cost of assets is \$75,348,045 and the accumulated depreciation is \$23,519,042 51,829,003

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 273,906

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 governmental funds. (8,861,896)

Net assets of governmental activities (page 16) \$ 56,075,258

See notes to financial statements.

Story County

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

Year ended June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 11,612,693	2,991,001	3,520,958	-
Interest and penalty on property tax	143,170	-	-	-
Intergovernmental	1,650,660	7,053,421	371,869	2,844,250
Licenses and permits	10,300	-	194,299	12,250
Charges for service	1,378,989	160,623	44,625	6,690
Use of money and property	810,574	-	-	-
Miscellaneous	101,578	3,859	15,325	18,637
Total revenues	15,707,964	10,208,904	4,147,076	2,881,827
Expenditures:				
Operating:				
Public safety and legal services	6,995,137	-	1,323,584	-
Physical health and social services	1,824,247	-	4,020	-
Mental health	-	8,951,224	-	-
County environment and education	1,193,716	-	1,102,381	-
Roads and transportation	-	-	240,000	4,558,021
Governmental services to residents	1,045,720	-	982	-
Administration	4,168,920	-	4,500	-
Debt service	-	-	-	-
Capital projects	213,805	-	-	120,290
Total expenditures	15,441,545	8,951,224	2,675,467	4,678,311
Excess (deficiency) of revenues over (under) expenditures	266,419	1,257,680	1,471,609	(1,796,484)
Other financing sources (uses):				
Sale of capital assets	500	2,615	-	215,400
General obligation bonds issued	-	-	-	-
Operating transfers in	-	-	-	1,650,000
Operating transfers out	(515,000)	-	(1,200,000)	-
Total other financing sources (uses)	(514,500)	2,615	(1,200,000)	1,865,400
Net change in fund balances	(248,081)	1,260,295	271,609	68,916
Fund balances beginning of year	4,950,842	760,302	1,000,646	1,627,961
Fund balances end of year	\$ 4,702,761	2,020,597	1,272,255	1,696,877

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
1,157,277	-	-	19,281,929
-	-	-	143,170
28,122	-	46,153	11,994,475
-	-	-	216,849
-	-	23,389	1,614,316
12,364	7,339	182,543	1,012,820
-	-	239,207	378,606
<u>1,197,763</u>	<u>7,339</u>	<u>491,292</u>	<u>34,642,165</u>
-	-	167,477	8,486,198
-	-	-	1,828,267
-	-	-	8,951,224
-	-	125,296	2,421,393
-	-	-	4,798,021
-	-	18,219	1,064,921
-	-	97	4,173,517
1,204,688	-	-	1,204,688
-	86,742	85,863	506,700
<u>1,204,688</u>	<u>86,742</u>	<u>396,952</u>	<u>33,434,929</u>
(6,925)	(79,403)	94,340	1,207,236
-	-	-	218,515
74,167	2,025,833	-	2,100,000
-	40,000	25,000	1,715,000
-	-	-	(1,715,000)
<u>74,167</u>	<u>2,065,833</u>	<u>25,000</u>	<u>2,318,515</u>
67,242	1,986,430	119,340	3,525,751
53,987	(194)	914,950	9,308,494
<u>121,229</u>	<u>1,986,236</u>	<u>1,034,290</u>	<u>12,834,245</u>

Story County

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

Year ended June 30, 2008

Net change in fund balances - Total governmental funds (page 23) \$ 3,525,751

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	\$ 1,383,468	
Capital assets contributed by the Iowa Department of Transportation and others	3,646,439	
Depreciation expense	<u>(2,368,775)</u>	2,661,132

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.

(67,990)

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	(3,936)	
Other	<u>(25,216)</u>	(29,152)

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

Issued	(2,100,000)	
Repaid	<u>860,000</u>	(1,240,000)

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	(32,712)	
Interest on long-term debt	<u>(6,181)</u>	(38,893)

Change in net assets of governmental activities (page 17) \$ 4,810,848

See notes to financial statements.

Story County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,965,535
Other County officials	199,960
Employee health insurance plan	14,834
Receivables:	
Property tax:	
Delinquent	136,563
Succeeding year	78,861,000
Accounts	95,964
Accrued interest	1,428
Assessments	448,342
Due from other governments	62,587
Total assets	83,786,213

Liabilities

Accounts payable	200,574
Salaries and benefits payable	27,116
Due to other governments	82,861,426
Trusts payable	628,607
Compensated absences	68,490
Total liabilities	83,786,213

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

See notes to financial statements.

Story County

Notes to Financial Statements

June 30, 2008

(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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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.

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, 2008. 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, 2008, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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 \$2,000,000 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, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 450,000
	Special Revenue:	
	Rural Services	1,200,000
		<u>1,650,000</u>
Conservation Land Acquisition	General	25,000
Capital Projects	General	40,000
Total		<u>\$ 1,715,000</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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,731,626	184,001	(19,000)	3,896,627
Land, road network	117,327	-	-	117,327
Construction in progress, road network	71,129	3,683,512	(3,754,641)	-
Construction in progress, other	73,009	117,794	-	190,803
Total capital assets not being depreciated	<u>3,993,091</u>	<u>3,985,307</u>	<u>(3,773,641)</u>	<u>4,204,757</u>
Capital assets being depreciated:				
Buildings	25,572,491	22,200	-	25,594,691
Improvements other than buildings	170,204	85,863	-	256,067
Equipment and vehicles	8,865,560	1,021,343	(817,858)	9,069,045
Infrastructure, road network	31,069,927	3,754,641	-	34,824,568
Infrastructure, other	1,398,917	-	-	1,398,917
Total capital assets being depreciated	<u>67,077,099</u>	<u>4,884,047</u>	<u>(817,858)</u>	<u>71,143,288</u>
Less accumulated depreciation for:				
Buildings	4,969,548	511,580	-	5,481,128
Improvements other than buildings	20,716	11,945	-	32,661
Equipment and vehicles	5,701,473	693,116	(684,062)	5,710,527
Infrastructure, road network	10,853,258	1,111,308	-	11,964,566
Infrastructure, other	289,334	40,826	-	330,160
Total accumulated depreciation	<u>21,834,329</u>	<u>2,368,775</u>	<u>(684,062)</u>	<u>23,519,042</u>
Total capital assets being depreciated, net	<u>45,242,770</u>	<u>2,515,272</u>	<u>(133,796)</u>	<u>47,624,246</u>
Governmental activities capital assets, net	<u>\$ 49,235,861</u>	<u>6,500,579</u>	<u>(3,907,437)</u>	<u>51,829,003</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 413,762
Physical health and social services		3,624
Mental health		76,180
County environment and education		92,499
Roads and transportation		1,526,363
Administration		256,347
		<u>2,368,775</u>
Total depreciation expense - governmental activities		<u>\$ 2,368,775</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 27,514
Special Revenue:		
Mental Health	Services	725,630
Secondary Roads	Services	11,427
Other	Services	1,280
		<u>738,337</u>
Total for governmental funds		<u>\$ 765,851</u>
Agency:		
County Offices	Collections	\$ 78,215
Agricultural Extention Education		261,740
County Assessor		731,459
City Assessor		956,160
Schools		43,598,713
Community Colleges		1,661,983
Corporations		31,105,827
Townships		396,239
City Special Assessments		459,219
Auto License and Use Tax		1,252,013
All other		2,359,858
Total for agency funds		<u>\$ 82,861,426</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	General Obligation Bonds	Compen- sated Absences	Total
Balances beginning of year	\$ 6,890,000	664,346	7,554,346
Increases	2,100,000	910,842	3,010,842
Decreases	(860,000)	(878,130)	(1,738,130)
Balances end of year	\$ 8,130,000	697,058	8,827,058
Due within one year	\$ 905,000	697,058	1,602,058

Bonds Payable

A summary of the County's June 30, 2008 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
2009		\$ -	250,332	4.95%	\$ 905,000	50,985
2010	4.90-5.10%	825,000	250,332	4.95	125,000	6,188
2011	4.90-5.10	975,000	209,908		-	-
2012	4.95-5.10	1,020,000	161,646		-	-
2013	5.05-5.10	1,070,000	110,646		-	-
2014-2018	5.10	1,110,000	56,610		-	-
2019		-	-		-	-
Total		\$ 5,000,000	1,039,474		\$ 1,030,000	57,173

Year Ending June 30,	Series 2008 Issued Jun 1, 2008			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2009	3.40-3.85%	\$ -	74,168	905,000	375,485	1,280,485
2010	3.40-3.85	295,000	74,168	1,245,000	330,688	1,575,688
2011	3.40-3.85	170,000	64,138	1,145,000	274,046	1,419,046
2012	3.40-3.85	180,000	58,358	1,200,000	220,004	1,420,004
2013	3.40-3.85	185,000	52,238	1,255,000	162,884	1,417,884
2014-2018	3.40-3.85	1,040,000	160,116	2,150,000	216,726	2,366,726
2019	3.85	230,000	8,856	230,000	8,856	238,856
Total		\$ 2,100,000	492,042	8,130,000	1,588,689	9,718,689

During the year ended June 30, 2008, the County issued \$2,100,000 of general obligation bonds and retired \$860,000 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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$1,018,429, \$959,301 and \$948,306, 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 563 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 200 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, 2008 were \$288,345.

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 \$10,000,000 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, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, 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.

(10) Construction Commitments

The County has entered into contracts for \$1,740,316 for the Heart of Iowa Nature Trail improvements and \$2,160,153 for road resurfacing. As of June 30, 2008, no costs had been incurred on the contracts.

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, 2008

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 19,249,265	-	19,249,265
Interest and penalty on property tax	144,087	-	144,087
Intergovernmental	11,939,810	-	11,939,810
Licenses and permits	213,010	-	213,010
Charges for service	1,636,767	-	1,636,767
Use of money and property	1,022,550	-	1,022,550
Miscellaneous	382,653	23,077	359,576
Total receipts	<u>34,588,142</u>	<u>23,077</u>	<u>34,565,065</u>
Disbursements:			
Public safety and legal services	8,477,278	-	8,477,278
Physical health and social services	1,776,502	-	1,776,502
Mental health	8,828,883	-	8,828,883
County environment and education	2,416,586	28,912	2,387,674
Roads and transportation	4,809,121	-	4,809,121
Governmental services to residents	1,055,846	-	1,055,846
Administration	4,148,375	-	4,148,375
Debt service	1,204,687	-	1,204,687
Capital projects	507,503	-	507,503
Total disbursements	<u>33,224,781</u>	<u>28,912</u>	<u>33,195,869</u>
Excess (deficiency) of receipts over (under) disbursements	1,363,361	(5,835)	1,369,196
Other financing sources, net	<u>2,318,515</u>	-	<u>2,318,515</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,681,876	(5,835)	3,687,711
Balance beginning of year	<u>9,279,081</u>	<u>169,691</u>	<u>9,109,390</u>
Balance end of year	<u>\$ 12,960,957</u>	<u>163,856</u>	<u>12,797,101</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
19,196,310	19,286,310	(37,045)
62,164	62,164	81,923
10,615,883	11,980,551	(40,741)
26,050	212,090	920
1,666,730	1,671,910	(35,143)
734,415	968,415	54,135
215,200	238,076	121,500
<u>32,516,752</u>	<u>34,419,516</u>	<u>145,549</u>
8,396,474	8,511,274	33,996
1,905,727	1,909,227	132,725
9,116,173	9,186,173	357,290
2,571,806	2,519,376	131,702
4,672,070	4,882,070	72,949
1,731,660	1,188,660	132,814
4,386,219	4,396,219	247,844
1,205,388	1,205,388	701
788,660	537,100	29,597
<u>34,774,177</u>	<u>34,335,487</u>	<u>1,139,618</u>
(2,257,425)	84,029	1,285,167
<u>5,000</u>	<u>205,690</u>	<u>2,112,825</u>
(2,252,425)	289,719	3,397,992
<u>7,868,150</u>	<u>8,911,579</u>	<u>197,811</u>
<u><u>5,615,725</u></u>	<u><u>9,201,298</u></u>	<u><u>3,595,803</u></u>

Story County
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 34,588,142	54,023	34,642,165
Expenditures	33,224,781	210,148	33,434,929
Net	1,363,361	(156,125)	1,207,236
Other financing sources, net	2,318,515	-	2,318,515
Beginning fund balances	9,279,081	29,413	9,308,494
Ending fund balances	\$ 12,960,957	(126,712)	12,834,245

See accompanying independent auditor's report.

Story County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 ten major classes of expenditures known as functions, not by fund. These ten 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, one budget amendment decreased budgeted disbursements by \$438,690. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Story County

Other Supplementary Information

Story County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

				Special
	County Recorder's Records Management	Drainage Districts	Employee Wellness	Resource Enhancement and Protection
Assets				
Cash and pooled investments	\$ 142,493	163,856	322	122,726
Receivables:				
Accounts	1,251	-	-	-
Accrued interest	155	-	-	133
Total assets	\$ 143,899	163,856	322	122,859
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 28	-	-	-
Due to other governments	-	-	-	-
Total liabilities	28	-	-	-
Fund balance:				
Unreserved	143,871	163,856	322	122,859
Total liabilities and fund equity	\$ 143,899	163,856	322	122,859

See accompanying independent auditor's report.

Revenue					
Special Law Enforcement	Jail Commissary	Friends of Animals	Friends of Conservation	Sheriff Reserve Officers	Total
26,287	61,935	112,319	377,770	19,952	1,027,660
327	7,650	320	-	-	9,548
-	70	123	410	-	891
26,614	69,655	112,762	378,180	19,952	1,038,099
-	813	64	1,624	-	2,529
1,280	-	-	-	-	1,280
1,280	813	64	1,624	-	3,809
25,334	68,842	112,698	376,556	19,952	1,034,290
26,614	69,655	112,762	378,180	19,952	1,038,099

Story County

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

Year ended June 30, 2008

	County Recorder's Records Management	Drainage Districts	Employee Wellness	Special Resource Enhancement and Protection
Revenues:				
Intergovernmental	\$ -	-	-	36,003
Charges for service	16,133	-	-	-
Use of money and property	3,753	-	-	3,022
Miscellaneous	-	23,077	257	-
Total revenues	19,886	23,077	257	39,025
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	28,912	-	-
Governmental services to residents	18,219	-	-	-
Administration	-	-	97	-
Capital projects	-	-	-	20,863
Total expenditures	18,219	28,912	97	20,863
Excess (deficiency) of revenues over (under) expenditures	1,667	(5,835)	160	18,162
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,667	(5,835)	160	18,162
Fund balances beginning of year	142,204	169,691	162	104,697
Fund balances end of year	\$ 143,871	163,856	322	122,859

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	
-	-	-	10,150	-	-	46,153	
-	-	-	-	7,256	-	23,389	
-	165,216	2,291	8,261	-	-	182,543	
11,712	410	62,453	141,298	-	-	239,207	
11,712	165,626	64,744	159,709	7,256	-	491,292	
14,780	150,380	-	-	2,317	-	167,477	
-	-	7,490	88,894	-	-	125,296	
-	-	-	-	-	-	18,219	
-	-	-	-	-	-	97	
-	-	-	-	-	65,000	85,863	
14,780	150,380	7,490	88,894	2,317	65,000	396,952	
(3,068)	15,246	57,254	70,815	4,939	(65,000)	94,340	
-	-	-	-	-	25,000	25,000	
(3,068)	15,246	57,254	70,815	4,939	(40,000)	119,340	
28,402	53,596	55,444	305,741	15,013	40,000	914,950	
25,334	68,842	112,698	376,556	19,952	-	1,034,290	

Story County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,215	209,329	200,769	361,775
Other County officials	199,960	-	-	-	-
Employee health insurance plan	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	525	2,802	393	94,938
Succeeding year	-	259,000	562,000	798,000	43,142,000
Accounts	157	-	-	-	-
Accrued interest	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 200,117	261,740	774,131	999,162	43,598,713
Liabilities					
Liabilities:					
Accounts payable	\$ -	-	1,369	672	-
Salaries and benefits payable	-	-	11,498	11,467	-
Due to other governments	78,215	261,740	731,459	956,160	43,598,713
Trusts payable	121,902	-	-	-	-
Compensated absences	-	-	29,805	30,863	-
Total liabilities	\$ 200,117	261,740	774,131	999,162	43,598,713

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
14,659	242,877	4,107	10,877	1,252,013	1,666,914	3,965,535
-	-	-	-	-	-	199,960
-	-	-	-	-	14,834	14,834
3,324	29,950	2,132	-	-	2,499	136,563
1,644,000	30,833,000	390,000	-	-	1,233,000	78,861,000
-	-	-	-	-	95,807	95,964
-	-	-	-	-	1,428	1,428
-	-	-	448,342	-	-	448,342
-	-	-	-	-	62,587	62,587
1,661,983	31,105,827	396,239	459,219	1,252,013	3,077,069	83,786,213
-	-	-	-	-	198,533	200,574
-	-	-	-	-	4,151	27,116
1,661,983	31,105,827	396,239	459,219	1,252,013	2,359,858	82,861,426
-	-	-	-	-	506,705	628,607
-	-	-	-	-	7,822	68,490
1,661,983	31,105,827	396,239	459,219	1,252,013	3,077,069	83,786,213

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

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	City Assessor	Schools
Assets and Liabilities					
Balances beginning of year	\$ 258,497	262,230	758,708	880,050	42,803,437
Additions:					
Property and other county tax	-	258,430	562,132	796,248	43,061,589
E911 surcharge	-	-	-	-	-
State tax credits	-	6,251	23,011	10,320	1,069,904
Office fees and collections	1,343,492	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,290,867	-	-	-	-
Miscellaneous	-	-	2,376	2,918	4,109
Total additions	2,634,359	264,681	587,519	809,486	44,135,602
Deductions:					
Agency remittances:					
To other funds	663,811	-	-	-	-
To other governments	737,297	265,171	572,096	690,374	43,340,326
Trusts paid out	1,291,631	-	-	-	-
Total deductions	2,692,739	265,171	572,096	690,374	43,340,326
Balances end of year	\$ 200,117	261,740	774,131	999,162	43,598,713

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
1,975,271	29,378,326	376,712	602,502	1,381,711	3,160,415	81,837,859
1,403,951	31,049,178	388,600	-	-	1,230,511	78,750,639
-	-	-	-	-	375,760	375,760
41,440	606,094	17,394	-	-	28,846	1,803,260
-	-	-	-	-	225	1,343,717
-	-	-	-	14,699,528	-	14,699,528
-	-	-	33,938	-	3,195	37,133
-	-	-	-	-	2,305,915	3,596,782
-	-	632	-	-	2,012,017	2,022,052
1,445,391	31,655,272	406,626	33,938	14,699,528	5,956,469	102,628,871
-	-	-	-	454,832	-	1,118,643
1,758,679	29,927,771	387,099	177,221	14,374,394	2,898,281	95,128,709
-	-	-	-	-	3,141,534	4,433,165
1,758,679	29,927,771	387,099	177,221	14,829,226	6,039,815	100,680,517
1,661,983	31,105,827	396,239	459,219	1,252,013	3,077,069	83,786,213

Story County

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

For the Last Ten Years

	2008	2007	2006	2005	Modified 2004
Revenues:					
Property and other county tax	\$ 19,281,929	19,098,212	18,297,769	17,565,411	18,110,937
Interest and penalty on property tax	143,170	175,492	165,595	174,780	216,990
Intergovernmental	11,994,475	9,123,604	10,627,342	10,479,462	9,911,479
Licenses and permits	216,849	38,146	35,570	34,244	30,820
Charges for service	1,614,316	1,733,658	1,740,150	1,678,633	1,714,981
Use of money and property	1,012,820	958,174	643,740	573,746	417,697
Miscellaneous	378,606	347,969	614,733	322,436	358,339
Total	\$ 34,642,165	31,475,255	32,124,899	30,828,712	30,761,243
Expenditures:					
Operating:					
Public safety and legal services	\$ 8,486,198	8,133,511	7,619,168	7,251,375	7,194,684
Physical health and social services	1,828,267	1,723,515	1,831,092	1,732,944	1,702,512
Mental health	8,951,224	8,382,751	7,899,548	7,716,964	7,881,446
County environment and education	2,421,393	2,347,314	2,393,141	2,976,832	2,441,499
Roads and transportation	4,798,021	4,071,732	4,145,529	4,498,123	4,350,040
Governmental services to residents	1,064,921	1,057,778	1,223,635	1,106,653	1,067,021
Administration	4,173,517	4,129,527	4,043,982	3,880,953	3,848,303
Non-program	-	-	-	-	-
Debt service	1,204,688	1,200,123	1,203,342	1,193,858	1,191,462
Capital projects	506,700	1,004,179	1,521,996	3,489,827	713,520
Total	\$ 33,434,929	32,050,430	31,881,433	33,847,529	30,390,487

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
31,358,546	29,447,838	26,641,601	26,423,882	25,715,701
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
28,516,465	31,408,144	36,495,675	30,448,940	27,419,945

Schedule 6

Story County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bullet Proof Vest Partnership Program	16.607		\$ 625
State Criminal Alien Assistance Program	16.606	2008-AP-BX-0793	35,716
U.S. Department of Health and Human Services:			
Substance Abuse and Mental Health Service - Projects of Regional and National Significance	93.243	2006-MO-BX-0017	45,926
Total direct			<u>82,267</u>
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		<u>33,493</u>
U.S. Department of Justice:			
Iowa Department of Commerce:			
Iowa Alcoholic Beverage Division:			
Tobacco Surveillance Grant	16.000		<u>2,050</u>
Governor's Office of Drug Control Policy:			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	06-OJJPD06	<u>6,633</u>
Public Safety Partnership and Community Policing Grants	16.710	05-MDDR-01	<u>28,800</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06JAG/CO6-A01	<u>79,544</u>
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-08-49	<u>19,430</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-ES-E-CO85(90)-8T-85	93,158
Recreational Trails Program	20.219	2005-NT-003	510
			<u>93,668</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP-07-04 Task 27	1,851
State and Community Highway Safety	20.600	PAP-08-04 Task 27	3,998
			<u>5,849</u>
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public	20.703	HMEP	<u>293</u>

Story County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Election Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401		3,850
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		36,104
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		8,762
Foster Care - Title IV-E	93.658		21,065
Adoption Assistance	93.659		5,031
State Children's Insurance Program	93.767		300
Medical Assistance Program	93.778		46,005
Social Services Block Grant	93.667		23,683
Social Services Block Grant	93.667		452,878
			<u>476,561</u>
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	19,910
Disaster Grants-Public Assistance (Presidentially Declared Diasters)	97.036	FEMA 1763 DR IA	52,827
Emergency Management Performance Grants	97.042		45,106
Homeland Security Grant Program	97.067	2005-GE-T5-56 (Citizens Corp)	11,301
Homeland Security Grant Program	97.067	2005-GE-T5-56 (Regional)	41,658
Homeland Security Grant Program	97.067	2006-GE-T6-0065-001 (Regional)	6,590
Homeland Security Grant Program	97.067	2007-GE-T7-0032-001 (Regional)	1,599
			<u>61,148</u>
Total indirect			<u>1,046,429</u>
Total			<u>\$ 1,128,696</u>

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

See accompanying independent auditor's report.

Story County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Story County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Story County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 20, 2009. 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

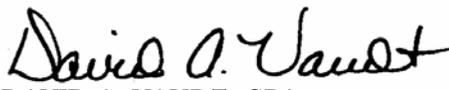
As part of obtaining reasonable assurance about whether Story County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 an immaterial instance of non-compliance or other matters that is described in the accompanying Schedule of Findings and Questioned Costs.

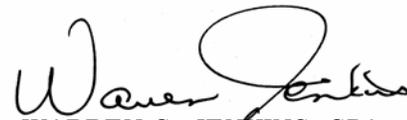
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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

January 20, 2009

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

Story County



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Story County:

Compliance

We have audited the compliance of Story County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. 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 to its major federal program is the responsibility of Story County's management. Our responsibility is to express an opinion on Story County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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, 2008.

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

January 20, 2009

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 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 offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Office</u>
(1) 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
(2) One individual had control over cash receipts collecting, depositing, journalizing and posting.	Extension Office

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Treasurer and Extension Office should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances. The Treasurer and Extension Office 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.

Responses:

Treasurer – 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 have increased 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 transactions open the mail is not possible.

Extension Office – The Story County Extension office handles income from various sources which is usually received via a mailed check. Since August 2008, when the mail arrives, the Office Manager records all receipts of income or checks before passing it off to the Office Assistant in charge of bookkeeping. The Office Assistant in charge of bookkeeping then records the deposit on a spreadsheet and makes the deposit at the bank. Later, the Office Manager verifies the receipts and deposits agree with the initial listing.

Conclusion – Responses accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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.

In addition, one individual is responsible for collecting and depositing the 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 – An agency fund is currently being used to deposit deferred compensation distribution checks, and a check is then issued to the appropriate participant or participant’s choice of appropriate service provider. IRS reporting on 1099R will take place for any such transactions necessary.

The County is currently in process of having all deferred compensation accounts be transferred from Story County’s name to the individual employee name. Until completed, the County will discuss procedures to be used during the interim regarding paperwork for disbursements, review of quarterly statements to monitor disbursements, and ascertain correct tax reporting.

Conclusion – Response accepted.

II-C-08 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 incorporate a capital asset deletion policy into the Accounting, Auditor, and Financial Reporting Policy. The policy will state that proper Department authorization is required for the deletion.

Conclusion – Response accepted.

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

II-D-08 Untimely Deposit of Collections – Seven checks totaling \$4,021 were held in the Board of Supervisor’s Office for up to two years. Due to the age of the checks held, the County obtained reissued checks from the vendors and subsequently deposited these checks with the County Treasurer’s Office.

Recommendation – All collections should be remitted to the County Treasurer timely.

Response – The County will discuss a policy to be incorporated into the Revenue and Expenditure Policies which indentifies the procedures to be used for checks received by Story County departments, including the timely remittance to the County Treasurer’s office.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Story County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

IV-B-08 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-08 Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Jan Sayer, employee of the Human Resources department	Cleaning County vehicles	\$ 552
Michelle Good, Sheriff's Office, Husband owns Good and Quick	Auto repair and maintenance	2,834

In accordance with Chapter 331.342(10) of the Code of Iowa, the vehicle cleaning 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-08 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-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-08 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).

Story County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-I-08 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-08 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, 2008 for the County Extension Office did not exceed the amount budgeted.

Story County

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Billie Jo Heth, Senior Auditor II
Brett C. Conner, Staff Auditor
Janet K. Mortvedt, Staff Auditor
Adam D. Steffensmier, Assistant Auditor
Alison P. Baker, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a prominent initial 'A' and a dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA
Deputy Auditor of State