



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ January 29, 2004 _____

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

The County has implemented new reporting standards for the year ended June 30, 2003, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$27,849,389 for the year ended June 30, 2003, which included \$1,518,665 in tax credits from the state. The County forwarded \$22,105,721 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,743,668 of the local tax revenue to finance County operations. Other revenue included charges for service of \$3,091,964, operating grants and contributions of \$3,884,751, capital grants and contributions of \$3,627,500, local option sales tax of \$582,167, unrestricted investment earnings of \$160,761 and other general revenues of \$214,787.

Expenses for County operations totaled \$13,048,052, and included \$3,700,820 for roads and transportation, \$2,136,380 for mental health, and \$2,009,746 for public safety and legal services.

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

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BOONE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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Boone County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2003)		
Donovan Olson	Board of Supervisors	Jan 2003
David W. Reed	Board of Supervisors	Jan 2005
Albert G. Sorenson	Board of Supervisors	Jan 2005
Philippe Meier	County Auditor	Jan 2005
L. Cheryl Hunter	County Treasurer	Jan 2003
Sheryl Thul	County Recorder	Jan 2003
Ronald Fehr	County Sheriff	Jan 2005
Jim Robbins	County Attorney	Jan 2003
Kathleen A. Anderson	County Assessor	Jan 2007
(After January 2003)		
David W. Reed	Board of Supervisors	Jan 2005
Albert G. Sorenson	Board of Supervisors	Jan 2005
Mike O'Brien	Board of Supervisors	Jan 2007
Philippe Meier	County Auditor	Jan 2005
L. Cheryl Hunter	County Treasurer	Jan 2007
Sheryl Thul	County Recorder	Jan 2007
Ronald Fehr	County Sheriff	Jan 2005
Jim Robbins	County Attorney	Jan 2007
Kathleen A. Anderson	County Assessor	Jan 2007

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Independent Auditor's Report

To the Officials of Boone County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Boone County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, the business type activities, each major fund, and the aggregate remaining fund information of Boone County as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 15 to the financial statements, during the year ended June 30, 2003, Boone County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. The County also changed its capital asset capitalization threshold as described in Note 15.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2003 on our consideration of Boone County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 19 and 52 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone County provides this Management Discussion and Analysis of the Boone County FY2002-2003 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped that this section will assist you in understanding the events that significantly affected the financial position of Boone County as a whole.

This is the first year that Boone County is required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. A comprehensive comparison to fiscal year 2001-2002 is not possible. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years comparison to prior year data will be provided for all key financial information.

2003 FINANCIAL HIGHLIGHTS

- Boone County governmental funds revenue decreased by \$123,323, or 1.04%, which is substantially status quo compared to FY2002. Taxes levied on property and other County tax increased \$305,938, or 5.56%, from FY2002.
- Boone County program expenditures decreased \$1,817,963, or 12.66%, compared to FY2002. Capital project expenditures were \$1,982,061 less than in FY2002.
- Boone County's net assets increased approximately \$4.3 million from 2002.
- Boone County began design and construction on a new law enforcement center in FY2001. This project was substantially completed in November 2002.

USING THIS REPORT

This report consists of four parts: management's discussion and analysis (this section), the basic financial statements and required and other supplementary information. The financial statements include two kinds of statements that present different views of Boone County.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about Boone County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Boone County, reporting Boone County's operations in more detail than the government-wide financial statements.
- The governmental funds statements explain how basic services, such as mental health and secondary road maintenance and construction, were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short term and long term financial information about activities Boone County operates like a business. In Boone County, the landfill operations are the only enterprise reported as a proprietary fund.
- Fiduciary funds statements provide information about financial relationships which Boone County acts solely as a trustee or agent to benefit others. Examples of these funds include the Empowerment, Emergency Management Services, and other agency funds for collecting and distributing taxes to schools, cities, and other taxing authorities.

The financial statements also include notes to explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of Boone County's budget for FY2003. Other supplementary information provides detailed information about the nonmajor special revenue funds and agency funds.

REPORTING THE COUNTY AS A WHOLE

The government-wide financial statements report information about Boone County as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Assets includes all of Boone County's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when the cash was received or paid.

The two government-wide financial statements report Boone County's net assets and how they have changed. Net assets - the difference between Boone County's assets and liabilities - are one way to measure Boone County's financial health or position.

- Over time, increases or decreases in Boone County's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Boone County's overall financial health, you need to consider Boone County's property tax base and the condition of its buildings and other facilities.

In the government-wide financial statements, Boone County's activities are divided into two categories:

- Governmental activities: Boone County's basic services are included here, including public safety and legal services, physical health and social services, mental health, mental retardation, and developmental disabilities, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities.
- Business type activities: The Boone County Landfill charges fees to cover the services it provides. The Boone County Landfill's financial information is presented here.

Fund Financial Statements

The fund financial statements provide more detailed information about Boone County's funds, focusing on its most significant or "major" funds - not Boone County as a whole. Funds are accounting devices Boone County uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and bond covenants.
- Boone County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues such as federal grants.

Boone County has three types of funds:

- 1) Governmental Funds: Most of Boone County's basic services are included in governmental funds, which generally focus on: 1) How cash and other financial assets can readily be converted to cash flow in and out. 2) The balances left over at year-end that are available to provide spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine if there are more or fewer financial resources that can be spent in the near future to finance Boone County's programs. Because this information does not encompass the additional long term focus of government-wide financial statements, additional information on Exhibit D and Exhibit F explain the relationship or differences between the two statements. Boone County's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

- 2) Proprietary Funds: Boone County's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. Boone County has three enterprise funds, Landfill Operations Fund, Landfill Closure/Post-Closure Fund and Ground Water Tax Fund.
- 3) Fiduciary Funds: Boone County is the trustee, or fiduciary, for assets that belong to others, such as Trustee Drainage Districts, Emergency Management Services, County Assessor, Empowerment, and the agency funds necessary to collect and distribute property taxes to schools, cities, and all other taxing authorities. Boone County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Boone County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary funds report a liability due to other governments and, therefore, the fiduciary funds do not report a fund balance.

BOONE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Boone County's net assets for FY2003 totaled \$28,755,231. Net assets (restated) on June 30, 2002 were \$24,497,685. Net assets increased 17% as a result of FY2003 Boone County operations. \$3,627,500 of the increase is attributed to assets paid for from the state farm to market road fund which are not funds that flow through the County budget.

Net Assets of Boone County Governmental and Business Type Activities

	Governmental Activities	Business Type Activities	Total
Current and other assets	\$ 11,678,071	2,560,245	14,238,316
Capital assets	24,216,326	2,179,848	26,396,174
Total assets	<u>35,894,397</u>	<u>4,740,093</u>	<u>40,634,490</u>
Long-term debt	4,926,003	1,169,068	6,095,071
Other liabilities	5,674,081	110,107	5,784,188
Total liabilities	<u>10,600,084</u>	<u>1,279,175</u>	<u>11,879,259</u>
Net assets:			
Invested in capital assets, net of related debt	19,561,326	2,179,848	21,741,174
Restricted	4,034,052	128,823	4,006,336
Unrestricted	<u>1,698,935</u>	<u>1,152,247</u>	<u>3,007,721</u>
Total net assets	<u>\$ 25,294,313</u>	<u>3,460,918</u>	<u>28,755,231</u>

Net assets increased by \$4,257,546 compared to FY2002. The beginning balance on the Statement of Activities was restated due to the implementation of GASB 34 to include capital assets and the changes in assets and liabilities resulting from the conversion to the accrual basis of accounting. The largest portion of Boone County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment) less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets since they are unavailable for spending. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they may be used. Unrestricted net assets – the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, legislation, or other legal requirements - is \$3,007,721.

Changes In Net Assets of Boone County Governmental and Business Type Activities

	Governmental Activities	Business Type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$ 1,375,320	1,716,644	3,091,964
Operating grants and contributions	3,884,751	-	3,884,751
Capital grants and contributions	3,627,500	-	3,627,500
General revenues:			
Property tax	5,034,616	-	5,034,616
Property tax for debt service	408,409	-	408,409
Penalty and interest on property taxes	61,177	-	61,177
State tax credits	300,643	-	300,643
Local option sales tax	582,167	-	582,167
Grants and contributions not restricted to specific purpose	40,916	-	40,916
Unrestricted investment earnings	123,762	36,999	160,761
Gain on sale of capital assets	64,350	44,900	109,250
Miscellaneous	38	3,406	3,444
Total revenues	<u>15,503,649</u>	<u>1,801,949</u>	<u>17,305,598</u>
Program expenses:			
Public safety and legal services	2,009,746	-	2,009,746
Physical health and social services	620,148	-	620,148
Mental health	2,136,380	-	2,136,380
County environment and education	788,416	-	788,416
Roads and transportation	3,700,820	-	3,700,820
Governmental services to residents	457,021	-	457,021
Administration	1,145,154	-	1,145,154
Non-program	5,749	-	5,749
Interest on long-term debt	265,949	-	265,949
Solid waste	-	1,918,669	1,918,669
Total expenses	<u>11,129,383</u>	<u>1,918,669</u>	<u>13,048,052</u>
Increase in net assets	4,374,266	(116,720)	4,257,546
Net assets July 1 (as restated)	<u>20,920,047</u>	<u>3,577,638</u>	<u>24,497,685</u>
Net assets June 30	<u>\$ 25,294,313</u>	<u>3,460,918</u>	<u>28,755,231</u>

Boone County increased property tax rates by \$0.09 per \$1,000 of valuation in the rural levy and lowered property tax rates by \$0.164 per \$1,000 of valuation in the county-wide levy. Taxable value by levy, the actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	For Taxes Levied FY2003	For Taxes Levied FY2002
Countywide taxable value	\$ 944,094,125	892,629,581
Countywide levy rate without debt	3.93663	4.04482
Dollars levied without debt	3,716,548	3,610,530
County taxable debt service value	967,899,214	914,266,820
County debt service levy rate	0.44545	0.50169
Dollars levied debt service	431,149	458,681

	For Taxes Levied FY2003	For Taxes Levied FY2002
Total countywide rate	\$ 4.38208	4.54651
Total dollars levied countywide	4,147,697	4,069,211
Rural taxable value	595,495,875	570,371,982
Rural tax levy rate	2.12708	2.03734
Dollars levied rural area only	1,266,670	1,162,043
Total dollars levied	5,414,367	5,231,254

Governmental Activities

As stated earlier, this is the first year Boone County is required to prepare financial statements on a full accrual basis. It was determined by management that it was impractical to undertake the effort required to re-state the FY2002 financial information. Future years will analyze and compare revenues and expenditures detailing percentage increases or decreases and attempt to explain the reasons they occurred.

- Boone County's taxable valuation increased from \$892,629,581 to \$944,094,125 compared to the prior fiscal year. About \$6 million of the increase was in new construction, the remaining \$45 million increase was due to a state mandated equalization order. The increase in value due to equalization automatically drives up the County's requirement for match funding to qualify to receive its share of the Iowa road use tax funding without providing additional revenue. That, coupled with an anticipated slow down in local option sales tax collections available to the Rural Services Fund of \$50,000, accounts for the additional dollars levied in the Rural Services Fund.
- Revenues for governmental activities were \$15,503,649 while expenses amounted to \$11,129,383. In a difficult budgeting year, Boone County kept expenses under available revenues.
- The local option tax sales tax revenue totaled \$582,167. Boone County uses 75% of the sales tax revenue to reduce property tax in the Rural Services Fund. The remaining 25% of the tax is spent for community betterment projects throughout the County.

Net Cost Of Governmental Activities

	Program Revenues			Net Expense (Revenue)
	Expenses	Charges for Service	Operating and Capital Grants and Contributions	
Public safety and legal service	\$ 2,009,746	303,432	96,173	1,610,141
Physical health and social service	620,148	45,165	195,590	379,393
Mental health	2,136,380	14,569	863,813	1,257,998
County environment and education	788,416	359,373	14,796	414,247
Roads and transportation	3,700,820	106,079	6,337,288	(2,742,547)
Governmental service to residents	457,021	464,281	-	(7,260)
Administration	1,145,154	82,421	4,591	1,058,142
Non-program	5,749	-	-	5,749
Interest on long-term debt	265,949	-	-	265,949
Total	\$ 11,129,383	1,375,320	7,512,251	2,241,812

- The cost of all governmental activities this year was \$ 11,129,383.
- The portion of the cost financed by users of Boone County programs was \$1,375,320.
- The federal and state government and private contributors subsidized certain programs with operating grants and contributions totaling \$3,884,751 and a capital grant of \$3,627,500, which is farm to market funding that was used for road resurfacing projects whose expenditures were capitalized and depreciated. These funds did not flow through the County.
- The net cost portion of governmental activities was financed with property tax of \$5,504,202, \$582,167 of local option sales tax, \$123,762 of unrestricted investment earnings and \$64,350 of gain on sale of capital assets. Governmental activities revenues exceeded expenses by \$4,374,266.

Business Type Activities

Revenues of the Boone County Landfill increased 6.87% to \$1,801,949 while expenses decreased 2.84% to \$1,918,669. The County landfill is Boone County's only business type activity. Revenues of the landfill include charges for service, the Iowa Department of Natural Resources ground water fees retained and interest on investment earnings.

- A new earth scraper was purchased for \$490,000.
- Payments towards financial assurance were accelerated. Total payments of \$360,181 were made in FY2003.
- A new landfill development plan was prepared by Fox Engineering.
- A comprehensive solid waste management plan update was prepared. The consulting firms of Fox Engineering and Envirogen provided assistance to staff in the preparation of this update.

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

As previously noted, Boone County uses fund accounting to ensure and demonstrate compliance with finance-related requirements

The financial performance of Boone County as a whole is reflected in its governmental funds as well. As Boone County completed the year, its governmental funds reported combined fund balances of \$5,826,011, 10.70% below last year's balance of \$6,523,777, having paid over \$1.9 million for jail and road construction.

General Fund

	<u>Current Year</u>	<u>Prior Year</u>
Beginning fund balance	<u>\$ 1,251,764</u>	<u>1,254,412</u>
Property tax related	2,910,177	2,812,216
Local option sales tax	170,430	149,836
Intergovernmental	626,684	574,825
Permits and charges for service.	854,773	820,079
Interest and use of property	120,988	190,610
Miscellaneous	<u>77,294</u>	<u>37,693</u>
Total revenue	<u>4,760,346</u>	<u>4,585,259</u>
Public safety and legal services	1,892,653	1,874,602
Physical health and social services	620,149	773,584
County environment and education	444,692	502,432
Governmental services to residents	445,913	428,021
Administration	998,490	867,867

	<u>Current Year</u>	<u>Prior Year</u>
Capital projects	20,000	15,000
Transfers to other funds	115,390	127,947
Decrease (increase) reserves/prepaid	<u>(6,715)</u>	<u>(1,546)</u>
Total uses	<u>4,530,572</u>	<u>4,587,907</u>
Ending fund balance	<u>\$ 1,481,538</u>	<u>1,251,764</u>

Total dollars from property tax revenue increased 3.48%. The increase in dollars levied was \$97,961. It is estimated 68% of the increase was paid by taxpayers owning new construction in the County. The biggest reason for the additional dollars was to pay for the 23% increase in cost of employee health benefits. Local option tax revenue is up 13.74% compared to FY2002. Several state grants were reduced 5 to 15% and a few were totally eliminated. The state reductions of funding were \$116,700, or 19.12% compared to FY2002.

Permits and charges for service revenue increased by 4.23%, indicating a larger demand for service as no fees were increased. Interest revenue dropped from \$166,255 in FY2002 to \$95,698, or 42.44%. Boone County Conservation received in excess of \$44,000 from the Leonard Good Trust as a reimbursement of expenses paid in FY2002 and FY2003 in construction of two cabins at Don Williams Conservation Park. This donation is much appreciated and explains the increase in miscellaneous revenue.

Total expenditures and uses decreased by 1.25%, or \$57,335, compared to FY2002. This decrease was attributable to the lost state grant funding which, for the most part, is pass through dollars. As noted earlier in the revenue discussion, there was a reduction of almost 16% in this funding. Administration contains the new operational expenditures of the Law Enforcement Center. Labor costs, including wages and insurance, increased 15%.

Mental Health Fund

	<u>Current Year</u>	<u>Prior Year</u>
Beginning fund balance	<u>\$ 658,160</u>	<u>600,657</u>
Property tax related	882,157	880,800
Property tax relief payment	733,009	733,008
Other intergovernmental	131,238	300,267
Miscellaneous	<u>14,230</u>	<u>3,278</u>
Total revenue	<u>1,760,634</u>	<u>1,917,353</u>
Mental illness	214,520	228,359
Chronic mental illness	666,035	552,386
Mental retardation	1,249,613	1,014,020
Developmental disability	<u>6,212</u>	<u>65,085</u>
Total uses	<u>2,136,380</u>	<u>1,859,850</u>
Ending fund balance	<u>\$ 282,414</u>	<u>658,160</u>

The State of Iowa made a significant cut to mental health funding, and the major cuts were allocated to counties that had an excess of 35% ending fund balance on June 30, 2002. Boone County Mental Health Fund balance was 35.38% of FY2002 expenditures on June 30, 2002. Boone County lost \$169,029 of expected funding because of this cut. Boone County also experienced a 14.87% increase in expenditures for service. Most of the increase was due to additional mental retardation clients entering the system. Boone County's ending fund balance for FY2003, expressed as a percent of total expenditures, is 13.32%. This should qualify Boone County for state funding of 51.9% of the growth and other state allocation dollars for FY2004.

Rural Services Fund

	<u>Current Year</u>	<u>Prior Year</u>
Beginning fund balance	\$ 156,833	137,910
Property tax related	1,272,247	1,162,584
Local option sales tax	511,289	449,507
Charges for service and miscellaneous	19,442	14,717
Total Revenue	<u>1,802,978</u>	<u>1,626,808</u>
Weed control	52,306	41,887
Rural landfill per capita	41,480	41,480
Animal control	12,360	14,367
Planning and development	97,014	85,219
Library support	60,000	60,000
Township officials	2,251	1,340
Transfer to Secondary Roads	<u>1,429,649</u>	<u>1,363,592</u>
Total uses	<u>1,695,060</u>	<u>1,607,885</u>
Ending fund balance	<u>\$ 264,751</u>	<u>156,833</u>

Property tax revenue was increased for the following reasons.

1) The State of Iowa issued an equalization order to Boone County which increased the rural value of the County. This additional value caused an increase in taxes to maintain the County local effort match of state road use tax funding. Total additional dollars required were \$60,373 to maintain 80% funding of the local effort maximum.

2) Boone County expected local option sales tax revenue to decrease by \$25,000 because of the economic forecast for the State of Iowa to \$425,000. However, local option sales tax receipts increased 13.74%, or \$61,782.

The increase in charges for service reflects the increase in fees collected by Planning and Development Department. The increased expenses of that department are primarily due to the need to increase the office assistant position to full-time to meet customer demands. The net expense of the Planning and Development Department (Total expenses less revenue generated) increased by 9.8% while the total expenses increased by 5.42%. The total property tax related revenue is less than the dollars transferred to Secondary Roads Fund by \$157,402, which means that local option taxes pay for all of the services paid for in the Rural Service Fund and part of the road expenses.

The Board of Supervisors is intentionally allowing the Rural Services Fund balance to increase to 20% of total uses so if local option tax revenue declines significantly, the County will still be able to meet the local match requirements for Secondary Roads. The current fund balance is 15.62% of expenditures and transfers from this fund based on FY2003 information. The fund balance percentage for FY2002 was 9.75%.

Secondary Roads Fund

	<u>Current Year</u>	<u>Prior Year</u>
Beginning fund balance	\$ 2,348,155	2,342,410
Transfers in	1,519,649	1,441,109
State fuel tax and other state revenue	2,773,269	2,803,066
Charges for service and miscellaneous	72,842	95,536
Total resources	<u>4,365,760</u>	<u>4,339,711</u>
Maintenance and construction	4,050,005	4,308,773
Decrease (increase) reserves/prepaid	<u>(61,145)</u>	<u>25,193</u>
Total uses	<u>3,988,860</u>	<u>4,333,966</u>
Ending fund balance	<u>\$ 2,725,055</u>	<u>2,348,155</u>

Secondary Roads Fund revenue remained substantially constant. The increase in transfers in was offset by lower revenue received from the State of Iowa. Transfers in increased 5.45% to maintain the local effort required to match road use tax revenue. Road use tax revenue decreased about 1%.

Secondary Roads Fund expenditures decreased approximately 8% overall. The reduction was in the general roadway expenses. Specifically, equipment expenditures decreased 42.25%.

Total ending fund balance compared to total uses increased to 68.32% in FY2003 from 54.18% in FY2002. The contracted obligations of the Secondary Roads Fund on June 30, 2003 were \$1,031,054. The unobligated fund balance is 42.47% of total uses for FY2003.

Debt Service Fund

	<u>Current Year</u>	<u>Prior Year</u>
Beginning fund balance	\$ 13,322	(214,738)
Property tax related	432,665	459,209
Transfers in	-	55,000
Total revenue	<u>432,665</u>	<u>514,209</u>
Principal redeemed	163,750	18,750
Interest paid	<u>267,399</u>	<u>267,399</u>
Total uses	<u>431,149</u>	<u>286,149</u>
Ending fund balance	<u>\$ 14,838</u>	<u>13,322</u>

The Debt Service Fund accumulates and pays the principal and interest for the jail financing project bonds and a loan from the City of Boone that helped finance the renovation of the Boone County Fair Community Building in 1994. The Board of Supervisors began the process to refinance the jail bonds and the completion of the re-financing was accomplished in August of 2003 after the completion of the fiscal year. Balance due of loan from City of Boone is \$37,500 (final payment will be in FY2005) and balance due on original jail bond issue is \$4,655,000.

Capital Projects Fund

	<u>Current Year</u>	<u>Prior Year</u>
Beginning fund balance	\$ 1,812,682	4,581,298
Interest and other revenue	75,031	323,006
Transfers in	<u>25,000</u>	<u>50,000</u>
Total revenue	<u>100,031</u>	<u>373,006</u>
Capital projects	1,129,896	3,086,622
Transfers out	-	55,000
Total uses	<u>1,129,896</u>	<u>3,141,622</u>
Ending fund balance	<u>\$ 782,817</u>	<u>1,812,682</u>

The Capital Projects Fund accumulates resources for and pays the costs of capital projects. The Boone County Law Enforcement Center reached substantial completion in November of 2002. There are still minor project items to complete. The boiler building was also re-roofed, tuck-pointed and windows repaired this year. The remaining funds from the jail project will be used to off-set bonded debt when the project is finally completed.

BUSINESS TYPE FUND HIGHLIGHTS

FY2002-2003 was the Boone County Landfill's 33rd year of operations. During the fiscal year, the Landfill continued its tradition of being a leader as an environmental protection facility. The Landfill is often recognized by the state and our colleagues as a premier environmental protection facility.

The Landfill continued to increase public awareness of solid waste management issues. Examples of these efforts include: the new drop-off recycling center in Boone; the Green Pages Recycling Directory; and the annual Outstanding Business/Workplace Waste Reduction and Recycling Awards program.

During FY2002-2003, staff focused on continuing excavation of Cell 6-R; continuing to improve our already impressive erosion control program; increasing the effectiveness of our solid waste and recycling education programs; providing additional household hazardous waste services; and continuing our participation in the state solid waste rules revision process. The Landfill also developed a new Design and Operation Plan Sequence (DOPS) for the Landfill and updated our stormwater pollution prevention plan Non Point Discharge Elimination System (NPDES) permit.

Landfill staff also worked with the City of Ames to prepare our next comprehensive plan update for the Central Iowa Waste Management Association. The update was submitted November 1, 2002 and approved by the Iowa Department of Natural Resources (IDNR) in March of 2003. The planning area continues to be at the forefront of waste diversion and implementation of an effective integrated solid waste management system.

FY2002-2003 saw the Landfill continuing to support the Keep Boone County Beautiful initiative. This program has already begun to yield positive results in public awareness and cleanup efforts.

Landfill Operations Fund

Revenues: Landfill fees charged to its customers did not increase for FY2003. However, revenue did increase due to increased activity.

Expenses: Major non recurring or new expenses included the following:

- Purchase of an additional pickup;
- Purchase of a new earth scraper to replace a 1992 scraper. A maintenance agreement with Ziegler Cat will even out budget spikes for this type of machine.
- Development of a new landfill development plan; and
- Increased appliance recycling expenses associated with more appliances brought to the landfill for recycling purposes.

As explained below, the finding requirements for financial assurance have increased. The Landfill Operations Fund provides the resources for the Closure/Postclosure Fund.

Landfill Closure/Postclosure Fund

Revenues: As in past years, the Landfill Operating Fund will make a year-end payment into the Landfill Closure and Post Closure Fund for closure/post-closure care of the Landfill. Following adoption of new state rules for financial assurance, the landfill accelerated its payments into this fund. A supplemental payment of \$82,000 was made in November of 2002 for FY2002. A payment of \$175,000 was made for FY2003.

Expenses: This fund is in the midst of its "pay-in" period. No closure/post-closure costs were expended from this fund during FY2003.

Ground Water Tax Fund (Local Portion of Tip Fee Surcharge)

Revenues: This fund accounts for the amount that the Boone County Landfill is allowed to retain from the state tipping fee surcharge. Actual revenue for this fund is tied to the actual tonnage received by the Landfill.

Expenses: Expenses included funding for:

- Fox Engineering to undertake the following projects.
- The annual updating of our financial assurance funding study.
- Updating our NPDES permit.
- Assisting us with our comprehensive plan update.
- Funding for recyclables processing carried out by Genesis Development and the Good Connections (formerly known as the Boone County Work Activity Center).
- Educational materials.

BUDGETARY HIGHLIGHTS

On March 10, 2003, the County Board of Supervisors adopted the conversion required to align the County's originally certified FY2003 budget to the revised Chart of Accounts as adopted by the County Finance Committee.

On May 30, 2003, the County Board of Supervisors amended the original budget as converted for the following:

- Increased public safety and legal services of \$25,000 for the additional out-of-county prisoner care due to delays in completion of the new jail
- Increased mental health expenditures of \$250,000
- Increased county environment and education of \$34,590 to allow County Conservation to purchase land for a retention pond at Don Williams Lake and \$4,300 to pay additional animal control expenditures
- Decreased jail project expenditures by \$735,000 to reflect expected actual FY2003 jail project expenditures, and increased capital project expenditures by \$35,000 to pay for the boiler building renovation project.
- Increased the July 1, 2002 cash balance from \$5,415,114 to the actual cash balance of \$8,785,284.

CAPITAL ASSETS

Boone County concluded FY2003 with \$24,216,326 invested in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, and roads and bridges. GASB 34 required the addition of infrastructure assets and required depreciation of all capital assets. The general fixed assets reported last year have been modified as per the County's "Capital Asset Policy". This year's major addition was the law enforcement center which opened in November of 2002.

LONG TERM DEBT

Boone County issued general obligation bonds of \$4,800,000 for the jail project dated July 1, 2000. The Board of Supervisors began the process to refinance the original jail bonds and the completion of the refinancing was accomplished in August 1, 2003 after the completion of the

fiscal year. The County bond rating for the refinancing issue is Aa3. The bond rating firm requires a higher ending fund balance than the County has determined necessary to receive a higher bond rating. The June 30, 2003 balance due on the original jail bond issue is \$4,655,000.

Boone County also has a long term loan from the City of Boone that helped finance the renovation of the Boone County Fair Community Building in 1994. The balance due on the loan from the City of Boone is \$37,500 (final payment will be in FY2005).

FACTORS BEARING ON THE FUTURE

Boone County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2004 budget, tax rates, and fees that partially finance the various county services. One of those factors is the economy. Boone County’s employment (number of persons working) has remained steady at approximately 13,500 since 1998. The average Boone County unemployment rate for 1998 was 2.3%. Unemployment in Boone County now stands at 3.4% verses 3.5% a year ago. This compares with the State’s unemployment rate of 4.2% and the national rate of 6.4% for the same period ended June 30, 2003.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State’s CPI increase was 2.6% for fiscal year 2003 compared with the national rate of 2.4%. The State of Iowa’s modest financial condition and relatively flat revenue projection continue. The actual revenue shortfalls compared to projected revenue of the State of Iowa are, in fact, causing property tax and charges for service to pick up a larger share of local governmental expenditures.

The above factors were all part of the considerations for the FY2004 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	<u>Dollars</u> <u>Certified</u>	<u>Percentage</u> <u>Increase (Decrease)</u>
General Fund	\$ 3,116,572	9.8%
Mental Health Fund	753,976	(14.2%)
Debt Service Fund	432,450	.3%
Rural Services Fund	<u>1,323,272</u>	4.5%
Total Certified	<u>\$ 5,626,270</u>	3.9%

Continued State revenue cutbacks and health insurance increases above 20% for three years is driving the increase in property tax. No new services were added in the FY2004 budget. Levy rates (expressed in \$/\$1,000 taxable valuation) to produce the above dollars for FY2004 are as follows:

General Fund	\$ 3.26404
Mental Health Fund	0.78965
Debt Service Fund	0.44213
Rural Services Fund	2.19160

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. A majority of Iowa counties (87) are at that limit and also have a supplemental levy which allows them to exceed the \$3.50 basic levy for certain expenditures, which include employee benefits (i.e. health insurance, FICA, and IPERS), county risk management expenditures, election costs, and court ordered settlements. The rural levy rate limit is \$3.95 per \$1,000 of taxable value. Seven Iowa counties are at that level for FY2004, and levy in the rural supplemental levy for expenditures as allowed in the general supplemental fund.

Boone County has been fortunate that there has been continued new construction and economic growth in the community to help offset the growth in demands for county services. However, in looking forward to FY2005, the taxable value of agricultural land has been reduced by 35% according to the use formula that determines the taxable value of agricultural land. It is estimated that this reduction will reduce taxable value county-wide by about 10%. That fact alone will cause the General Fund levy rate to raise the same dollars as for FY2004 to be in excess of the \$3.50 limit.

CONTACTING BOONE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Boone County citizens, taxpayers, customers, investors and creditors with a general overview of Boone County's finances and to demonstrate Boone County's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the Boone County Auditors Office, 201 State Street, Boone, Iowa 50036.

Boone County

Boone County
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 5,558,534	2,411,094	7,969,628
Receivables:			
Property tax:			
Delinquent	6,426	-	6,426
Succeeding year	5,087,000	-	5,087,000
Interest and penalty on property tax	15,471	-	15,471
Accounts	33,558	128,660	162,218
Accrued interest	2,280	17,298	19,578
Road assessments - current	19,744	-	19,744
Road assessments - noncurrent	104,018	-	104,018
Due from other governments	479,690	-	479,690
Inventories	321,313	-	321,313
Prepaid insurance	50,037	3,193	53,230
Capital assets (net of accumulated depreciation) (note 5)	24,216,326	2,179,848	26,396,174
Total assets	35,894,397	4,740,093	40,634,490
Liabilities			
Accounts payable	272,699	80,971	353,670
Accrued interest payable	43,066	-	43,066
Salaries and benefits payable	46,727	4,329	51,056
Due to other governments	224,589	24,807	249,396
Deferred revenue:			
Succeeding year property tax	5,087,000	-	5,087,000
Long-term liabilities (note 7):			
Portion due or payable within one year:			
Deferred payment contract	18,750	-	18,750
General obligation bonds	155,000	-	155,000
Compensated absences	233,503	13,669	247,172
Portion due or payable after one year:			
Deferred payment contract	18,750	-	18,750
General obligation bonds	4,500,000	-	4,500,000
Estimated liability for landfill closure and postclosure care costs (note 13)	-	1,155,399	1,155,399
Total liabilities	10,600,084	1,279,175	11,879,259
Net Assets			
Invested in capital assets, net of related debt	19,561,326	2,179,848	21,741,174
Restricted for:			
Mental health purposes	283,329	-	283,329
Secondary roads purposes	2,693,308	-	2,693,308
Capital projects	782,817	-	782,817
Other purposes	274,598	128,823	403,421
Unrestricted	1,698,935	1,152,247	2,851,182
Total net assets	\$ 25,294,313	3,460,918	28,755,231

See notes to financial statements.

Boone County
Statement of Activities
Year ended June 30, 2003

	Expenses	Program Charges for Service
Functions / Programs:		
Governmental activities:		
Public safety and legal services	\$ 2,009,746	303,432
Physical health and social services	620,148	45,165
Mental health	2,136,380	14,569
County environment and education	788,416	359,373
Roads and transportation	3,700,820	106,079
Governmental services to residents	457,021	464,281
Administration	1,145,154	82,421
Non-program	5,749	-
Interest on long-term debt	265,949	-
Total governmental activities	11,129,383	1,375,320
Business type activities:		
Solid waste	1,918,669	1,716,644
Total	\$ 13,048,052	3,091,964
General Revenues:		
Property and other county tax levied for:		
General purposes		
Debt service		
Penalty and interest on property tax		
State tax credits		
Local option sales tax		
Grants and contributions not restricted to specific purpose		
Unrestricted investment earnings		
Gain on sale of capital assets		
Miscellaneous		
Total general revenues		
Change in net assets		
Net assets beginning of year, as restated (note 15)		
Net assets end of year		

See notes to financial statements.

Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Governmental Activities	Business Type Activities	Total
Operating Grants and Contributions	Capital Grants and Contributions			
96,173	-	(1,610,141)	-	(1,610,141)
195,590	-	(379,393)	-	(379,393)
863,813	-	(1,257,998)	-	(1,257,998)
14,796	-	(414,247)	-	(414,247)
2,709,788	3,627,500	2,742,547	-	2,742,547
-	-	7,260	-	7,260
4,591	-	(1,058,142)	-	(1,058,142)
-	-	(5,749)	-	(5,749)
-	-	(265,949)	-	(265,949)
3,884,751	3,627,500	(2,241,812)	-	(2,241,812)
-	-	-	(202,025)	(202,025)
3,884,751	3,627,500	(2,241,812)	(202,025)	(2,443,837)
		\$ 5,034,616	-	5,034,616
		408,409	-	408,409
		61,177	-	61,177
		300,643	-	300,643
		582,167	-	582,167
		40,916	-	40,916
		123,762	36,999	160,761
		64,350	44,900	109,250
		38	3,406	3,444
		6,616,078	85,305	6,701,383
		4,374,266	(116,720)	4,257,546
		20,920,047	3,577,638	24,497,685
		\$ 25,294,313	3,460,918	28,755,231

Boone County
Balance Sheet
Governmental Funds

June 30, 2003

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,439,299	565,619	164,172
Receivables:			
Property tax:			
Delinquent	3,946	955	991
Succeeding year	2,815,000	681,000	1,200,000
Interest and penalty on property tax	15,471	-	-
Accounts	18,154	3,210	262
Accrued interest	2,280	-	-
Road assessments	-	-	-
Due from other funds	-	-	-
Due from other governments	126,763	-	156,238
Inventories	-	-	-
Prepaid insurance	26,128	-	-
Total assets	\$ 4,447,041	1,250,784	1,521,663
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 78,352	71,801	2,313
Salaries and benefits payable	21,612	-	496
Due to other funds	1,931	-	-
Due to other governments	8,633	214,654	60
Deferred revenue:			
Succeeding year property tax	2,815,000	681,000	1,200,000
Other	39,975	915	54,043
Total liabilities	<u>2,965,503</u>	<u>968,370</u>	<u>1,256,912</u>
Fund balances:			
Reserved for:			
Inventories	-	-	-
Prepaid insurance	26,128	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Debt service	-	-	-
Resource enhancement and protection	-	-	-
Unreserved, reported in:			
General fund	1,455,410	-	-
Special revenue funds	-	282,414	264,751
Capital projects fund	-	-	-
Total fund balances	<u>1,481,538</u>	<u>282,414</u>	<u>264,751</u>
Total liabilities and fund balances	\$ 4,447,041	1,250,784	1,521,663

See notes to financial statements.

Secondary Roads	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
2,325,893	14,816	777,124	271,611	5,558,534
-	534	-	-	6,426
-	391,000	-	-	5,087,000
-	-	-	-	15,471
5,532	-	-	6,400	33,558
-	-	-	-	2,280
123,762	-	-	-	123,762
1,837	-	-	94	1,931
190,552	-	5,954	183	479,690
321,313	-	-	-	321,313
23,909	-	-	-	50,037
2,992,798	406,350	783,078	278,288	11,680,002
118,120	-	261	1,852	272,699
24,619	-	-	-	46,727
-	-	-	-	1,931
1,242	-	-	-	224,589
-	391,000	-	-	5,087,000
123,762	512	-	1,838	221,045
267,743	391,512	261	3,690	5,853,991
321,313	-	-	-	321,313
23,909	-	-	-	50,037
-	-	-	108,706	108,706
-	14,838	-	-	14,838
-	-	-	63,018	63,018
-	-	-	-	1,455,410
2,379,833	-	-	102,874	3,029,872
-	-	782,817	-	782,817
2,725,055	14,838	782,817	274,598	5,826,011
2,992,798	406,350	783,078	278,288	11,680,002

Boone County

Boone County

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

June 30, 2003

Total governmental fund balances (page 25) \$ 5,826,011

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$40,624,711 and the accumulated depreciation is \$16,408,385. 24,216,326

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 221,045

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (4,969,069)

Net assets of governmental activities (page 21) \$ 25,294,313

See notes to financial statements.

Boone County

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

Year ended June 30, 2003

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,856,973	832,089	1,713,371	-
Interest and penalty on property tax	64,522	-	-	-
Intergovernmental	785,796	914,315	70,165	2,773,269
Licenses and permits	14,158	-	-	440
Charges for service	840,615	-	18,024	1,400
Use of money and property	120,988	-	-	-
Miscellaneous	77,294	14,230	1,418	68,102
Total revenues	4,760,346	1,760,634	1,802,978	2,843,211
Expenditures:				
Operating:				
Public safety and legal services	1,892,653	-	-	-
Physical health and social services	620,149	-	-	-
Mental health	-	2,136,380	-	-
County environment and education	444,692	-	263,160	-
Roads and transportation	-	-	-	3,602,048
Governmental services to residents	87,109	-	2,251	-
Administration	358,804	-	-	-
Non-program	998,490	-	-	-
Debt service	-	-	-	-
Capital projects	20,000	-	-	447,957
Total expenditures	4,421,897	2,136,380	265,411	4,050,005
Excess (deficiency) of revenues over (under) expenditures	338,449	(375,746)	1,537,567	(1,206,794)
Other financing sources (uses):				
Sale of assets	-	-	-	2,900
Operating transfers in	-	-	-	1,519,649
Operating transfers out	(115,390)	-	(1,429,649)	-
Total other financing sources (uses)	(115,390)	-	(1,429,649)	1,522,549
Net change in fund balances	223,059	(375,746)	107,918	315,755
Fund balances beginning of year, as restated (note 15)	1,251,764	658,160	156,833	2,348,155
Increase in reserve for:				
Inventories	-	-	-	37,453
Prepaid insurance	6,715	-	-	23,692
Fund balances end of year	\$ 1,481,538	282,414	264,751	2,725,055

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
408,431	-	-	5,810,864
-	-	-	64,522
24,234	325	1,361	4,569,465
-	-	-	14,598
-	-	9,153	869,192
-	27,754	2,307	151,049
-	46,952	85,264	293,260
432,665	75,031	98,085	11,772,950
-	-	35,329	1,927,982
-	-	-	620,149
-	-	-	2,136,380
-	-	34,590	742,442
-	-	-	3,602,048
-	-	7,500	96,860
-	-	-	358,804
-	-	-	998,490
431,149	-	-	431,149
-	1,129,896	29,319	1,627,172
431,149	1,129,896	106,738	12,541,476
1,516	(1,054,865)	(8,653)	(768,526)
-	-	-	2,900
-	25,000	390	1,545,039
-	-	-	(1,545,039)
-	25,000	390	2,900
1,516	(1,029,865)	(8,263)	(765,626)
13,322	1,812,682	282,861	6,523,777
-	-	-	37,453
-	-	-	30,407
14,838	782,817	274,598	5,826,011

Boone County

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

Year ended June 30, 2003

Net change in fund balances - Total governmental funds (page 29) \$ (765,626)

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 outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,247,258	
Capital assets contributed by the Iowa Department of Transportation	3,627,500	
Depreciation expense	<u>(1,051,899)</u>	4,822,859

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. 64,350

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

Property tax	73	
Other	<u>38,781</u>	38,854

Repayment of bond and deferred payment contract principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 163,750

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

Compensated absences	(19,231)	
Interest on long-term debt	<u>1,450</u>	(17,781)

Prepaid expenditures and inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenses in the period that the corresponding net asset is exhausted. 67,860

Change in net assets of governmental activities (page 23) \$ 4,374,266

See notes to financial statements.

Boone County
Statement of Net Assets
Proprietary Funds
June 30, 2003

Assets	Enterprise			Total
	Landfill Operations	Closure and Post- closure	Nonmajor Ground Water Tax	
Cash and pooled investments:				
County Treasurer	\$ 1,119,780	1,175,764	115,550	2,411,094
Accounts receivable	128,660	-	-	128,660
Accrued interest	4,507	12,791	-	17,298
Due from other funds	33,156	-	15,930	49,086
Prepaid insurance	3,193	-	-	3,193
Capital assets, net of accumulated depreciation (note 5)	2,179,848	-	-	2,179,848
Total assets	3,469,144	1,188,555	131,480	4,789,179
Liabilities				
Accounts payable	79,119	-	1,852	80,971
Salaries and benefits payable	4,329	-	-	4,329
Due to other funds	15,930	33,156	-	49,086
Due to other governments	24,002	-	805	24,807
Compensated absences	13,669	-	-	13,669
Estimated liability for landfill closure and postclosure care costs	-	1,155,399	-	1,155,399
Total liabilities	137,049	1,188,555	2,657	1,328,261
Net Assets				
Invested in capital assets, net of related debt	2,179,848	-	-	2,179,848
Restricted for ground water tax purposes	-	-	128,823	128,823
Unrestricted	1,152,247	-	-	1,152,247
Total net assets	\$ 3,332,095	-	128,823	3,460,918

See notes to financial statements.

Boone County
Statement of Revenues, Expenses, and Changes
in Fund Net Assets

Proprietary Funds

Year ended June 30, 2003

	Enterprise		
	Nonmajor		
	Landfill Operations	Ground Water Tax	Total
Operating revenues:			
Charges for service	\$ 1,389,748	-	1,389,748
Per capita fees	178,325	-	178,325
Solid waste fees	89,669	58,902	148,571
Miscellaneous	3,406	-	3,406
Total operating revenues	<u>1,661,148</u>	<u>58,902</u>	<u>1,720,050</u>
Operating expenses:			
Salaries and wages	248,162	-	248,162
Payroll tax	34,367	-	34,367
Fringe benefits	53,995	-	53,995
Fuel	61,314	-	61,314
Mileage	1,236	-	1,236
Utilities	7,339	-	7,339
Insurance	13,356	-	13,356
Solid waste fees remitted to Iowa Department of Natural Resources	169,657	-	169,657
Education and training	45,021	-	45,021
Engineering services	49,079	-	49,079
Equipment	1,275	-	1,275
Maintenance and repair	94,583	-	94,583
Operations	56,584	-	56,584
Depreciation	408,351	-	408,351
Dues and membership	2,459	-	2,459
Leachate control/disposal	7,370	-	7,370
Hauling costs	23,795	-	23,795
Accounting	13,785	-	13,785
Recycling	-	131,075	131,075
Phase 6-R expansion project	67,532	-	67,532
Gravel	47,881	-	47,881
Leachate hauling and treatment	15,177	-	15,177
Miscellaneous	5,095	-	5,095
Adjustment to estimate for total landfill closure and postclosure care costs	360,181	-	360,181
Total operating expenses	<u>1,787,594</u>	<u>131,075</u>	<u>1,918,669</u>
Operating loss	<u>(126,446)</u>	<u>(72,173)</u>	<u>(198,619)</u>
Nonoperating revenues:			
Interest on investments	36,999	-	36,999
Gain on sale of equipment	44,900	-	44,900
Total nonoperating revenue	<u>81,899</u>	<u>-</u>	<u>81,899</u>
Change in net assets	(44,547)	(72,173)	(116,720)
Net assets beginning of year, as restated (note 15)	<u>3,376,642</u>	<u>200,996</u>	<u>3,577,638</u>
Net assets end of year	<u>\$ 3,332,095</u>	<u>128,823</u>	<u>3,460,918</u>

See notes to financial statements.

Boone County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2003

	Enterprise			Total
	Landfill Operations	Closure and Post- closure	Nonmajor Ground Water Tax	
Cash flows from operating activities:				
Cash received from gate fees	\$ 1,397,312	-	-	1,397,312
Cash received from assessments	178,325	-	-	178,325
Cash received from other operating receipts	90,142	-	57,507	147,649
Cash payments to suppliers for goods and services	(625,981)	-	(136,027)	(762,008)
Cash payments to employees for services	(332,713)	-	-	(332,713)
Net cash provided (used) by operating activities	707,085	-	(78,520)	628,565
Cash flows from capital and related financing activities:				
Proceeds from the sale of equipment	44,900	-	-	44,900
Purchase of capital assets	(490,000)	-	-	(490,000)
Net cash used for capital and related financing activities	(445,100)	-	-	(445,100)
Cash flows from investing activities:				
Closure and postclosure care cost allocation	(257,000)	257,000	-	-
Interest received	32,493	32,772	-	65,265
Net cash provided (used) by investing activities	(224,507)	289,772	-	65,265
Net increase (decrease) in cash and cash equivalents	37,478	289,772	(78,520)	248,730
Cash and cash equivalents beginning of year	1,082,302	885,992	194,070	2,162,364
Cash and cash equivalents end of year	\$ 1,119,780	1,175,764	115,550	2,411,094
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (126,446)	-	(72,173)	(198,619)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	408,351	-	-	408,351
Closure and postclosure costs	257,000	-	-	257,000
Changes in assets and liabilities:				
(Increase) in accounts receivable	(2,933)	-	-	(2,933)
(Increase) decrease in due from other funds	110,745	-	(1,395)	109,350
Decrease in prepaid items	382	-	-	382
Increase (decrease) in accounts payable	34,869	-	(5,757)	29,112
Increase in salaries payable	1,179	-	-	1,179
(Decrease) in due to other funds	(2,499)	-	-	(2,499)
Increase in due to other governments	23,991	-	805	24,796
Increase in compensated absences	2,446	-	-	2,446
Total adjustments	833,531	-	(6,347)	827,184
Net cash provided (used) by operating activities	\$ 707,085	-	(78,520)	628,565

See notes to financial statements

Boone County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

Assets

Cash and pooled investments:	
County treasurer	\$ 1,483,278
Other county officials	21,831
Receivables:	
Property tax:	
Delinquent	31,614
Succeeding year	19,852,000
Accounts	40,807
Special assessments	199,773
Due from other governments	57,030
Prepaid insurance	1,228
Total assets	<u>21,687,561</u>

Liabilities

Accounts payable	16,920
Salaries and benefits payable	899
Due to other governments	21,473,582
Trusts payable	173,726
Compensated absences	22,434
Total liabilities	<u>21,687,561</u>

Net assets \$ -

See notes to financial statements.

Boone County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

Boone 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, Boone County has included all funds, organizations, account groups, 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 Boone County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

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

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

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business type activities of the County. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

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 that are attributed 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property 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 major proprietary funds:

The Landfill Operations Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Landfill Closure and Postclosure Fund is used to accumulate resources to fund the closure and postclosure care costs of the landfill.

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, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which 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 judgements 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 proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Funds is charges to customers for sanitary landfill services. Operating expenses for Enterprise Funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at

the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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	25,000
Equipment and vehicles	5,000

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

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

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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. 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 and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2003, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$622,211 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 1,837
Special Revenue:		
County Recorder's Records Management	General	94
Total		<u>\$ 1,931</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2003 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 90,000
	Special Revenue:	
	Rural Services	1,429,649
Conservation Land Acquisition Trust	General	390
Capital Projects	General	<u>25,000</u>
Total		<u>\$ 1,545,039</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2003 was as follows:

	Balance Beginning of Year (as previously reported)	Adjustments	Balance Beginning of Year (as restated, note 15)	Increases	Decreases	Balance End of Year
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 476,966	(233,881)	243,085	-	-	243,085
Construction in progress	3,181,763	339,125	3,520,888	1,365,494	4,714,523	171,859
Total capital assets not being depreciated	3,658,729	105,244	3,763,973	1,365,494	4,714,523	414,944
Capital assets being depreciated:						
Buildings	1,173,271	(269,235)	904,036	4,516,767	-	5,420,803
Improvements other than buildings	-	178,238	178,238	-	-	178,238
Machinery and equipment	7,668,138	(467,453)	7,200,685	548,382	423,555	7,325,512
Infrastructure, road network	-	23,062,226	23,062,226	4,222,988	-	27,285,214
Total capital assets being depreciated	8,841,409	22,503,776	31,345,185	9,288,137	423,555	40,209,767
Less accumulated depreciation for:						
Buildings	-	502,129	502,129	127,995	-	630,124
Improvements other than buildings	-	4,456	4,456	4,456	-	8,912
Machinery and equipment	-	5,299,497	5,299,497	820,031	423,555	5,695,973
Infrastructure, road network	-	9,973,959	9,973,959	99,417	-	10,073,376
Total accumulated depreciation	-	15,780,041	15,780,041	1,051,899	423,555	16,408,385
Total capital assets being depreciated, net	8,841,409	6,723,735	15,565,144	8,236,238	-	23,801,382
Governmental activities capital assets, net	\$ 12,500,138	6,828,979	19,329,117	9,601,732	4,714,523	24,216,326
Business type activities:						
Capital assets not being depreciated:						
Land	\$ 488,499	-	488,499	-	-	488,499
Capital assets being depreciated:						
Buildings	443,091	-	443,091	-	-	443,091
Machinery and equipment	2,050,190	(114,164)	1,936,026	490,000	133,275	2,292,751
Infrastructure	-	710,989	710,989	-	-	710,989
Total capital assets being depreciated	2,493,281	596,825	3,090,106	490,000	133,275	3,446,831
Less accumulated depreciation for:						
Buildings	42,700	8,205	50,905	11,077	-	61,982
Machinery and equipment	1,260,852	93,223	1,354,075	364,318	133,275	1,585,118
Infrastructure	-	75,426	75,426	32,956	-	108,382
Total accumulated depreciation	1,303,552	176,854	1,480,406	408,351	133,275	1,755,482
Total capital assets being depreciated, net	1,189,729	419,971	1,609,700	81,649	-	1,691,349
Business type activities capital assets, net	\$ 1,678,228	419,971	2,098,199	81,649	-	2,179,848

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

Governmental activities:	
Public safety and legal services	\$ 68,910
County environment and education	61,494
Roads and transportation	726,173
Administration	189,573
Non-program	5,749
Total depreciation expense - governmental activities	<u>\$ 1,051,899</u>
Business type activities:	
Depreciation expense	<u>\$ 408,351</u>

(6) 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	\$ 8,633
Special Revenue:		
Mental Health	Services	214,654
Rural services	Services	60
Secondary Roads	Services	1,242
		<u>215,956</u>
Total for governmental funds		<u>\$ 224,589</u>
Agency:		
Agricultural Extension Education	Collections	\$ 113,820
County Assessor		532,224
Schools		12,932,292
Community Colleges		509,742
Corporations		5,187,641
Townships		252,866
Auto License and Use Tax		448,166
Special Assessment		216,214
County Hospital		824,035
E911 Operating		217,946
All other		238,636
Total for agency funds		<u>\$ 21,473,582</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2003 is as follows:

	Governmental Activities				Business Type Activities		
	Bonds Payable	Deferred Payment Contract	Compen-sated Absences	Total	Compen-sated Absences	Closure and Postclosure Care Costs	Total
Balance beginning of year, as restated (note 15)	\$ 4,800,000	56,250	214,272	5,070,522	11,223	767,680	778,903
Increases	-	-	181,009	181,009	10,651	387,719	398,370
Decreases	145,000	18,750	161,778	325,528	8,205	-	8,205
Balance end of year	<u>\$ 4,655,000</u>	<u>37,500</u>	<u>233,503</u>	<u>4,926,003</u>	<u>13,669</u>	<u>1,155,399</u>	<u>1,169,068</u>
Due within one year	<u>\$ 155,000</u>	<u>18,750</u>	<u>233,503</u>	<u>407,253</u>	<u>13,669</u>	<u>-</u>	<u>13,669</u>

Bonds Payable

A summary of the County's June 30, 2003 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2004	6.000%	\$ 155,000	258,398	413,398
2005	6.000	170,000	249,098	419,098
2006	6.000	180,000	238,898	418,898
2007	6.000	195,000	228,098	423,098
2008	6.000	205,000	216,398	421,398
2009	5.250	220,000	204,098	424,098
2010	5.125	235,000	192,548	427,548
2011	5.150	255,000	180,506	435,506
2012	5.200	265,000	167,372	432,372
2013	5.300	280,000	153,592	433,592
2014	5.400	300,000	138,752	438,752
2015	5.450	315,000	122,552	437,552
2016	5.500	335,000	105,386	440,386
2017	5.550	355,000	86,960	441,960
2018	5.600	375,000	67,258	442,258
2019	5.650	395,000	46,258	441,258
2020	5.700	420,000	23,940	443,940
Total		\$ 4,655,000	2,680,112	7,335,112

During the year ended June 30, 2003, the County retired \$145,000 of general obligation bonds.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$225,716, \$205,731, and \$200,721, respectively, equal to the required contributions for each year.

(9) Risk Management

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$107,713.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, 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 workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, 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.

(10) Deferred Payment Contract

Boone County borrowed, over a two-year period, \$187,000 from the City of Boone for improvements to the Boone County Fairgrounds. The contract is interest free and due in ten equal annual installments, with the final payment due January 1, 2005, as follows:

Year Ending June 30,	Amount
2004	\$ 18,750
2005	<u>18,750</u>
Total	<u>\$ 37,500</u>

(11) Hospital Revenue Bonds

The County has entered into a loan agreement to borrow not to exceed \$7,500,000 to enlarge and improve the Boone County Hospital. The loan agreement was entered into pursuant to the authority contained in Section 331.402(3) of the Code of Iowa and does not constitute a general obligation of the County.

(12) Subsequent Event

On July 9, 2003, the County issued \$4,835,000 of general obligation refunding bonds, series 2003 for the purpose of refunding present indebtedness. These bonds are payable from a continuing annual levy of taxes against all taxable property of the County.

(13) Closure and Postclosure Care Costs

To comply with federal and state regulations, the Landfill is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Landfill (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are

primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Boone County Landfill have been estimated at \$897,400 for closure and \$957,000 for postclosure, for a total of \$1,854,400 as of June 30, 2003, and the portion of the liability that has been recognized is \$1,155,399. This liability represents the cumulative amount reported to date based on the use of approximately 33 percent of the capacity of the landfill with a remaining life of eight years. A provision for the above liability has been made on the County's Statement of Net Assets as of June 30, 2003. The County has accumulated resources to fund these costs and, at June 30, 2003, resources of \$1,188,555 are held for these purposes. They are reported within the Enterprise, Closure and Postclosure Fund.

(14) Solid Waste Tonnage Fees Retained

The County has established an account for restricting and using solid waste tonnage fees retained by the County in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2003, the unspent amounts retained by the County and restricted for the required purposes totaled \$128,823.

(15) Accounting Change

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2003. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during fiscal year 2003. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide

financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor special revenue funds are presented in total in one column.

The government-wide financial statements report the County's governmental and business type activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2002 resulting from the conversion to the accrual basis of accounting. The County also changed its capital asset capitalization threshold from \$500 for all assets to \$5,000 for machinery and equipment, \$25,000 for land and buildings and \$50,000 for infrastructure.

	<u>Total</u>
Governmental activities:	
Net assets, June 30, 2002, as previously reported	\$ 6,500,379
GASB Interpretation 6 adjustments	23,398
Net assets, July 1, 2002, as restated for governmental funds	<u>6,523,777</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$15,780,041	19,329,117
Change in long-term liabilities	(5,115,038)
Change in deferral of long-term assets	182,191
Net assets, July 1, 2002, as restated	<u><u>\$ 20,920,047</u></u>

Beginning net assets for business type activities has been restated to add capital assets not previously reported.

Business type activities:	
Net assets, June 30, 2002, as previously reported	\$ 3,157,666
GASB 34 adjustment:	
Capital assets, net of accumulated depreciation of \$176,854	419,972
Net assets, July 1, 2002, as restated	<u><u>\$ 3,577,638</u></u>

Boone County

Required Supplementary Information

Boone 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, 2003

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 5,761,664	-
Interest and penalty on property tax	64,522	-
Intergovernmental	4,547,524	-
Licenses and permits	14,698	-
Charges for service	986,541	-
Use of money and property	258,676	-
Miscellaneous	298,402	34,546
Total receipts	<u>11,932,027</u>	<u>34,546</u>
Disbursements:		
Public safety and legal services	1,978,060	-
Physical health and social services	610,594	-
Mental health	2,109,183	-
County environment and education	772,288	-
Roads and transportation	3,501,467	-
Governmental services to residents	462,002	-
Administration	988,525	-
Debt service	431,149	-
Capital projects	1,935,823	29,319
Total disbursements	<u>12,789,091</u>	<u>29,319</u>
Excess (deficiency) of receipts over (under) disbursements	(857,064)	5,227
Other financing sources, net	2,900	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(854,164)	5,227
Balance beginning of year	<u>6,412,698</u>	<u>103,479</u>
Balance end of year	<u>\$ 5,558,534</u>	<u>108,706</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
5,761,664	5,672,143	5,672,143	89,521
64,522	43,200	43,200	21,322
4,547,524	4,678,834	4,678,834	(131,310)
14,698	7,200	7,200	7,498
986,541	781,585	781,585	204,956
258,676	435,330	435,330	(176,654)
263,856	468,785	468,785	(204,929)
11,897,481	12,087,077	12,087,077	(189,596)
1,978,060	2,136,326	2,161,326	183,266
610,594	929,266	929,266	318,672
2,109,183	1,942,293	2,192,293	83,110
772,288	796,911	835,801	63,513
3,501,467	4,227,800	4,227,800	726,333
462,002	487,170	487,170	25,168
988,525	1,068,169	1,068,169	79,644
431,149	431,149	431,149	-
1,906,504	2,864,611	2,164,611	258,107
12,759,772	14,883,695	14,497,585	1,737,813
(862,291)	(2,796,618)	(2,410,508)	1,548,217
2,900	2,500	2,500	400
(859,391)	(2,794,118)	(2,408,008)	1,548,617
6,309,219	5,415,115	8,785,284	(2,476,065)
5,449,828	2,620,997	6,377,276	(927,448)

Boone County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2003

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,932,027	(159,077)	11,772,950
Expenditures	12,789,091	(247,615)	12,541,476
Net	(857,064)	88,538	(768,526)
Other financing sources	2,900	-	2,900
Beginning fund balances, as restated (note 15)	6,412,698	111,079	6,523,777
Increase in reserve for:			
Inventories	-	37,453	37,453
Prepaid insurance	-	30,407	30,407
Ending fund balances	<u>\$ 5,558,534</u>	<u>267,477</u>	<u>5,826,011</u>

See accompanying independent auditor's report.

Boone County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2003

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment decreased budgeted disbursements by \$386,110. This 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 E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Boone County

Other Supplementary Information

Boone County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	County Recorder's Records Management	Drainage Districts
Assets		
Cash and pooled investments	\$ 27,974	108,706
Accounts receivable	-	-
Due from other funds	94	-
Due from other governments	-	-
	\$ 28,068	108,706
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ -	-
Deferred revenue	-	-
Total liabilities	-	-
Fund equity:		
Fund balances:		
Reserved for:		
Drainage warrants/drainage improvement certificates	-	108,706
Resource enhancement and protection	-	-
Unreserved	28,068	-
Total fund equity	28,068	108,706
Total liabilities and fund equity	\$ 28,068	108,706

See accompanying independent auditor's report.

Conservation Land Acquisition Trust	Resource Enhancement and Protection	Task Force	Attorney Drug Prosecution	Total
16,029	62,835	54,215	1,852	271,611
-	-	6,400	-	6,400
-	-	-	-	94
-	183	-	-	183
16,029	63,018	60,615	1,852	278,288
-	-	-	1,852	1,852
-	-	1,838	-	1,838
-	-	1,838	1,852	3,690
-	-	-	-	108,706
-	63,018	-	-	63,018
16,029	-	58,777	-	102,874
16,029	63,018	58,777	-	274,598
16,029	63,018	60,615	1,852	278,288

Boone County

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

Year ended June 30, 2003

	County Recorder's	
	Records Management	Drainage Districts
Revenues:		
Intergovernmental	\$ -	-
Charges for service	9,153	-
Use of money and property	309	-
Miscellaneous	-	34,546
Total revenues	<u>9,462</u>	<u>34,546</u>
Expenditures:		
Operating:		
Public safety and legal services	-	-
County environment and education	-	-
Governmental services to residents	7,500	-
Capital projects	-	29,319
Total expenditures	<u>7,500</u>	<u>29,319</u>
Excess (deficiency) of revenues over (under) expenditures	1,962	5,227
Other financing sources:		
Operating transfers in		
General	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,962	5,227
Fund balances beginning of year	<u>26,106</u>	<u>103,479</u>
Fund balances end of year	<u>\$ 28,068</u>	<u>108,706</u>

See accompanying independent auditor's report.

Conservation Land Acquisition Trust	Resource Enhancement and Protection	Task Force	Attorney Drug Prosecution	Total
-	183	1,178	-	1,361
-	-	-	-	9,153
633	1,365	-	-	2,307
-	-	43,966	6,752	85,264
633	1,548	45,144	6,752	98,085
-	-	22,900	12,429	35,329
34,590	-	-	-	34,590
-	-	-	-	7,500
-	-	-	-	29,319
34,590	-	22,900	12,429	106,738
(33,957)	1,548	22,244	(5,677)	(8,653)
390	-	-	-	390
(33,567)	1,548	22,244	(5,677)	(8,263)
49,596	61,470	36,533	5,677	282,861
16,029	63,018	58,777	-	274,598

Boone County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

	County Offices		
	County	County	County
	Auditor	Recorder	Sheriff
Assets			
Cash and pooled investments:			
County treasurer	\$ -	-	-
Other county officials	1,000	9,487	11,344
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	2,439	-
Special assessments	-	-	-
Due from other governments	-	-	-
Prepaid insurance	-	-	-
Total assets	\$ 1,000	11,926	11,344
Liabilities			
Accounts payable	\$ -	-	-
Salaries and benefits payable	-	-	-
Due to other governments	-	11,926	-
Trusts payable	1,000	-	11,344
Compensated absences	-	-	-
Total liabilities	\$ 1,000	11,926	11,344

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Advance Tax
1,663	200,226	192,150	7,039	73,890	3,637	448,166	115
-	-	-	-	-	-	-	-
157	490	18,142	703	10,751	229	-	-
112,000	350,000	12,722,000	502,000	5,103,000	249,000	-	-
-	1,877	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	450	-	-	-	-	-	-
113,820	553,043	12,932,292	509,742	5,187,641	252,866	448,166	115
-	632	-	-	-	-	-	-
-	-	-	-	-	-	-	-
113,820	532,224	12,932,292	509,742	5,187,641	252,866	448,166	115
-	-	-	-	-	-	-	-
-	20,187	-	-	-	-	-	-
113,820	553,043	12,932,292	509,742	5,187,641	252,866	448,166	115

Boone County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

	Brucellosis and Tuberculosis Eradication	Empower- ment	Drainage Districts
Assets			
Cash and pooled investments:			
County treasurer	52	34,994	605
Other county officials	-	-	-
Receivables:			
Property tax:			
Delinquent	5	-	-
Succeeding year	3,000	-	-
Accounts	-	-	-
Special assessments	-	-	-
Due from other governments	-	57,030	-
Prepaid insurance	-	-	-
Total assets	3,057	92,024	605
Liabilities			
Accounts payable	-	7,708	-
Salaries and benefits payable	-	899	-
Due to other governments	3,057	81,274	605
Trusts payable	-	-	-
Compensated absences	-	2,143	-
Total liabilities	3,057	92,024	605

See accompanying independent auditor's report.

Emergency Management Services	Health Insurance Clearing	Special Assessments	County Hospital	Tax Sale Redemption	E911 Service Commission	E911 Operating	Individual Services DHS	Total
55,088	161,434	16,441	11,898	12,775	40,303	217,946	4,856	1,483,278
-	-	-	-	-	-	-	-	21,831
-	-	-	1,137	-	-	-	-	31,614
-	-	-	811,000	-	-	-	-	19,852,000
-	-	-	-	-	36,491	-	-	40,807
-	-	199,773	-	-	-	-	-	199,773
-	-	-	-	-	-	-	-	57,030
778	-	-	-	-	-	-	-	1,228
55,866	161,434	216,214	824,035	12,775	76,794	217,946	4,856	21,687,561
204	52	-	-	-	6,174	-	2,150	16,920
-	-	-	-	-	-	-	-	899
55,558	-	216,214	824,035	12,775	70,620	217,946	2,706	21,473,582
-	161,382	-	-	-	-	-	-	173,726
104	-	-	-	-	-	-	-	22,434
55,866	161,434	216,214	824,035	12,775	76,794	217,946	4,856	21,687,561

Boone County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2003

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
Assets and Liabilities				
Balances beginning of year	\$ 1,000	66,005	36,216	111,847
Additions:				
Property and other county tax	-	-	-	117,600
E911 surcharge	-	-	-	-
State tax credits	-	-	-	6,841
Drivers license fees	-	-	-	-
Office fees and collections	-	445,961	464,444	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	-	445,961	464,444	124,441
Deductions:				
Agency Remittances:				
To other funds	-	239,336	119,511	-
To other governments	-	260,704	33,070	122,468
Trusts paid out	-	-	336,735	-
Total deductions	-	500,040	489,316	122,468
Balances end of year	\$ 1,000	11,926	11,344	113,820

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Advance Tax	Brucellosis and Tuberculosis Eradication
472,316	12,880,125	472,518	5,132,955	243,703	472,017	-	3,065
368,774	13,381,722	526,977	5,372,631	263,425	-	-	3,569
-	-	-	-	-	-	-	-
18,650	797,061	28,993	303,199	14,122	-	-	215
-	-	-	-	-	86,041	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,485,207	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,359	-	-	-	-	-	3,589	-
395,783	14,178,783	555,970	5,675,830	277,547	5,571,248	3,589	3,784
-	-	-	-	-	181,696	-	-
315,056	14,126,616	518,746	5,621,144	268,384	5,413,403	-	3,792
-	-	-	-	-	-	3,474	-
315,056	14,126,616	518,746	5,621,144	268,384	5,595,099	3,474	3,792
553,043	12,932,292	509,742	5,187,641	252,866	448,166	115	3,057

Boone County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2003

Assets and Liabilities	Empower- ment	Drainage Districts	Emergency Management Services	Health Insurance Clearing
Balances beginning of year	110,833	204	56,777	145,284
Additions:				
Property and other county tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	289,681	-	-	-
Miscellaneous	-	401	83,356	971,466
Total additions	289,681	401	83,356	971,466
Deductions:				
Agency Remittances:				
To other funds	-	-	-	-
To other governments	-	-	84,267	-
Trusts paid out	308,490	-	-	955,316
Total deductions	308,490	-	84,267	955,316
Balances end of year	92,024	605	55,866	161,434

See accompanying independent auditor's report.

Special Assessments	County Hospital	Tax Sale Redemption	E911 Service Commission	E911 Operating	Local Forfeiture	Individual Services DHS	Anatomical Gift Public Awareness and Transportation	Total
69,132	797,760	11,546	137,930	154,736	-	968	-	21,376,937
-	853,001	-	-	-	-	-	-	20,887,699
-	-	-	160,045	-	-	-	-	160,045
-	48,941	-	-	-	-	-	-	1,218,022
-	-	-	-	-	-	-	-	86,041
-	-	-	-	-	-	-	-	910,405
-	-	-	-	-	-	-	-	5,485,207
227,844	-	-	-	-	-	-	-	227,844
-	-	-	-	-	-	6,133	-	295,814
-	-	324,532	-	63,210	37,643	-	339	1,492,895
227,844	901,942	324,532	160,045	63,210	37,643	6,133	339	30,763,972
-	-	-	-	-	-	-	-	540,543
80,762	875,667	323,303	-	-	37,643	-	339	28,085,364
-	-	-	221,181	-	-	2,245	-	1,827,441
80,762	875,667	323,303	221,181	-	37,643	2,245	339	30,453,348
216,214	824,035	12,775	76,794	217,946	-	4,856	-	21,687,561

Schedule 5

Boone County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2003	2002	2001	2000
Revenues:				
Property and other County tax	\$ 5,810,864	5,504,926	4,750,472	4,246,522
Interest and penalty on property tax	64,522	67,451	60,113	44,407
Intergovernmental	4,569,465	4,840,152	4,881,308	5,035,302
Licenses and permits	14,598	10,431	7,838	7,120
Charges for service	869,192	832,023	719,700	724,327
Use of money and property	151,049	436,706	357,245	295,697
Miscellaneous	293,260	204,584	157,254	377,682
Total	\$ 11,772,950	11,896,273	10,933,930	10,731,057
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,927,982	1,900,164	1,756,703	1,501,153
Physical health and social services	620,149	839,084	830,284	783,540
Mental health	2,136,380	1,859,850	1,958,823	1,898,781
County environment and education	742,442	680,163	701,680	546,285
Roads and transportation	3,602,048	3,832,568	3,572,743	3,355,470
Governmental services to residents	96,860	101,936	88,242	87,664
Administration	358,804	327,425	300,317	267,195
Non-program	998,490	867,867	852,361	898,337
Debt service	431,149	341,149	241,607	18,750
Capital projects	1,627,172	3,609,233	1,056,929	604,856
Total	\$ 12,541,476	14,359,439	11,359,689	9,962,031

See accompanying independent auditor's report.

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

Boone 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
and on Internal Control over Financial Reporting

To the Officials of Boone County:

We have audited the financial statements of Boone County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 15, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item 1.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for items C and D.

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

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2003

Boone County

Boone County
Schedule of Findings
Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the County Sheriff's office has custody of receipts and performs all record-keeping and reconciling functions for the office. Also, a listing of cash and checks received through the mail is not prepared or compared to the cash receipt records.

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

Response – Annette and Tammy are doing the reconciliation for each other's accounts, but, in addition, I will open the mail and randomly write down check numbers and amounts, from who and later verify that the check went to the correct accounts.

Conclusion – Response accepted.

- (B) County Sheriff – Jail commissary account profits are accumulating in the commissary account and have not been remitted to the County Treasurer. Also, phone rebates are held in an account by the phone company.

Recommendation – Jail commissary account profits and phone rebates should be remitted to the County Treasurer. Expenditures other than those for commissary resale items should be presented to the County Board of Supervisors for approval and charged against the budget.

Response – An account with the County Auditor has been set up. At the end of each quarter anything over \$1,000 will be sent to this account. Also any purchases with the exception of Wal-Mart and Sam's Club will go through the County Auditor for payment.

Conclusion – Response accepted.

Boone County

Schedule of Findings

Year ended June 30, 2003

- (C) County Recorder – Bank balances are reconciled to the book balances. However, the book balances have not been reconciled to the amounts due to the County and the State of Iowa.

Recommendation – The book balances should be reconciled to the amounts due to the County and the State of Iowa.

Response – We understand that our book balances are not reconciled to amounts due to the County and State of Iowa. All of our income fees are indexed in to our recording menu. That is how we arrive at the figure to pay the County Treasurer quarterly. The figures paid to the state agencies must be correct or they would certainly let us know that fact, and bill us for any amount shorted to them. That has never happened. The overage may come from copy income or something else that we are not indexing in to the recording menu. Hopefully it will show up as we use the spread sheet given to us by the State Auditor's Office.

Conclusion – Response accepted.

- (D) Information Systems – The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- logging off unattended computers, and
- password privacy and confidentiality.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A written disaster recovery plan should also be developed.

Response – We are in process of appointing a committee to prepare the documents. We will implement as soon as it is developed.

Conclusion – Response accepted.

- (E) County Treasurer – Checks for fiscal year 2004 tax payments totaling \$386 were not deposited and recorded.

Recommendation – Checks received for advance tax payments should be deposited and recorded in the Agency, Advance Tax Fund until the fiscal year 2004 tax levy rates are known. This matter was resolved for audit purposes.

Response – When I was informed that my staff was holding checks for advanced payments, I spoke with the staff and informed them that these checks need to be put in the holding fund with a miscellaneous receipt and deposited immediately. It shouldn't happen again in the future.

Conclusion – Response accepted.

Boone County
 Schedule of Findings
 Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year except as follows:

<u>Office</u>	<u>Depository</u>	<u>Maximum Deposit Amounts</u>
County Recorder	Boone Bank and Trust	\$100,000

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

Response – We will discuss this with the Board of Supervisors.

Conclusion- Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.
- (3) 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.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).

Boone County

Schedule of Findings

Year ended June 30, 2003

- (10) Solid Waste Fees Retainage – During the year ended June 30, 2003, the County used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (11) Financial Assurance – The Boone County Landfill has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 1,854,400
Less: Balance of funds held in the local dedicated fund at June 30, 2002	<u>(904,016)</u>
	950,384
Divided by the number of years remaining in the pay-in period	÷ <u>5</u>
Required payment into the local dedicated fund for the year ended June 30, 2003	\$ 190,077
Balance of funds held in the local dedicated fund at June 30, 2002	<u>904,016</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2003	<u>\$ 1,094,093</u>
Amount County has restricted and reserved for closure and postclosure care at June 30, 2003	<u>\$ 1,188,555</u>

- (12) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – All County offices should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will notify the bank.

Conclusion – Response accepted.

- (13) E911 Budget – Disbursements for the E911 Service Commission exceeded the amount budgeted.

Recommendation – The budget should have been amended by the E911 Service Commission in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Boone County E911 Service Commission will comply with above recommendation.

Boone County

Schedule of Findings

Year ended June 30, 2003

Conclusion – Response accepted.

- (14) 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.

Boone County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Pamela L. Brandenburg, Senior Auditor
Julie J. Lyon, CPA, Staff Auditor
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