



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE June 2, 2004

Contact: Andy Nielsen
(515) 281-5834

Auditor of State David A. Vaudt today released an audit report on Black Hawk 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 \$127,520,909 for the year ended June 30, 2003, which included \$6,538,096 in tax credits from the state. The County forwarded \$102,402,305 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$25,118,604 of the local tax revenue to finance County operations. Other revenues included charges for service of \$14,702,112, operating grants, contributions and restricted interest of \$13,781,743, capital grants and contributions of \$3,363,223, local option sales tax of \$2,177,355, unrestricted investment earnings of \$718,005 and other general revenues of \$513,464.

Expenses for County operations totaled \$57,529,004, and included \$14,701,804 for public safety and legal services, \$9,815,672 for physical health and social services and \$18,136,480 for mental health.

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

###

BLACK HAWK COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Table of Contents

| | | <u>Page</u> |
|---|-----------------|-------------|
| Officials | | 3 |
| Independent Auditor’s Report | | 5-6 |
| Management’s Discussion and Analysis | | 7-13 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statements: | | |
| Statement of Net Assets | A | 14-15 |
| Statement of Activities | B | 16-17 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 18-19 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets | D | 21 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 22-23 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities | F | 24 |
| Proprietary Fund Financial Statements: | | |
| Statement of Net Assets | G | 25 |
| Statement of Revenues, Expenses and Changes in Fund Net Assets | H | 26 |
| Statement of Cash Flows | I | 27 |
| Fiduciary Fund Financial Statements: | | |
| Statement of Fiduciary Assets and Liabilities | J | 28 |
| Notes to Financial Statements | | 29-47 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds | | 50-51 |
| Notes to Required Supplementary Information – Budgetary Reporting | | 52 |
| Other Supplementary Information: | <u>Schedule</u> | |
| Nonmajor Special Revenue Funds: | | |
| Combining Balance Sheet | 1 | 54-55 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 2 | 56-57 |
| Internal Service Funds: | | |
| Combining Schedule of Net Assets | 3 | 58 |
| Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets | 4 | 59 |
| Combining Schedule of Cash Flows | 5 | 61 |
| Agency Funds: | | |
| Combining Schedule of Fiduciary Assets and Liabilities | 6 | 62-65 |
| Combining Schedule of Changes in Fiduciary Assets and Liabilities | 7 | 66-71 |
| Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds | 8 | 72 |
| Schedule of Expenditures of Federal Awards | 9 | 74-77 |
| Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting | | 79-80 |
| Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance | | 83-84 |
| Schedule of Findings and Questioned Costs | | 85-91 |
| Staff | | 92 |

Black Hawk County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------|----------------------|---------------------|
| (Before January 2003) | | |
| Leon V. Mosley | Board of Supervisors | Jan 2003 |
| Craig White | Board of Supervisors | Jan 2003 |
| Barbara Leestamper | Board of Supervisors | Jan 2005 |
| Brian S. Quirk | Board of Supervisors | Jan 2005 |
| Maggie Stewart | Board of Supervisors | Jan 2005 |
| Grant Veeder | County Auditor | Jan 2005 |
| Barbara Freet | County Treasurer | Jan 2003 |
| Patricia S. Sass | County Recorder | Jan 2003 |
| Michael Kubik | County Sheriff | Jan 2005 |
| Thomas Ferguson | County Attorney | Jan 2003 |
| Vicki S. Atkins | County Assessor | Jan 2004 |
| (After January 2003) | | |
| Barbara Leestamper | Board of Supervisors | Jan 2005 |
| Brian S. Quirk | Board of Supervisors | Jan 2005 |
| Maggie Stewart | Board of Supervisors | Jan 2005 |
| Leon V. Mosley | Board of Supervisors | Jan 2007 |
| Robert L. Smith, Jr. | Board of Supervisors | Jan 2007 |
| Grant Veeder | County Auditor | Jan 2005 |
| Barbara Freet | County Treasurer | Jan 2007 |
| Patricia S. Sass | County Recorder | Jan 2007 |
| Michael Kubik | County Sheriff | Jan 2005 |
| Thomas Ferguson | County Attorney | Jan 2007 |
| Vicki S. Atkins | County Assessor | Jan 2004 |

Black Hawk County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Black Hawk 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 Black Hawk County, Iowa, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of Black Hawk County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

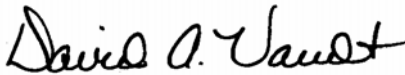
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Black Hawk County at June 30, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 13 to the financial statements, during the year ended June 30, 2003, Black Hawk 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 13.

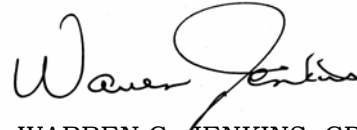
In accordance with Government Auditing Standards, we have also issued our reports dated February 13, 2004 on our consideration of Black Hawk County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Black Hawk 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. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 13, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Black Hawk County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2003. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

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

Financial Highlights

- The County's Governmental fund revenue increased \$1,286,892 from FY02 to FY03. Property taxes and other county tax increased \$1,136,538 over FY02.
- The County's Governmental fund expenditures decreased by \$6,332,093 from FY02 to FY03 due to the refunding of general obligation bonds and notes in FY02.
- The County's net assets increased \$2,845,502 from FY02 to FY03.

USING THIS ANNUAL REPORT

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

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

Reporting the County's Financial Activities

Government-wide Financial Statements

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

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

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

The County's governmental activities and its business type activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities. Business type activities charge fees to external customers and function similar to private businesses.

Fund Financial Statements

The fund financial statements provide more detailed information about Black Hawk County's funds, focusing on its most significant or "major" funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County establishes many other funds to help control and manage money for particular purposes.

The County has three kinds of funds:

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

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

2) Proprietary Funds are divided into two types. One type, the Enterprise Funds, is the same as the County's business type activities but provides more detail and additional information, such as cash flows. Black Hawk County's Enterprise Funds are Rural Sewer and Rural Water. The other type, the Internal Service Funds, is used to report activities that provide supplies and services for the County's other programs and activities. Black Hawk County's Internal Service Funds are Health Insurance, Self Insurance and Central Purchasing.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for solid waste administration, the County Assessor, emergency management, and the E911 service commission, just to name a few. Fiduciary funds report a liability due to other governments and, therefore, the fiduciary funds do not report a fund balance.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Black Hawk County's net assets at June 30, 2003 totaled approximately \$47 million. This compares to FY02 at \$44 million, as restated.

| Net Assets of Governmental and Business Type Activities | | | |
|--|----------------------------|-----------------------------|-------------------|
| | June 30, 2003 | | |
| | Governmental Activities | Business Type Activities | Total |
| Current and other assets | \$ 44,610,343 | 472,061 | 45,082,404 |
| Capital assets | 43,373,621 | 4,575,448 | 47,949,069 |
| Total assets | <u>87,983,964</u> | <u>5,047,509</u> | <u>93,031,473</u> |
| Long-term debt outstanding | 15,956,493 | 1,861,079 | 17,817,572 |
| Other liabilities | 28,061,849 | 148,150 | 28,209,999 |
| Total liabilities | <u>44,018,342</u> | <u>2,009,229</u> | <u>46,027,571</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 32,483,621 | 2,714,369 | 35,197,990 |
| Restricted | 12,221,319 | - | 12,221,319 |
| Unrestricted | <u>(739,318)</u> | <u>323,911</u> | <u>(415,407)</u> |
| Total net assets | <u>\$ 43,965,622</u> | <u>3,038,280</u> | <u>47,003,902</u> |

Net assets of Black Hawk County's governmental activities at June 30, 2003 increased by approximately \$2.9 million over FY02. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, are reported at a deficit of \$739,318 at June 30, 2003. The deficit results from debt issued to acquire capital assets below the capitalization threshold for capital assets and, therefore, are not included in the Statement of Net Assets.

Changes in Net Assets of Governmental and
Business Type Activities

| | Year ended June 30, 2003 | | |
|--|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business Type Activities | Total |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for service | \$ 14,424,699 | 277,413 | 14,702,112 |
| Operating grants, contributions and restricted interest | 13,781,743 | - | 13,781,743 |
| Capital grants and contributions | 3,363,233 | - | 3,363,223 |
| General revenues: | | | |
| Property tax | 23,363,148 | - | 23,363,148 |
| Penalty and interest on property tax | 426,355 | - | 426,355 |
| State tax credits | 1,755,456 | - | 1,755,456 |
| Local option sales tax | 2,177,355 | - | 2,177,355 |
| Unrestricted investment earnings | 714,133 | 3,872 | 718,005 |
| Gain on sale of capital assets | 2,867 | - | 2,867 |
| Other general revenues | 80,467 | 3,775 | 84,242 |
| Total revenues | <u>60,089,446</u> | <u>285,060</u> | <u>60,374,506</u> |
| Program expenses: | | | |
| Public safety and legal services | 14,701,804 | - | 14,701,804 |
| Physical health and social services | 9,815,672 | - | 9,815,672 |
| Mental health | 18,136,480 | - | 18,136,480 |
| County environment and education | 2,113,189 | - | 2,113,189 |
| Roads and transportation | 4,838,006 | - | 4,838,006 |
| Governmental services to residents | 1,487,293 | - | 1,487,293 |
| Administration | 5,210,707 | - | 5,210,707 |
| Non-program | 285,192 | - | 285,192 |
| Interest on long-term debt | 608,305 | - | 608,305 |
| Washburn Water and Sewer | - | 332,356 | 332,356 |
| Total expenses | <u>57,196,648</u> | <u>332,356</u> | <u>57,529,004</u> |
| Change in net assets | 2,892,798 | (47,296) | 2,845,502 |
| Net assets beginning of year, as restated | <u>41,072,824</u> | <u>3,085,576</u> | <u>44,158,400</u> |
| Net assets end of year | <u>\$ 43,965,622</u> | <u>3,038,280</u> | <u>47,003,902</u> |

Black Hawk County decreased property tax rates by \$.06994 per \$1,000 of valuation in the county-wide levy. The County had no rural fund levy in FY03. The rural assessed property taxable valuation of \$558,043,002 was an increase of \$35,964,850. The county-wide assessed property taxable valuation increased by \$146,621,134 to \$3,212,640,990. Local option sales tax revenue increased from \$2,127,468 in FY02 to \$2,177,355 in FY03.

INDIVIDUAL MAJOR FUND ANALYSIS

As Black Hawk County completed the year, its governmental funds reported a combined fund balance of \$14,047,023, which is less than the \$14,145,303 combined fund balance at June 30, 2002, as restated. The General Fund balance decreased \$671,778 and the Mental Health and Secondary Roads Fund balances decreased \$356,809 and \$232,292, respectively. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Black Hawk County, ended FY03 with a balance of \$4,366,030, down from the FY02 ending balance of \$5,037,808. The decrease was due primarily to increased health insurance contribution rates approved at mid-year. There were no significant changes in revenues and other expenditures.
- The Mental Health Fund ended FY03 with a \$2,725,958 balance compared to the prior year ending balance of \$3,082,757. The decrease was due to a conscious effort to simultaneously reduce both the fund balance and the waiting list of individuals in need of services. The County cannot receive its maximum amount of state funding in this area unless the year-end Mental Health Fund balance is at 10% or less of the fiscal year expenditures, which in FY03 were \$18,218,133. There were no significant changes in revenues and expenditures.
- The Rural Services Fund ended FY03 with a \$155,580 balance compared to the prior year ending balance of \$156,324. There were no significant changes in revenues, expenditures and transfers to the Secondary Roads Fund.
- The Secondary Roads Fund ended FY03 with a \$3,694,608 balance compared to the prior year ending balance of \$3,926,900. The decrease was due to the cumulative effect of road and bridge projects. There were no significant changes in revenues.
- The Debt Service Fund ended FY03 with a \$787,454 balance compared to the prior year ending balance of \$766,550. Property tax revenues increased to pay the principal and interest on the general obligation bonds issued in 1995 which were previously paid from the General Fund. Expenditures decreased due to the refunding of general obligation bonds and notes in FY02.
- The Capital Projects Fund ended FY03 with a \$1,731,486 balance compared to the prior year ending balance of \$587,467, due to bond proceeds of \$1,435,000. Expenditures decreased for FY03, due to the capital project expenditures for the courthouse in FY02. There were no significant changes in revenue.

The Rural Sewer Fund ended FY03 with net assets of \$2,011,089 compared to the prior year ending net assets of \$2,069,274. A \$50,000 settlement was paid to Weichers Construction. There were no significant changes in revenues or expenses.

BUDGETARY HIGHLIGHTS

The County budget is prepared on the accrual basis. Over the course of the year, Black Hawk County acted to amend the operating budget once, on May 20, 2003. However, the proposed FY04 budget was erroneously provided for publication, so the FY03 amendment approved by the Board of Supervisors did not legally take effect. Thus, there were no differences between original and final budget amounts. Significant variances between final budget amounts and actual budget results are listed below, with explanations:

Revenues

- Interest and penalty on property tax totaled \$339,343, or \$42,143 (14%) above budget, because delinquent taxes were paid at a higher rate than anticipated.
- Charges for service totaled \$4,590,172, or \$311,971 (7.3%) above budget, primarily because of low interest rates that encouraged home mortgage refinancing, which increased recording fees paid to the County more than \$280,000 above the amount budgeted by the County Recorder.

- Use of money and property totaled \$896,667, or \$118,367 (11.7%) below budget, because the same low interest rates prevented the investment of County funds from achieving the amount of interest that was anticipated.
- Miscellaneous revenues totaled \$1,064,339, or \$229,530 (18%) below budget. The County intentionally budgeted roughly this amount in unanticipated revenues to offset traditionally unspent budgeted expenditures that could not be identified prior to the fiscal year, in order to prevent unnecessary taxation.

Expenditures

- Public safety and legal services expenditures totaled \$14,250,874, or \$343,539 (2.4%) over budget. The Sheriff's Office spent over \$180,000 more than budgeted for housing prisoners out of county.
- Mental health expenditures totaled \$18,218,133, or \$1,024,338 (6%) over budget. Additional services to mentally disabled clients to avoid waiting lists resulted in expenditures of over \$940,000 more than budgeted by the Central Point of Coordination.
- Debt service expenditures totaled \$3,699,996, or \$1,077,523 (29%) over budget. An unbudgeted advance refunding of debt originally incurred in 1995 caused a payment of about \$1,330,000 to retire the original issue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, Black Hawk County had \$43,373,621 invested in a broad range of capital assets for governmental activities, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase of \$2,635,925 from FY02. Black Hawk County had depreciation expense of \$2,062,829 in FY03 and total accumulated depreciation of \$24,024,907 at June 30, 2003. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Debt

At June 30, 2003, Black Hawk County had \$12,420,000 in general obligation bonds and capital loan notes outstanding for its governmental activities and governmental funds, compared to \$12,530,000 at the end of FY02, as follows:

| | |
|---|---------------------|
| Capital improvement projects | \$ 2,250,000 |
| Jail bond refunding | 7,880,000 |
| Computers/electronics and Pinecrest 4 th floor | 300,000 |
| Pinecrest remodeling notes refunding | 760,000 |
| Voting equipment/Juvenile Det. | |
| Constr. Refunding | <u>1,230,000</u> |
| Total | <u>\$12,420,000</u> |

The County also has outstanding capital loan note debt for its business type activities and Enterprise funds, as follows:

| | |
|----------------|--------------------|
| Washburn Water | \$ 755,000 |
| Washburn Sewer | <u>1,125,000</u> |
| Total | <u>\$1,880,000</u> |

Black Hawk County continues to carry an A1 rating assigned by Moody's Investors Service, a national rating agency. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the county. Black Hawk County's outstanding general obligation debt is significantly below its constitutional debt limit of \$251,849,469. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Black Hawk County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2004 budget and tax rates. In an ongoing effort to maintain County services with minimal increases in tax levies, the Black Hawk County Board of Supervisors is committed to limiting expenditure increases and using excess fund balance to provide services. From FY97 through FY03, the year-end general fund balance has fallen from \$10,028,578, or 40% of expenditures, to \$4,366,030, or 14% of expenditures.

Difficult decisions were made to outsource services in some areas and reduce staff in others, both of which led to layoffs of County personnel in FY04. With health insurance costs climbing rapidly, the County continued its efforts to increase employee participation in funding the County's self-funded health insurance.

In comparing FY04 data for all counties, it is seen that Black Hawk County's levy rates are relatively high; however, this is partly a result of a relatively low valuation. While Black Hawk is fourth in the state in population and fifth in overall taxable valuation, it is 96th in per capita valuation. The County's economy in spending is demonstrated by the fact that it is 95th among the 99 counties in per capita tax askings, 9th among the ten most populous counties.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Black Hawk County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor, Grant Veeder, by mail at 316 E. 5th Street, Waterloo, IA 50703, by telephone at (319) 833-3002, Tax (319) 833-3119, or by email at auditor@co.black-hawk.ia.us.

Exhibit A

Black Hawk County
Statement of Net Assets
June 30, 2003

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|-------------------|
| Assets | | | |
| Cash and pooled investments: | | | |
| County Treasurer | \$ 15,102,153 | 423,659 | 15,525,812 |
| Friends of Hartman Reserve | 353,674 | - | 353,674 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 153,493 | - | 153,493 |
| Succeeding year | 24,116,000 | - | 24,116,000 |
| Interest and penalty on property tax | 731,320 | - | 731,320 |
| Accounts | 498,586 | 44,462 | 543,048 |
| Accrued interest | 101,558 | 165 | 101,723 |
| Note | 448,827 | - | 448,827 |
| E911 lease | 851,881 | - | 851,881 |
| Due from other governments | 1,972,392 | 3,775 | 1,976,167 |
| Inventories | 225,538 | - | 225,538 |
| Prepaid insurance | 54,921 | - | 54,921 |
| Capital assets (net of accumulated depreciation) | 43,373,621 | 4,575,448 | 47,949,069 |
| Total assets | 87,983,964 | 5,047,509 | 93,031,473 |
| Liabilities | | | |
| Accounts payable | 1,932,919 | 53,150 | 1,986,069 |
| Accrued interest payable | 65,101 | - | 65,101 |
| Salaries and benefits payable | 609,405 | - | 609,405 |
| Advances to/from other funds | (95,000) | 95,000 | - |
| Due to other governments | 1,425,473 | - | 1,425,473 |
| Deferred revenue: | | | |
| Succeeding year property tax | 24,116,000 | - | 24,116,000 |
| Other | 7,951 | - | 7,951 |
| Long-term liabilities: | | | |
| Portion due or payable within one year: | | | |
| General obligation bonds | 1,320,000 | - | 1,320,000 |
| General obligation capital loan notes | 475,000 | 118,328 | 593,328 |
| Capital lease purchase agreement | 327,028 | - | 327,028 |
| Compensated absences | 1,191,040 | - | 1,191,040 |
| Portion due or payable after one year: | | | |
| General obligation bonds | 9,110,000 | - | 9,110,000 |
| General obligation capital loan notes | 1,515,000 | 1,742,751 | 3,257,751 |
| Capital lease purchase agreement | 524,853 | - | 524,853 |
| Compensated absences | 1,493,572 | - | 1,493,572 |
| Total liabilities | 44,018,342 | 2,009,229 | 46,027,571 |

Black Hawk County
Statement of Net Assets
June 30, 2003

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| Net Assets | | | |
| Invested in capital assets, net of related debt | 32,483,621 | 2,714,369 | 35,197,990 |
| Restricted for: | | | |
| Supplemental levy purposes | 1,793,199 | - | 1,793,199 |
| Mental health purposes | 2,456,688 | - | 2,456,688 |
| Secondary roads purposes | 3,618,876 | - | 3,618,876 |
| Debt service | 2,035,164 | - | 2,035,164 |
| Capital projects | 1,731,486 | - | 1,731,486 |
| Other purposes | 585,906 | - | 585,906 |
| Unrestricted | (739,318) | 323,911 | (415,407) |
| Total net assets | \$ 43,965,622 | 3,038,280 | 47,003,902 |

See notes to financial statements.

Black Hawk County

Statement of Activities

Year ended June 30, 2003

| | Expenses | Program Revenues | | |
|-------------------------------------|---------------|---------------------|---|----------------------------------|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions |
| Functions / Programs: | | | | |
| Governmental activities: | | | | |
| Public safety and legal services | \$ 14,701,804 | 1,007,559 | 2,244,435 | - |
| Physical health and social services | 9,815,672 | 2,196,194 | 1,866,802 | - |
| Mental health | 18,136,480 | 7,597,191 | 5,988,683 | - |
| County environment and education | 2,113,189 | 425,747 | 305,740 | - |
| Roads and transportation | 4,838,006 | 48,954 | 3,080,564 | 3,188,470 |
| Governmental services to residents | 1,487,293 | 1,917,368 | - | - |
| Administration | 5,210,707 | 908,536 | 210,495 | 174,753 |
| Nonprogram | 285,192 | 323,150 | - | - |
| Interest on long-term debt | 608,305 | - | 85,024 | - |
| Total governmental activities | 57,196,648 | 14,424,699 | 13,781,743 | 3,363,223 |
| Business type activities: | | | | |
| Rural sewer | 223,164 | 160,827 | - | - |
| Other | 109,192 | 116,586 | - | - |
| Total business type activities | 332,356 | 277,413 | - | - |
| Total | \$ 57,529,004 | 14,702,112 | 13,781,743 | 3,363,223 |

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 |
| 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 13) |
| Net assets end of year |

See notes to financial statements.

| Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------------|--------------|
| Governmental Activities | Business Type Activities | Total |
| (11,449,810) | - | (11,449,810) |
| (5,752,676) | - | (5,752,676) |
| (4,550,606) | - | (4,550,606) |
| (1,381,702) | - | (1,381,702) |
| 1,479,982 | - | 1,479,982 |
| 430,075 | - | 430,075 |
| (3,916,923) | - | (3,916,923) |
| 37,958 | - | 37,958 |
| (523,281) | - | (523,281) |
| (25,626,983) | - | (25,626,983) |
| - | (62,337) | (62,337) |
| - | 7,394 | 7,394 |
| - | (54,943) | (54,943) |
| (25,626,983) | (54,943) | (25,681,926) |
| 21,430,998 | - | 21,430,998 |
| 1,932,150 | - | 1,932,150 |
| 426,355 | - | 426,355 |
| 1,755,456 | - | 1,755,456 |
| 2,177,355 | - | 2,177,355 |
| 714,133 | 3,872 | 718,005 |
| 2,867 | - | 2,867 |
| 80,467 | 3,775 | 84,242 |
| 28,519,781 | 7,647 | 28,527,428 |
| 2,892,798 | (47,296) | 2,845,502 |
| 41,072,824 | 3,085,576 | 44,158,400 |
| \$ 43,965,622 | 3,038,280 | 47,003,902 |

Black Hawk County

Balance Sheet
Governmental Funds

June 30, 2003

| | Special Revenue | | | |
|---|----------------------|-------------------|------------------|------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ 4,820,769 | 3,844,192 | 916,672 | 1,748,669 |
| Friends of Hartman Reserve | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 104,916 | 36,208 | - | - |
| Succeeding year | 16,682,000 | 5,503,000 | - | - |
| Interest and penalty on property tax | 731,320 | - | - | - |
| Accounts | 300,026 | 50,285 | 8,157 | 600 |
| Accrued interest | 99,805 | - | - | - |
| Note | - | - | - | - |
| E911 lease | 851,881 | - | - | - |
| Due from other funds | 196,670 | 51,393 | 50,000 | 1,663,957 |
| Due from other governments | 735,257 | 562,901 | 332,138 | 342,096 |
| Inventories | - | - | - | 225,538 |
| Advances to other funds | 196,875 | - | - | 1,125 |
| Prepaid insurance | 4,516 | 50,405 | - | - |
| Total assets | \$ 24,724,035 | 10,098,384 | 1,306,967 | 3,981,985 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 651,680 | 462,312 | - | 110,345 |
| Salaries and benefits payable | 380,311 | 154,084 | 24,458 | 50,552 |
| Due to other funds | 643,715 | 98,854 | 1,122,125 | 1,894 |
| Due to other governments | 303,119 | 1,112,975 | 4,804 | 3,735 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 16,682,000 | 5,503,000 | - | - |
| Other | 1,697,180 | 41,201 | - | 120,851 |
| Total liabilities | 20,358,005 | 7,372,426 | 1,151,387 | 287,377 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Inventories | - | - | - | 225,538 |
| Prepaid insurance | 4,516 | 50,405 | - | - |
| Supplemental levy purposes | 1,642,371 | - | - | - |
| Debt service | - | - | - | - |
| Advances from other funds | 196,875 | - | - | 1,125 |
| Unreserved: | | | | |
| Designated for tax stabilization and termination benefit payments | 1,124,166 | - | - | - |
| Undesignated reported in: | | | | |
| General fund | 1,398,102 | - | - | - |
| Special revenue funds | - | 2,675,553 | 155,580 | 3,467,945 |
| Capital projects fund | - | - | - | - |
| Total fund balances | 4,366,030 | 2,725,958 | 155,580 | 3,694,608 |
| Total liabilities and fund balances | \$ 24,724,035 | 10,098,384 | 1,306,967 | 3,981,985 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|------------------|---------------------|--------------------------------|-------------------|
| 798,499 | 1,787,508 | 321,491 | 14,237,800 |
| - | - | 353,674 | 353,674 |
| 12,369 | - | - | 153,493 |
| 1,931,000 | - | - | 24,116,000 |
| - | - | - | 731,320 |
| - | 347 | 11,011 | 370,426 |
| 1,291 | - | 104 | 101,200 |
| 448,827 | - | - | 448,827 |
| - | - | - | 851,881 |
| - | - | - | 1,962,020 |
| - | - | - | 1,972,392 |
| - | - | - | 225,538 |
| - | - | - | 198,000 |
| - | - | - | 54,921 |
| <u>3,191,986</u> | <u>1,787,855</u> | <u>686,280</u> | <u>45,777,492</u> |
| 12,601 | 56,369 | 4,101 | 1,297,408 |
| - | - | - | 609,405 |
| - | - | 95,432 | 1,962,020 |
| - | - | 840 | 1,425,473 |
| 1,931,000 | - | - | 24,116,000 |
| 460,931 | - | - | 2,320,163 |
| <u>2,404,532</u> | <u>56,369</u> | <u>100,373</u> | <u>31,730,469</u> |
| - | - | - | 225,538 |
| - | - | - | 54,921 |
| - | - | - | 1,642,371 |
| 787,454 | - | - | 787,454 |
| - | - | - | 198,000 |
| - | - | - | 1,124,166 |
| - | - | - | 1,398,102 |
| - | - | 585,907 | 6,884,985 |
| - | 1,731,486 | - | 1,731,486 |
| <u>787,454</u> | <u>1,731,486</u> | <u>585,907</u> | <u>14,047,023</u> |
| <u>3,191,986</u> | <u>1,787,855</u> | <u>686,280</u> | <u>45,777,492</u> |

Black Hawk County

Black Hawk County

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

June 30, 2003

Total governmental fund balances (page 19) \$ 14,047,023

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 \$67,398,528 and the accumulated depreciation is \$24,024,907. 43,373,621

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 2,312,212

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 254,360

Long-term liabilities, including bonds and notes payable, capital loan notes payable, capital lease purchase agreement 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. (16,021,594)

Net assets of governmental activities (page 15) \$ 43,965,622

See notes to financial statements.

Black Hawk County

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

Year ended June 30, 2003

| | Special Revenue | | | |
|---|---------------------|-------------------|--------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 15,950,398 | 5,497,130 | 2,177,356 | - |
| Interest and penalty on property tax | 339,343 | - | - | - |
| Intergovernmental | 9,146,530 | 11,398,020 | 205,540 | 3,137,709 |
| Licenses and permits | 278,876 | - | 60,209 | 3,730 |
| Charges for service | 3,660,389 | 882,085 | 7,843 | 215 |
| Use of money and property | 752,474 | 663 | - | - |
| Miscellaneous | 861,396 | 43,044 | 50,048 | 30,017 |
| Total revenues | <u>30,989,406</u> | <u>17,820,942</u> | <u>2,500,996</u> | <u>3,171,671</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 13,035,148 | - | 1,211,600 | - |
| Physical health and social services | 9,742,599 | - | - | - |
| Mental health | - | 18,218,133 | - | - |
| County environment and education | 1,677,426 | - | 166,665 | - |
| Roads and transportation | - | - | - | 3,937,977 |
| Governmental services to residents | 1,446,965 | - | 1,840 | - |
| Administration | 5,028,006 | - | - | - |
| Debt service | 369,214 | - | - | - |
| Capital projects | - | - | - | 1,024,965 |
| Total expenditures | <u>31,299,358</u> | <u>18,218,133</u> | <u>1,380,105</u> | <u>4,962,942</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(309,952)</u> | <u>(397,191)</u> | <u>1,120,891</u> | <u>(1,791,271)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 307 | - | - | - |
| Operating transfers in | 174,234 | - | - | 1,663,768 |
| Operating transfers out | (542,133) | - | (1,121,635) | - |
| Repayment of advances from other funds | 600,005 | - | - | - |
| General obligation bonds issued | - | - | - | - |
| General obligation capital loan notes issued | - | - | - | - |
| Discount on general obligation bonds and notes | - | - | - | - |
| Total other financing sources (uses) | <u>232,413</u> | <u>-</u> | <u>(1,121,635)</u> | <u>1,663,768</u> |
| Net change in fund balances | (77,539) | (397,191) | (744) | (127,503) |
| Fund balances beginning of year, as restated (note 13) | 5,037,808 | 3,082,767 | 156,324 | 3,926,900 |
| Increase (decrease) in reserve for: | | | | |
| Inventories | - | - | - | (104,789) |
| Advances to other funds | (565,000) | - | - | - |
| Prepaid insurance | (29,239) | 40,382 | - | - |
| Fund balances end of year | <u>\$ 4,366,030</u> | <u>2,725,958</u> | <u>155,580</u> | <u>3,694,608</u> |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|------------------|------------------|--------------------------|-------------------|
| 1,930,882 | - | - | 25,555,766 |
| - | - | - | 339,343 |
| 101,218 | - | 84,257 | 24,073,274 |
| - | - | - | 342,815 |
| - | - | 73,946 | 4,624,478 |
| 94,629 | - | 57,790 | 905,556 |
| - | 347 | 141,297 | 1,126,149 |
| <u>2,126,729</u> | <u>347</u> | <u>357,290</u> | <u>56,967,381</u> |
| - | - | 4,126 | 14,250,874 |
| - | - | - | 9,742,599 |
| - | - | - | 18,218,133 |
| - | - | 135,790 | 1,979,881 |
| - | - | - | 3,937,977 |
| - | - | 44,324 | 1,493,129 |
| - | - | - | 5,028,006 |
| 3,330,782 | - | - | 3,699,996 |
| - | 282,718 | 396 | 1,308,079 |
| <u>3,330,782</u> | <u>282,718</u> | <u>184,636</u> | <u>59,658,674</u> |
| (1,204,053) | (282,371) | 172,654 | (2,691,293) |
| - | - | - | 307 |
| - | - | - | 1,838,002 |
| - | - | (174,234) | (1,838,002) |
| - | - | - | 600,005 |
| - | 1,435,000 | - | 1,435,000 |
| 1,230,000 | - | - | 1,230,000 |
| (5,043) | (8,610) | - | (13,653) |
| <u>1,224,957</u> | <u>1,426,390</u> | <u>(174,234)</u> | <u>3,251,659</u> |
| 20,904 | 1,144,019 | (1,580) | 560,366 |
| 766,550 | 587,467 | 587,487 | 14,145,303 |
| - | - | - | (104,789) |
| - | - | - | (565,000) |
| - | - | - | 11,143 |
| <u>787,454</u> | <u>1,731,486</u> | <u>585,907</u> | <u>14,047,023</u> |

Black Hawk 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 23) \$ 560,366

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

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

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 1,670,768 | |
| Capital assets contributed by the Iowa Department of Transportation | 3,012,489 | |
| Capital assets contributed by others | 12,630 | |
| Depreciation expense | <u>(2,062,829)</u> | 2,633,058 |

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

2,867

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

| | | |
|--------------|------------------|-----------|
| Property tax | 44,010 | |
| Other | <u>(277,655)</u> | (233,645) |

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

| | | |
|--------|------------------|---------|
| Issued | (2,665,000) | |
| Repaid | <u>3,084,847</u> | 419,847 |

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 | (314,096) | |
| Interest on long-term debt | <u>20,497</u> | (293,599) |

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

(93,646)

Advances in the governmental funds have been recorded as expenditures or revenues when paid or received and reclassified as a reserve of fund balance. However, the Statement of Activities reports these items as expenses or revenues in the period they occur.

(565,000)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

462,550

Change in net assets of governmental activities (page 17)

\$ 2,892,798

See notes to financial statements.

Black Hawk County
Statement of Net Assets
Proprietary Funds
June 30, 2003

| | Enterprise | | | Internal Service |
|---|---------------------|------------------|------------------|---------------------|
| | Rural Sewer | Nonmajor | | |
| | | Rural Water | Total | |
| Assets | | | | |
| Cash and pooled investments | \$ 50,481 | 373,178 | 423,659 | 864,353 |
| Accounts receivable | 29,109 | 15,353 | 44,462 | 128,160 |
| Accrued interest receivable | 9 | 156 | 165 | 358 |
| Due from other governments | 3,775 | - | 3,775 | - |
| Capital assets (net of accumulated depreciation) | 3,188,965 | 1,386,483 | 4,575,448 | - |
| Total assets | 3,272,339 | 1,775,170 | 5,047,509 | 992,871 |
| Liabilities | | | | |
| Accounts payable | 53,140 | 10 | 53,150 | 635,511 |
| Advances from other funds | 95,000 | - | 95,000 | 103,000 |
| Long-term liabilities: | | | | |
| Portion due or payable within one year: | | | | |
| General obligation capital loan notes | 50,000 | 70,000 | 120,000 | - |
| Portion due or payable after one year: | | | | |
| General obligation capital loan notes | 1,063,110 | 677,969 | 1,741,079 | - |
| Total liabilities | 1,261,250 | 747,979 | 2,009,229 | 738,511 |
| Net Assets | | | | |
| Investment in capital assets, net of related debt | 2,075,855 | 638,514 | 2,714,369 | - |
| Unrestricted | (64,766) | 388,677 | 323,911 | 254,360 |
| Total net assets | \$ 2,011,089 | 1,027,191 | 3,038,280 | 254,360 |

See notes to financial statements.

Exhibit H

Black Hawk County

Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Funds

Year ended June 30, 2003

| | Enterprise | | | Internal Service |
|---|----------------|----------------------------|-----------|---------------------|
| | Rural Sewer | Nonmajor Rural Water | Total | |
| Operating revenues: | | | | |
| Charges for service | \$ 160,827 | 116,586 | 277,413 | - |
| Contributions and reimbursements from operating funds and other governmental units | - | - | - | 4,707,158 |
| Health fees from employees | - | - | - | 204,636 |
| Reimbursements | - | - | - | 19,548 |
| Miscellaneous | 3,775 | - | 3,775 | - |
| Total operating revenues | 164,602 | 116,586 | 281,188 | 4,931,342 |
| Operating expenses: | | | | |
| Water collection services | - | 339 | 339 | - |
| Sewer maintenance services | 28,704 | - | 28,704 | - |
| Depreciation | 128,739 | 66,729 | 195,468 | - |
| Medical and health services | - | - | - | 4,409,467 |
| Claims for damages | - | - | - | 63,592 |
| Total operating expenses | 157,443 | 67,068 | 224,511 | 4,473,059 |
| Operating income | 7,159 | 49,518 | 56,677 | 458,283 |
| Non-operating revenues (expenses): | | | | |
| Interest income | 377 | 3,495 | 3,872 | 4,267 |
| Interest expense | (64,628) | (40,945) | (105,573) | - |
| Amortization of discount on capital loan notes | (793) | (879) | (1,672) | - |
| Other fees | (300) | (300) | (600) | - |
| Total non-operating revenues (expenses) | (65,344) | (38,629) | (103,973) | 4,267 |
| Change in net assets | (58,185) | 10,889 | (47,296) | 462,550 |
| Net assets beginning of year | 2,069,274 | 1,016,302 | 3,085,576 | (208,190) |
| Net assets end of year | \$ 2,011,089 | 1,027,191 | 3,038,280 | 254,360 |

See notes to financial statements.

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

| | Enterprise | | | Internal Service |
|--|----------------|----------------------------|-----------|---------------------|
| | Rural Sewer | Nonmajor Rural Water | Total | |
| Cash flows from operating activities: | | | | |
| Cash received from operating funds | \$ - | - | - | 4,856,615 |
| Cash received from customers and others | 155,918 | 114,838 | 270,756 | 248,809 |
| Cash paid to suppliers for services | (39,899) | (339) | (40,238) | - |
| Cash paid to health claims and administrative provider | - | - | - | (4,346,847) |
| Cash paid for damage claims | - | - | - | (78,596) |
| Net cash provided by operating activities | 116,019 | 114,499 | 230,518 | 679,981 |
| Cash flows from capital and related financing activities: | | | | |
| Interest paid on capital loan notes | (64,628) | (40,945) | (105,573) | - |
| Capital loan notes principal redeemed | (45,000) | (65,000) | (110,000) | - |
| Repayment of advances from other funds | - | - | - | (600,005) |
| Advances from other funds | 35,000 | - | 35,000 | - |
| Other fees | (300) | (300) | (600) | - |
| Net cash used by capital and related financing activities | (74,928) | (106,245) | (181,173) | (600,005) |
| Cash flows from investing activities: | | | | |
| Interest on investments | 448 | 3,783 | 4,231 | 4,341 |
| Net increase in cash and cash equivalents | 41,539 | 12,037 | 53,576 | 84,317 |
| Cash and cash equivalents beginning of year | 8,942 | 361,141 | 370,083 | 780,036 |
| Cash and cash equivalents end of year | \$ 50,481 | 373,178 | 423,659 | 864,353 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 7,159 | 49,518 | 56,677 | 458,283 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 128,739 | 66,729 | 195,468 | - |
| Changes in asset and liabilities: | | | | |
| Decrease (increase) in receivables and interfund receivables for operating activities | (7,030) | (1,748) | (8,778) | 166,495 |
| Increase (decrease) in accounts payable for operating activities | (12,849) | - | (12,849) | 55,203 |
| Net cash provided by operating activities | \$ 116,019 | 114,499 | 230,518 | 679,981 |

See notes to financial statements.

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

Assets

| | |
|------------------------------|--------------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 5,232,329 |
| Other County officials | 482,268 |
| Receivables: | |
| Property tax: | |
| Delinquent | 624,773 |
| Succeeding year | 97,393,000 |
| Accounts | 138,871 |
| Special assessments | 334,649 |
| Accrued interest | 209 |
| Due from other governments | 23,467 |
| Total assets | <u>104,229,566</u> |

Liabilities

| | |
|-------------------------------|--------------------|
| Accounts payable | 61,469 |
| Salaries and benefits payable | 14,521 |
| Due to other governments | 103,410,147 |
| Trusts payable | 674,416 |
| Compensated absences | 69,013 |
| Total liabilities | <u>104,229,566</u> |

| | |
|-------------------|--------------------|
| Net assets | <u><u>\$ -</u></u> |
|-------------------|--------------------|

See notes to financial statements.

Black Hawk County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

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

These financial statements present Black Hawk 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 Black Hawk 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 Black Hawk County Auditor's office.

The Consolidated Public Safety Commission Center (Center) was created to provide dispatch and communications services to all participating governmental agencies in Black Hawk County. The Center is a separate part of the budget of the Black Hawk County Sheriff's Office and is reported as part of the General Fund. All personnel and equipment are provided by and all operating costs are advanced by Black Hawk County, with the participants reimbursing the County. The manager and persons assigned to the Center are employees of Black Hawk County.

The Friends of Hartman Reserve, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of providing volunteer resources, including personnel and financial resources, for the Hartman Reserve Nature Center and its governing organization, the Black Hawk County Conservation Board. In accordance with criteria set by the Governmental Accounting Standards Board, the Friends of Hartman Reserve, Inc. meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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: Black Hawk County Assessor's Conference Board, Black Hawk County Emergency Management Commission, and Black Hawk County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Black Hawk County Criminal Justice Information System, Black Hawk County Solid Waste Management Commission, Multi-County Drug Prosecution Unit, Tri-County Drug Task Force, Northeast Iowa Response Group, Iowa Northland Regional Housing Council, Iowa County Engineers Association Service Bureau and North Iowa Juvenile Detention Services Commission.

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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental 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 nonmajor governmental funds.

The County reports the following major governmental funds:

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

The Rural Sewer Fund is used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is 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.

Proprietary, Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary, 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 judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements 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 non-operating 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 and Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise and Internal Service Funds include the cost of services and administrative expenses. Also, depreciation on capital assets is included for Enterprise Funds. All revenues and expenses not meeting this definition are reported as non-operating 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 combined balance sheet:

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, 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 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.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent 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 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------------|-----------|
| Infrastructure | \$ 50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

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

| Asset Class | Estimated Useful lives (In Years) |
|----------------------------|-----------------------------------|
| Infrastructure | 15-65 |
| Buildings and improvements | 50 |
| Equipment | 5-20 |
| Vehicles | 5-10 |

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

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

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

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 exceeded the amounts budgeted in the public safety and legal services, mental health, governmental services to residents and debt service functions and expenditures in certain departments exceeded the amounts appropriated.

(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.

Throughout the year and at June 30, 2003, the Friends of Hartman Reserve, Inc. (Reserve) utilized a sweep account through US Bank, a mutual fund account that is not covered by federal depository insurance or the State Sinking Fund. Information pertaining to the details of this sweep account were not readily available. The Reserve also held investments during the year and at June 30, 2003 in a brokerage company.

The Reserve's investments are categorized to give an indication of the level of risk assumed by the Reserve at year end. The Reserve's investments in money market funds, mutual funds and fixed income securities are all classified as Category 2 which means the investments are uninsured or unregistered, with the security held by the counterparty's trust department or agent in the Reserve's name. Investments purchased through the Reserve's sweep account were not categorized since information on the types of investments purchased through this account was not readily available.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The Reserve's investments at June 30, 2003 are as follows:

| Type | Fair Value |
|---------------------------|-------------------|
| Money market funds | \$ 902 |
| Mutual funds | 89,689 |
| Fixed income securities | 57,073 |
| Mutual fund sweep account | <u>199,375</u> |
| Total | <u>\$ 347,039</u> |

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,266,266 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Interfund Assets/Liabilities

The detail of due to/due from other funds and advances to/from other funds at June 30, 2003 is as follows:

Due to/Due From Other Funds

| Receivable Fund | Payable Fund | Amount |
|------------------|--|--------------|
| General | Special Revenue: | |
| | Mental Health | \$ 98,854 |
| | Rural Services | 490 |
| | Secondary Roads | 1,894 |
| | Resource Enhancement and Protection | 1,970 |
| | Friends of Hartman Reserve | 93,462 |
| Special Revenue: | | |
| Mental Health | General | 51,393 |
| Rural Services | General | 50,000 |
| Secondary Roads | General | 542,322 |
| | Special Revenue: | |
| | Rural Services | 1,121,635 |
| Total | | \$ 1,962,020 |

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

Advances To/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|------------------|--------------------|------------|
| General | Enterprise: | |
| | Rural Sewer | \$ 95,000 |
| | Internal Service: | |
| | Central Purchasing | 101,875 |
| Special Revenue: | Internal Service: | |
| Secondary Roads | Central Purchasing | 1,125 |
| Total | | \$ 198,000 |

These balances result from loans between funds which have not been repaid.

(4) Interfund Transfers

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

| Transfer to | Transfer from | Amount |
|-------------------------------------|--|-----------------------------|
| General | Special Revenue: Friends of Hartman Reserve | \$ 174,234 |
| Special Revenue: Secondary Roads | General Special Revenue: Rural Services | 542,133 <u>1,121,635</u> |
| Total | | <u>\$ 1,838,002</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 restated, note 13) | Increases | Decreases | Balance End of Year |
|--|---|------------------|----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,755,386 | 125,646 | - | 2,881,032 |
| Construction in progress | 1,205,278 | 2,809,691 | 712,789 | 3,302,180 |
| Total capital assets not being depreciated | <u>3,960,664</u> | <u>2,935,337</u> | <u>712,789</u> | <u>6,183,212</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 23,839,330 | 345,210 | - | 24,184,540 |
| Improvements other than buildings | 963,333 | - | - | 963,333 |
| Equipment and vehicles | 9,332,910 | 363,938 | 115,508 | 9,581,340 |
| Infrastructure, road network | 24,706,823 | 1,779,280 | - | 26,486,103 |
| Total capital assets being depreciated | <u>58,842,396</u> | <u>2,488,428</u> | <u>115,508</u> | <u>61,215,316</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 7,107,953 | 428,722 | - | 7,536,675 |
| Improvements other than buildings | 572,523 | 46,447 | - | 618,970 |
| Equipment and vehicles | 6,425,044 | 687,001 | 103,286 | 7,008,759 |
| Infrastructure, road network | 7,959,844 | 900,659 | - | 8,860,503 |
| Total accumulated depreciation | <u>22,065,364</u> | <u>2,062,829</u> | <u>103,286</u> | <u>24,024,907</u> |
| Total capital assets being depreciated, net | <u>36,777,032</u> | <u>425,599</u> | <u>12,222</u> | <u>37,190,409</u> |
| Governmental activities capital assets, net | <u>\$ 40,737,696</u> | <u>3,360,936</u> | <u>725,011</u> | <u>43,373,621</u> |
| Business type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Infrastructure, sewer and water | \$ 5,370,639 | 50,000 | - | 5,420,639 |
| Less accumulated depreciation for: | | | | |
| Infrastructure, sewer and water | 649,723 | 195,468 | - | 845,191 |
| Business type activities capital assets, net | <u>\$ 4,720,916</u> | <u>(145,468)</u> | <u>-</u> | <u>4,575,448</u> |

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

| | | |
|--|--|---------------------|
| Governmental activities: | | |
| Public safety and legal services | | \$ 459,054 |
| Physical health and social services | | 34,911 |
| Mental health | | 87,275 |
| County environment and education | | 114,327 |
| Roads and transportation | | 1,159,420 |
| Governmental services to residents | | 10,883 |
| Administration | | 196,959 |
| | | <u>2,062,829</u> |
| Total depreciation expense - governmental activities | | <u>\$ 2,062,829</u> |
| Business type activities: | | |
| Depreciation expense | | <u>\$ 195,468</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 | <u>\$ 303,119</u> |
| Special Revenue: | | |
| Mental Health | Services | 1,112,975 |
| Rural Services | Services | 4,804 |
| Secondary Roads | Services | 3,735 |
| Sheriff's Commissary | Services | 569 |
| Drainage Districts | Services | 271 |
| | | <u>1,122,354</u> |
| Total for governmental funds | | <u>\$ 1,425,473</u> |
| Agency: | | |
| County Assessor | Collections | \$ 2,106,975 |
| Schools | | 46,920,300 |
| Community Colleges | | 2,360,201 |
| Corporations | | 48,438,363 |
| Auto License and Use Tax | | 1,970,572 |
| All other | | 1,613,736 |
| | | <u>103,410,147</u> |
| Total for agency funds | | <u>\$ 103,410,147</u> |

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2003 related to the governmental activities reported in the Statement of Net Assets is as follows:

| | General Obligation Bonds | General Obligation Capital Loan Notes | Capital Lease Purchase Agreement | Compen- sated Absences | Total |
|---|--------------------------------|--|---|------------------------------|------------|
| Balance beginning of year, as restated (note 13) | \$ 10,090,000 | 2,440,000 | 1,161,728 | 2,370,516 | 16,062,244 |
| Increases | 1,435,000 | 1,230,000 | - | 1,429,514 | 4,094,514 |
| Decreases | 1,095,000 | 1,680,000 | 309,847 | 1,115,418 | 4,200,265 |
| Balance end of year | \$ 10,430,000 | 1,990,000 | 851,881 | 2,684,612 | 15,956,493 |
| Due within one year | \$ 1,320,000 | 475,000 | 327,028 | 1,191,040 | 3,313,068 |

A summary of changes in long-term liabilities for the year ended June 30, 2003 related to the proprietary funds and the business type activities reported in the Statement of Net Assets is as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year |
|--|---------------------------------|-----------|------------|---------------------------|
| General Obligation Capital Loan Notes | \$ 1,969,408 | - | 108,329 | 1,861,079 (1) |

(1) Notes were sold at a discount; unamortized discount at June 30, 2003 totaled \$19,920.

General Obligation Bonds

On December 1, 1995, the County issued \$850,000 of general obligation bonds for remodeling and to purchase computer equipment.

On April 1, 2000, the County issued \$1,000,000 of general obligation bonds for courthouse remodeling and conservation road and building improvements

On February 1, 2002, the County issued \$8,815,000 of general obligation refunding bonds for the purpose of refunding the 1993 general obligation bonds of the County, dated February 1, 1993 for jail construction.

On May 1, 2003, the County issued \$1,435,000 of general obligation bonds for essential corporate purposes and capital improvement projects for the jail, courthouse, Pinecrest building and conservation.

A summary of the annual bond principal and interest requirements to maturity is as follows:

| Year ending June 30, | 1995 Remodeling/Computer | | | 2000 Courthouse/Conservation | | |
|----------------------------|--------------------------|-------------------|---------------|------------------------------|-------------------|----------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2004 | 4.250% | \$ 95,000 | 12,750 | 4.950% | \$ 75,000 | 41,955 |
| 2005 | 4.250 | 100,000 | 8,713 | 5.000 | 75,000 | 38,243 |
| 2006 | 4.250 | 105,000 | 4,462 | 5.050 | 80,000 | 34,492 |
| 2007 | | - | - | 5.100 | 85,000 | 30,453 |
| 2008 | | - | - | 5.150 | 90,000 | 26,117 |
| 2009 | | - | - | 5.200 | 95,000 | 21,483 |
| 2010 | | - | - | 5.200 | 100,000 | 16,542 |
| 2011 | | - | - | 5.250 | 105,000 | 11,343 |
| 2012 | | - | - | 5.300 | 110,000 | 5,830 |
| 2013 | | - | - | | - | - |
| Total | | <u>\$ 300,000</u> | <u>25,925</u> | | <u>\$ 815,000</u> | <u>226,458</u> |

| Year ending June 30, | 2002 Refunding Bonds | | | 2003B General Obligation Bonds | | |
|----------------------------|----------------------|---------------------|------------------|--------------------------------|---------------------|----------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2004 | 2.250% | \$ 1,025,000 | 269,853 | 1.950% | \$ 125,000 | 40,530 |
| 2005 | 3.250 | 1,050,000 | 246,790 | 2.000 | 130,000 | 34,975 |
| 2006 | 3.250 | 1,085,000 | 212,665 | 2.050 | 135,000 | 32,375 |
| 2007 | 3.450 | 1,115,000 | 177,403 | 2.100 | 135,000 | 29,608 |
| 2008 | 3.700 | 1,155,000 | 138,935 | 2.400 | 140,000 | 26,773 |
| 2009 | 3.850 | 1,200,000 | 96,200 | 2.650 | 145,000 | 23,413 |
| 2010 | 4.000 | 1,250,000 | 50,000 | 2.900 | 150,000 | 19,570 |
| 2011 | | - | - | 3.050 | 150,000 | 15,220 |
| 2012 | | - | - | 3.250 | 160,000 | 10,645 |
| 2013 | | - | - | 3.300 | 165,000 | 5,445 |
| Total | | <u>\$ 7,880,000</u> | <u>1,191,846</u> | | <u>\$ 1,435,000</u> | <u>238,553</u> |

| Year ending June 30, | Total | | |
|----------------------------|----------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2004 | \$ 1,320,000 | 365,088 | 1,685,088 |
| 2005 | 1,355,000 | 328,721 | 1,683,721 |
| 2006 | 1,405,000 | 283,994 | 1,688,994 |
| 2007 | 1,335,000 | 237,464 | 1,572,464 |
| 2008 | 1,385,000 | 191,825 | 1,576,825 |
| 2009 | 1,440,000 | 141,096 | 1,581,096 |
| 2010 | 1,500,000 | 86,112 | 1,586,112 |
| 2011 | 255,000 | 26,563 | 281,563 |
| 2012 | 270,000 | 16,475 | 286,475 |
| 2013 | 165,000 | 5,445 | 170,445 |
| Total | <u>\$ 10,430,000</u> | <u>1,682,782</u> | <u>12,112,782</u> |

During the year ended June 30, 2003, general obligation bonds of \$1,095,000 were retired by the County.

General Obligation Capital Loan Notes

General obligation capital loan notes have been issued for both general governmental and business type activities. The portion of unmatured general obligation capital loan notes reported in the governmental activities in the Statement of Net Assets and to be paid from the Debt Service Fund totaled \$1,990,000 as of June 30, 2003. The portion of unmatured general obligation capital loan notes reported in the business type activities in the Statement of Net Assets and to be paid from proprietary revenues totaled \$1,880,000 as of June 30, 2003.

On November 1, 1995, the County issued \$2,650,000 of general obligation refunding capital loan notes to refund a portion of the August 1, 1989 general obligation capital loan notes issued to remodel the Pinecrest building.

On December 1, 1995, the County issued \$1,100,000 of general obligation capital loan notes for construction of water utility improvements accounted for in the Enterprise Funds.

On November 1, 1999, the County issued \$1,255,000 of general obligation capital loan notes for construction of a rural sewer system accounted for in the Enterprise Funds.

On May 1, 2003, the County issued \$1,230,000 of general obligation capital loan refunding notes to refund the 1995 general obligation capital loan notes issued for juvenile detention center renovations, voting machines, a chiller and a building addition. General obligation capital loan note principal of \$1,330,000 was called on June 1, 2003. The debt service cost savings is \$100,501, based on an all inclusive interest cost of 2.4896%.

A summary of the annual note principal and interest requirements to maturity is as follows:

| Year Ending June 30, | 1995 Refunding Notes | | | 1995 Rural Water (1) | | |
|----------------------------|----------------------|------------|----------|----------------------|------------|----------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2004 | 4.375% | \$ 370,000 | 33,250 | 4.700% | \$ 70,000 | 37,890 |
| 2005 | 4.375 | 390,000 | 17,062 | 4.700 | 70,000 | 34,600 |
| 2006 | | - | - | 4.800 | 75,000 | 31,310 |
| 2007 | | - | - | 4.950 | 80,000 | 27,710 |
| 2008 | | - | - | 5.100 | 85,000 | 23,750 |
| 2009 | | - | - | 5.100 | 85,000 | 19,415 |
| 2010 | | - | - | 5.200 | 90,000 | 15,080 |
| 2011 | | - | - | 5.200 | 95,000 | 10,400 |
| 2012 | | - | - | 5.200 | 105,000 | 5,460 |
| 2013 | | - | - | | - | - |
| 2014 | | - | - | | - | - |
| 2015 | | - | - | | - | - |
| 2016 | | - | - | | - | - |
| 2017 | | - | - | | - | - |
| 2018 | | - | - | | - | - |
| 2019 | | - | - | | - | - |
| Total | | \$ 760,000 | 50,312 | | \$ 755,000 | 205,615 |

| Year Ending June 30, | 1999 Rural Sewer (2) | | | 2003A Refunding Notes | | |
|----------------------------|----------------------|--------------|----------|-----------------------|--------------|----------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2004 | 5.300% | \$ 50,000 | 62,242 | 1.200% | \$ 105,000 | 28,654 |
| 2005 | 5.300 | 50,000 | 59,593 | 1.450 | 175,000 | 25,190 |
| 2006 | 5.300 | 50,000 | 56,942 | 1.800 | 180,000 | 22,653 |
| 2007 | 5.300 | 55,000 | 54,293 | 2.100 | 185,000 | 19,413 |
| 2008 | 5.300 | 60,000 | 51,377 | 2.400 | 190,000 | 15,528 |
| 2009 | 5.300 | 60,000 | 48,198 | 2.650 | 195,000 | 10,968 |
| 2010 | 5.400 | 65,000 | 45,017 | 2.900 | 200,000 | 5,800 |
| 2011 | 5.450 | 65,000 | 41,508 | - | - | - |
| 2012 | 5.500 | 70,000 | 37,965 | - | - | - |
| 2013 | 5.550 | 75,000 | 34,115 | - | - | - |
| 2014 | 5.600 | 75,000 | 29,952 | - | - | - |
| 2015 | 5.650 | 80,000 | 25,753 | - | - | - |
| 2016 | 5.700 | 85,000 | 21,232 | - | - | - |
| 2017 | 5.750 | 90,000 | 16,388 | - | - | - |
| 2018 | 5.750 | 95,000 | 11,212 | - | - | - |
| 2019 | 5.750 | 100,000 | 5,750 | - | - | - |
| Total | | \$ 1,125,000 | 601,537 | | \$ 1,230,000 | 128,204 |

| Year Ending June 30, | Total | | |
|----------------------------|--------------|----------|-----------|
| | Principal | Interest | Total |
| 2004 | \$ 595,000 | 162,036 | 595,000 |
| 2005 | 685,000 | 136,445 | 685,000 |
| 2006 | 305,000 | 110,905 | 305,000 |
| 2007 | 320,000 | 101,416 | 320,000 |
| 2008 | 335,000 | 90,655 | 335,000 |
| 2009 | 340,000 | 78,581 | 340,000 |
| 2010 | 355,000 | 65,897 | 355,000 |
| 2011 | 160,000 | 51,908 | 160,000 |
| 2012 | 175,000 | 43,425 | 175,000 |
| 2013 | 75,000 | 34,115 | 75,000 |
| 2014 | 75,000 | 29,952 | 75,000 |
| 2015 | 80,000 | 25,753 | 80,000 |
| 2016 | 85,000 | 21,232 | 85,000 |
| 2017 | 90,000 | 16,388 | 90,000 |
| 2018 | 95,000 | 11,212 | 95,000 |
| 2019 | 100,000 | 5,750 | 100,000 |
| Total | \$ 3,870,000 | 985,668 | 3,870,000 |

During the year ended June 30, 2003, \$1,680,000 in general obligation capital loan notes were retired.

- (1) Notes were sold at a discount; unamortized discount at June 30, 2003 totaled \$7,031.
- (2) Notes were sold at a discount; unamortized discount at June 30, 2003 totaled \$11,890.

Capital Lease Purchase Agreement

The County has entered into a lease purchase agreement to lease communications equipment on behalf of the E911 Service Board. The County has also entered into a lease agreement with the E911 Service Board. Under the agreement with the E911 Service Board, a surcharge has been established to provide monthly rental payments from the Agency, E911 Fund to the County General Fund in an amount equal to one-sixth of the amount payable as principal and interest due on each semi-annual payment date. Semi-annual payments of principal and interest are then made from the General Fund. The following is a schedule of the future minimum lease payments, including interest of 5.4% per annum and the present value of net minimum lease payments under the agreement in effect at June 30, 2003:

| Year Ending June 30, | Total |
|---|-------------------|
| 2004 | \$ 369,214 |
| 2005 | 369,214 |
| 2006 | <u>184,606</u> |
| Total minimum lease payments | 923,034 |
| Less amount representing interest | <u>(71,153)</u> |
| Present value of net minimum lease payments | <u>\$ 851,881</u> |

Payments under this agreement for the year ended June 30, 2003 totaled \$369,214.

The assets and liabilities of the E911 Service Board Fund, an Agency Fund, are reported on the modified accrual basis. Accordingly, the E911 equipment leased from the County and capital lease purchase agreement payable by the E911 Service Board to the County have not been reported in the E911 Service Board Fund.

(8) Note Receivable

On August 1, 1995, the County issued \$2,130,000 of general obligation capital loan notes, a portion of which was to partially fund juvenile detention center renovations. On August 24, 1995, the County entered into an agreement to loan \$800,000 of the capital loan note proceeds to the North Iowa Juvenile Detention Service Commission. The North Iowa Juvenile Detention Service Commission issued a note to the County that requires annual principal payments ranging from \$37,559 to \$75,117 and semi-annual interest payments at rates ranging from 5.10% to 5.20% per annum, with the final payment due June 1, 2010. During the year ended June 30, 2003, the County received \$50,704 of principal and \$25,657 of interest from the North Iowa Juvenile Detention Service Commission. The balance owed to the County on the note at June 30, 2003 was \$448,827.

(9) 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 \$1,470,308, \$1,438,524 and \$1,403,470, respectively, equal to the required contributions for each year.

(10) Employee Health Insurance Plan

The Internal Service, Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Internal Service, Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark, Inc. from the Internal Service, Health Insurance Fund. The County's contribution to the fund for the year ended June 30, 2003 was \$4,582,158.

Amounts payable from the Internal Service, Health Insurance Fund at June 30, 2003 total \$605,411, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$156,262 at June 30, 2003 and is reported as a designation of the Health Insurance Fund Net Assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

| | |
|---|--------------------|
| Unpaid claims beginning of year | \$ 535,204 |
| Incurred claims (including claims incurred but not reported at June 30, 2003) | 4,479,674 |
| Payments on claims | <u>(4,409,467)</u> |
| Unpaid claims end of year | <u>\$ 605,411</u> |

(11) Deficit Retained Earnings

The Internal Service, Central Purchasing Fund had a deficit balance of \$32,400 at June 30, 2003. The deficit will be eliminated by forgiving a portion of advances from other funds.

(12) Risk Management

Black Hawk County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County provides self-funding for certain types of property and liability insurance for coverage up to \$50,000 (deductibles) through the Internal Service, Self Insurance Fund. The risks above these deductibles are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for 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 for the year ended June 30, 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.

A beginning balance of \$1,161,728 was established for the E911 lease receivable to correct an error. This correction did not effect the net assets of the governmental funds at June 30, 2002 since this increased deferred revenue by the same amount.

The government-wide financial statements report the County’s governmental activities and business type activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund 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 thresholds from \$500 for all assets to \$5,000 for equipment and vehicles, \$25,000 for land, buildings and improvements and \$50,000 for infrastructure.

| | <u>Total</u> |
|--|----------------------|
| Governmental activities: | |
| Net assets, June 30, 2002, as previously reported | \$ 13,757,542 |
| GASB Interpretation 6 adjustments | <u>387,761</u> |
| Net assets July 1, 2002, as restated for governmental funds | 14,145,303 |
| E911 lease receivable | 1,161,728 |
| GASB 34 adjustments: | |
| Capital assets, net of accumulated depreciation of \$22,065,364 | 40,737,696 |
| Internal Service Fund | (208,190) |
| Change in long-term liabilities | (16,147,843) |
| Change in deferral of long-term assets | <u>1,384,130</u> |
| Net assets July 1, 2002, as restated | <u>\$ 41,072,824</u> |

Beginning net assets of business type activities did not require restatement.

(14) Health Care Facility and Industrial Development Revenue Bonds

The County has issued a total of \$9,691,320 of health care facility and industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$8,974,504 is outstanding at June 30, 2003. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

(15) Subsequent Events

On December 15, 2003, the County issued \$1,285,000 of general obligation bonds. The bonds are to be used for aiding in the planning, undertaking and carrying out of an urban renewal project in the Cattle Congress Urban Renewal and Redevelopment Area, including a grant for the National Cattle Congress Renovation Project.

On December 15, 2003, the County issued \$925,000 of general obligation bonds. The bonds are to be used to equip a County public building and to refinance in advance the 1995 communications equipment lease purchase agreement on behalf of the E911 Service Board.

On December 15, 2003, the County issued \$795,000 of general obligation refunding bonds to refund the 1995 general obligation capital loan notes of the County, dated December 1, 1995, for construction of water utility improvements accounted for in Enterprise Funds.

Black Hawk County

Required Supplementary Information

Black Hawk County
 Budgetary Comparison Schedule of
 Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 Required Supplementary Information
 Year ended June 30, 2003

| | Actual | Less Funds not Required to be Budgeted | Net |
|---|----------------------|---|-------------------|
| Revenues: | | | |
| Property and other county tax | \$ 25,555,766 | - | 25,555,766 |
| Interest and penalty on property tax | 339,343 | - | 339,343 |
| Intergovernmental | 24,073,274 | 82,505 | 23,990,769 |
| Licenses and permits | 342,815 | - | 342,815 |
| Charges for service | 4,624,478 | 34,306 | 4,590,172 |
| Use of money and property | 905,556 | 8,889 | 896,667 |
| Miscellaneous | 1,126,149 | 61,810 | 1,064,339 |
| Total receipts | <u>56,967,381</u> | <u>187,510</u> | <u>56,779,871</u> |
| Expenditures: | | | |
| Public safety and legal services | 14,250,874 | - | 14,250,874 |
| Physical health and social services | 9,742,599 | - | 9,742,599 |
| Mental health | 18,218,133 | - | 18,218,133 |
| County environment and education | 1,979,881 | 35,627 | 1,944,254 |
| Roads and transportation | 3,937,977 | - | 3,937,977 |
| Governmental services to residents | 1,493,129 | - | 1,493,129 |
| Administration | 5,028,006 | - | 5,028,006 |
| Debt service | 3,699,996 | - | 3,699,996 |
| Capital projects | 1,308,079 | 396 | 1,307,683 |
| Total disbursements | <u>59,658,674</u> | <u>36,023</u> | <u>59,622,651</u> |
| Excess (deficiency) of receipts over (under) disbursements | (2,691,293) | 151,487 | (2,842,780) |
| Other financing sources, net | <u>3,251,659</u> | <u>(174,234)</u> | <u>3,425,893</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 560,366 | (22,747) | 583,113 |
| Balance beginning of year, as restated (note 13) | <u>14,145,303</u> | <u>310,013</u> | <u>13,835,290</u> |
| Increase (decrease) in reserve for: | | | |
| Inventories | (104,789) | - | (104,789) |
| Advances to other funds | (565,000) | - | (565,000) |
| Prepaid insurance | 11,143 | - | 11,143 |
| Balance end of year | <u>\$ 14,047,023</u> | <u>287,266</u> | <u>13,759,757</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to Net Variance |
|------------------|-------------|-----------------------------|
| Original | Final | |
| 25,421,340 | 25,421,340 | 134,426 |
| 297,200 | 297,200 | 42,143 |
| 23,774,083 | 23,774,083 | 216,686 |
| 328,375 | 328,375 | 14,440 |
| 4,278,201 | 4,278,201 | 311,971 |
| 1,015,034 | 1,015,034 | (118,367) |
| 1,293,869 | 1,293,869 | (229,530) |
| 56,408,102 | 56,408,102 | 371,769 |
| 13,907,335 | 13,907,335 | (343,539) |
| 9,803,709 | 9,803,709 | 61,110 |
| 17,193,795 | 17,193,795 | (1,024,338) |
| 1,999,447 | 1,999,447 | 55,193 |
| 4,118,181 | 4,118,181 | 180,204 |
| 1,488,637 | 1,488,637 | (4,492) |
| 5,065,332 | 5,065,332 | 37,326 |
| 2,622,473 | 2,622,473 | (1,077,523) |
| 1,440,908 | 1,440,908 | 133,225 |
| 57,639,817 | 57,639,817 | (1,982,834) |
| (1,231,715) | (1,231,715) | (1,611,065) |
| 390,000 | 390,000 | 3,035,893 |
| (841,715) | (841,715) | 1,424,828 |
| 12,867,186 | 12,867,186 | 968,104 |
| - | - | (104,789) |
| - | - | (565,000) |
| - | - | 11,143 |
| 12,025,471 | 12,025,471 | 1,734,286 |

Black Hawk 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 modified accrual basis following required public notice and hearing for all funds except blended component units, Internal Service, Enterprise 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 modified accrual basis budget and appropriations lapse after a hold-open period of sixty days after 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 by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, the County acted to amend the budget and appropriations during the year ended June 30, 2003. However, the amendment was not effective since the publication of the budget amendment included June 30, 2004 budget information.

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.

During the year ended June 30, 2003, expenditures exceeded the amounts budgeted in the public safety and legal services, mental health, governmental services to residents and debt service functions and expenditures in certain departments exceeded the amounts appropriated.

Other Supplementary Information

Black Hawk County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2003

| | Resource Enhance- ment and Protection | County Recorder's Records Management | Sheriff's Federal Forfeiture |
|------------------------------------|--|---|------------------------------------|
| Assets | | | |
| Cash and pooled investments : | | | |
| County Treasurer | \$ 146,155 | 97,099 | 2,582 |
| Friends of Hartman Reserve | - | - | - |
| Receivables: | | | |
| Accounts | 985 | 67 | - |
| Accrued interest | 60 | 44 | - |
| | Total assets | 97,210 | 2,582 |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | 2,604 | - |
| Due to other funds | 1,970 | - | - |
| Due to other governments | - | - | - |
| Total liabilities | 1,970 | 2,604 | - |
| Fund equity: | | | |
| Unreserved | 145,230 | 94,606 | 2,582 |
| | Total liabilities and fund equity | 97,210 | 2,582 |

See accompanying independent auditor's report.

| Sheriff's Commissary | Drainage Districts | Conservation Trust | Friends of Hartman Reserve | Total |
|-------------------------|-----------------------|-----------------------|----------------------------------|---------|
| 34,374 | 27,335 | 13,946 | - | 321,491 |
| - | - | - | 353,674 | 353,674 |
| 9,959 | - | - | - | 11,011 |
| - | - | - | - | 104 |
| 44,333 | 27,335 | 13,946 | 353,674 | 686,280 |
| 1,152 | 10 | 335 | - | 4,101 |
| - | - | - | 93,462 | 95,432 |
| 569 | 271 | - | - | 840 |
| 1,721 | 281 | 335 | 93,462 | 100,373 |
| 42,612 | 27,054 | 13,611 | 260,212 | 585,907 |
| 44,333 | 27,335 | 13,946 | 353,674 | 686,280 |

Black Hawk County

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

Year ended June 30, 2003

| | Resource Enhancement and Protection | County Recorder's Records Management | Sheriff's Federal Forfeiture |
|---|--|---|------------------------------------|
| Revenues: | | | |
| Intergovernmental | \$ 1,752 | - | - |
| Charges for service | - | 39,640 | - |
| Use of money and property | 1,281 | 882 | - |
| Miscellaneous | 39,487 | - | - |
| Total revenues | 42,520 | 40,522 | - |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | - | - | - |
| County environment and education | 41,458 | - | - |
| Governmental services to residents | - | 44,324 | - |
| Capital projects | - | - | - |
| Total expenditures | 41,458 | 44,324 | - |
| Excess (deficiency) of revenues over (under) expenditures | 1,062 | (3,802) | - |
| Other financing uses: | | | |
| Operating transfers out | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures and other financing uses | 1,062 | (3,802) | - |
| Fund balances beginning of year | 144,168 | 98,408 | 2,582 |
| Fund balances end of year | \$ 145,230 | 94,606 | 2,582 |

See accompanying independent auditor's report.

| Sheriff's Commissary | Drainage Districts | Conservation Trust | Friends of Hartman Reserve | Total |
|-------------------------|-----------------------|-----------------------|----------------------------------|-----------|
| - | - | - | 82,505 | 84,257 |
| - | - | - | 34,306 | 73,946 |
| 46,738 | - | - | 8,889 | 57,790 |
| - | - | 40,000 | 61,810 | 141,297 |
| 46,738 | - | 40,000 | 187,510 | 357,290 |
| 4,126 | - | - | - | 4,126 |
| - | - | 58,705 | 35,627 | 135,790 |
| - | - | - | - | 44,324 |
| - | 396 | - | - | 396 |
| 4,126 | 396 | 58,705 | 35,627 | 184,636 |
| 42,612 | (396) | (18,705) | 151,883 | 172,654 |
| - | - | - | (174,234) | (174,234) |
| 42,612 | (396) | (18,705) | (22,351) | (1,580) |
| - | 27,450 | 32,316 | 282,563 | 587,487 |
| 42,612 | 27,054 | 13,611 | 260,212 | 585,907 |

Schedule 3

Black Hawk County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2003

| | Health Insurance | Self Insurance | Central Purchasing | Total |
|-----------------------------|---------------------|-------------------|-----------------------|----------------|
| Assets | | | | |
| Cash and pooled investments | \$ 758,170 | 35,583 | 70,600 | 864,353 |
| Accounts receivable | 3,160 | 125,000 | - | 128,160 |
| Accrued interest receivable | 343 | 15 | - | 358 |
| Total assets | 761,673 | 160,598 | 70,600 | 992,871 |
| Liabilities | | | | |
| Accounts payable | 605,411 | 30,100 | - | 635,511 |
| Advances from other funds | - | - | 103,000 | 103,000 |
| Total liabilities | 605,411 | 30,100 | 103,000 | 738,511 |
| Net Assets | | | | |
| Unrestricted | \$ 156,262 | 130,498 | (32,400) | 254,360 |

See accompanying independent auditor's report.

Black Hawk County
 Combining Schedule of Revenues, Expenses and
 Changes in Fund Net Assets
 Internal Service Funds

Year ended June 30, 2003

| | Health Insurance | Self Insurance | Central Purchasing | Total |
|---|---------------------|-------------------|-----------------------|------------------|
| Operating revenues: | | | | |
| Contributions and reimbursements from operating funds and other governmental units | \$ 4,582,158 | 125,000 | - | 4,707,158 |
| Health fees from employees | 204,636 | - | - | 204,636 |
| Reimbursements | 6,437 | 13,111 | - | 19,548 |
| Total operating revenues | <u>4,793,231</u> | <u>138,111</u> | - | <u>4,931,342</u> |
| Operating expenses: | | | | |
| Medical and health services | 4,409,467 | - | - | 4,409,467 |
| Claims for damages | - | 63,592 | - | 63,592 |
| Total operating expenses | <u>4,409,467</u> | <u>63,592</u> | - | <u>4,473,059</u> |
| Operating income | 383,764 | 74,519 | - | 458,283 |
| Non-operating revenues: | | | | |
| Interest income | 3,667 | 600 | - | 4,267 |
| Change in net assets | 387,431 | 75,119 | - | 462,550 |
| Net assets beginning of year | <u>(231,169)</u> | <u>55,379</u> | <u>(32,400)</u> | <u>(208,190)</u> |
| Net assets end of year | <u>\$ 156,262</u> | <u>130,498</u> | <u>(32,400)</u> | <u>254,360</u> |

See accompanying independent auditor's report.

Black Hawk County

Black Hawk County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2003

| | Health Insurance | Self Insurance | Central Purchasing | Equipment Revolving | Total |
|--|---------------------|-------------------|-----------------------|------------------------|-------------|
| Cash flows from operating activities: | | | | | |
| Cash received from operating funds | \$ 4,581,890 | - | - | 274,725 | 4,856,615 |
| Cash received from customers and others | 217,171 | 31,638 | - | - | 248,809 |
| Cash payments to health claims and administrative provider | (4,346,847) | - | - | - | (4,346,847) |
| Cash payments for damage claims | - | (78,596) | - | - | (78,596) |
| Net cash provided (used) by operating activities | 452,214 | (46,958) | - | 274,725 | 679,981 |
| Cash flows from capital and related financing activities: | | | | | |
| Repayment of advance from other funds | - | - | - | (600,005) | (600,005) |
| Cash flows from investing activities: | | | | | |
| Interest on investments | 3,671 | 670 | - | - | 4,341 |
| Net increase (decrease) in cash and cash equivalents | 455,885 | (46,288) | - | (325,280) | 84,317 |
| Cash and cash equivalents beginning of year | 302,285 | 81,871 | 70,600 | 325,280 | 780,036 |
| Cash and cash equivalents end of year | \$ 758,170 | 35,583 | 70,600 | - | 864,353 |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | |
| Operating income | \$ 383,764 | 74,519 | - | - | 458,283 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Changes in assets and liabilities: | | | | | |
| Decrease (increase) in receivables and interfund receivables for operating activities | (1,757) | (106,473) | - | 274,725 | 166,495 |
| Increase (decrease) in accounts payable for operating activities | 70,207 | (15,004) | - | - | 55,203 |
| Net cash provided (used) by operating activities | \$ 452,214 | (46,958) | - | 274,725 | 679,981 |

See accompanying independent auditor's report.

Black Hawk County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2003

| | County Offices | | | |
|-------------------------------|--------------------------------|--------------------|-------------------|-----------------------|
| | County Board of Supervisors | | | |
| | Care Facility | County Recorder | County Sheriff | County Conservator |
| Assets | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ - | - | - | - |
| Other County officials | 44,287 | 71,434 | 85,287 | 281,260 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | - | - |
| Succeeding year | - | - | - | - |
| Accounts | - | 747 | - | - |
| Special assessments | - | - | - | - |
| Accrued interest | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | \$ 44,287 | 72,181 | 85,287 | 281,260 |
| Liabilities | | | | |
| Accounts payable | - | - | - | - |
| Salaries and benefits payable | - | - | - | - |
| Due to other governments | - | 71,800 | - | - |
| Trusts payable | 44,287 | 381 | 85,287 | 281,260 |
| Compensated absences | - | - | - | - |
| Total liabilities | \$ 44,287 | 72,181 | 85,287 | 281,260 |

| Agricultural Extension Education | E911 | County Assessor | Schools | Community Colleges | Corpor- ations | Townships | City Special Assessments | Auto License and Use Tax |
|--|---------|--------------------|------------|-----------------------|-------------------|-----------|--------------------------------|-----------------------------------|
| 1,870 | - | 1,122,998 | 596,123 | 31,418 | 584,448 | 4,056 | 28,179 | 1,970,572 |
| - | - | - | - | - | - | - | - | - |
| 940 | - | 6,932 | 299,177 | 15,783 | 299,915 | 1,945 | - | - |
| 142,000 | - | 1,064,000 | 46,025,000 | 2,313,000 | 47,554,000 | 283,000 | - | - |
| - | 137,782 | 342 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 334,649 | - |
| - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - |
| 144,810 | 137,782 | 2,194,272 | 46,920,300 | 2,360,201 | 48,438,363 | 289,001 | 362,828 | 1,970,572 |
| - | 22,888 | 5,027 | - | - | - | - | - | - |
| - | - | 13,257 | - | - | - | - | - | - |
| 144,810 | 114,894 | 2,106,975 | 46,920,300 | 2,360,201 | 48,438,363 | 289,001 | 362,828 | 1,970,572 |
| - | - | - | - | - | - | - | - | - |
| - | - | 69,013 | - | - | - | - | - | - |
| 144,810 | 137,782 | 2,194,272 | 46,920,300 | 2,360,201 | 48,438,363 | 289,001 | 362,828 | 1,970,572 |

Black Hawk County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2003

| | Advance Taxes | Tax Sale Redemptions | Emergency Management Services |
|-------------------------------|------------------|----------------------------|-------------------------------------|
| Assets | | | |
| Cash and pooled investments: | | | |
| County Treasurer | 55,661 | 171,222 | 86,346 |
| Other County officials | - | - | - |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | - | - |
| Succeeding year | - | - | - |
| Accounts | - | - | - |
| Special assessments | - | - | - |
| Accrued interest | - | - | - |
| Due from other governments | - | - | 2,818 |
| Total assets | 55,661 | 171,222 | 89,164 |
| Liabilities | | | |
| Accounts payable | - | - | 2,303 |
| Salaries and benefits payable | - | - | 1,264 |
| Due to other governments | - | - | 85,597 |
| Trusts payable | 55,661 | 171,222 | - |
| Compensated absences | - | - | - |
| Total liabilities | 55,661 | 171,222 | 89,164 |

See accompanying independent auditor's report.

| Condemna- tions | Unclaimed Property | Brucellosis and Tuberculosis Eradication | Solid Waste Administration | Medicaid Reimbursement | Flexible Spending | Total |
|--------------------|-----------------------|--|----------------------------------|---------------------------|----------------------|-------------|
| 32,510 | 14,659 | 160 | 3,381 | 491,209 | 37,517 | 5,232,329 |
| - | - | - | - | - | - | 482,268 |
| - | - | 81 | - | - | - | 624,773 |
| - | - | 12,000 | - | - | - | 97,393,000 |
| - | - | - | - | - | - | 138,871 |
| - | - | - | - | - | - | 334,649 |
| - | - | - | - | 209 | - | 209 |
| - | - | - | 1,950 | 882 | 17,817 | 23,467 |
| 32,510 | 14,659 | 12,241 | 5,331 | 492,300 | 55,334 | 104,229,566 |
| - | - | - | 1,523 | 24,394 | 5,334 | 61,469 |
| - | - | - | - | - | - | 14,521 |
| - | 14,659 | 12,241 | - | 467,906 | 50,000 | 103,410,147 |
| 32,510 | - | - | 3,808 | - | - | 674,416 |
| - | - | - | - | - | - | 69,013 |
| 32,510 | 14,659 | 12,241 | 5,331 | 492,300 | 55,334 | 104,229,566 |

Black Hawk County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2003

| | County | | |
|------------------------------------|------------------------|-------------------------|--------------------------|
| | County Conservation | Communication Center | Local Board of Health |
| Assets and Liabilities | | | |
| Balances beginning of year | \$ 50 | 200 | 150 |
| Additions: | | | |
| Property and other county tax | - | - | - |
| E911 surcharge | - | - | - |
| State tax credits | - | - | - |
| State allocation | - | - | - |
| Office fees and collections | - | - | - |
| Auto licenses, use tax and postage | - | - | - |
| Assessments | - | - | - |
| Trusts | - | - | - |
| Miscellaneous | - | - | - |
| Total additions | - | - | - |
| Deductions: | | | |
| Agency remittances: | | | |
| To other funds | 50 | 200 | 150 |
| To other governments | - | - | - |
| Trusts paid out | - | - | - |
| Total deductions | 50 | 200 | 150 |
| Balances end of year | \$ - | - | - |

| Offices | | | | | | Agricultural | |
|---------------|---------------|----------------|-----------------|----------------|--------------------|---------------------|---------|
| Youth Shelter | Care Facility | County Auditor | County Recorder | County Sheriff | County Conservator | Extension Education | E911 |
| 4,848 | 57,972 | 50 | 262,890 | 140,685 | 296,344 | 145,095 | 312,089 |
| - | - | - | - | - | - | 142,579 | - |
| - | - | - | - | - | - | - | 657,824 |
| - | - | - | - | - | - | 7,719 | - |
| - | - | - | - | - | - | - | - |
| - | - | 1,278 | 1,906,122 | 246,246 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 39 | 1,348,746 | - | 22,373 | 3,078,497 | 1,058,283 | - | - |
| - | - | - | - | - | - | - | 18,102 |
| 39 | 1,348,746 | 1,278 | 1,928,495 | 3,324,743 | 1,058,283 | 150,298 | 675,926 |
| 4,067 | 5,786 | 1,328 | 1,317,506 | 264,574 | - | - | - |
| - | - | - | 779,575 | 1,606 | - | 150,583 | 850,233 |
| 820 | 1,356,645 | - | 22,123 | 3,113,961 | 1,073,367 | - | - |
| 4,887 | 1,362,431 | 1,328 | 2,119,204 | 3,380,141 | 1,073,367 | 150,583 | 850,233 |
| - | 44,287 | - | 72,181 | 85,287 | 281,260 | 144,810 | 137,782 |

Black Hawk County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2003

| | County Assessor | Schools | Community Colleges |
|------------------------------------|--------------------|------------|-----------------------|
| Assets and Liabilities | | | |
| Balances beginning of year | 2,339,574 | 45,744,862 | 2,436,128 |
| Additions: | | | |
| Property and other county tax | 1,066,709 | 46,135,669 | 2,318,447 |
| E911 surcharge | - | - | - |
| State tax credits | 56,943 | 2,432,046 | 129,649 |
| State allocation | 4,960 | - | - |
| Office fees and collections | - | - | - |
| Auto licenses, use tax and postage | - | - | - |
| Assessments | - | - | - |
| Trusts | - | - | - |
| Miscellaneous | - | - | - |
| Total additions | 1,128,612 | 48,567,715 | 2,448,096 |
| Deductions: | | | |
| Agency remittances: | | | |
| To other funds | - | - | - |
| To other governments | 1,273,914 | 47,392,277 | 2,524,023 |
| Trusts paid out | - | - | - |
| Total deductions | 1,273,914 | 47,392,277 | 2,524,023 |
| Balances end of year | 2,194,272 | 46,920,300 | 2,360,201 |

| Corpora- tions | Townships | City Special Assess- ments | Auto License and Use Tax | Advance Taxes | Tax Sale Redemptions | Emergency Management Services | Condemna- tions |
|-------------------|-----------|-------------------------------------|-----------------------------------|------------------|----------------------------|-------------------------------------|--------------------|
| 45,877,403 | 260,505 | 441,891 | 1,852,739 | 30,955 | 216,932 | 94,103 | 32,510 |
| 47,660,541 | 283,504 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 2,140,150 | 15,472 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 23,476,477 | - | - | - | - |
| - | - | 28,350 | - | - | - | - | - |
| - | - | - | - | 74,592 | 1,478,354 | - | - |
| 94,199 | - | - | - | - | - | 108,671 | - |
| 49,894,890 | 298,976 | 28,350 | 23,476,477 | 74,592 | 1,478,354 | 108,671 | - |
| - | - | - | 747,528 | - | - | - | - |
| 47,333,930 | 270,480 | 107,413 | 22,611,116 | - | - | 113,610 | - |
| - | - | - | - | 49,886 | 1,524,064 | - | - |
| 47,333,930 | 270,480 | 107,413 | 23,358,644 | 49,886 | 1,524,064 | 113,610 | - |
| 48,438,363 | 289,001 | 362,828 | 1,970,572 | 55,661 | 171,222 | 89,164 | 32,510 |

Black Hawk County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2003

| | Unclaimed Property | Payroll Clearing | State General Monies and Credits |
|------------------------------------|-----------------------|---------------------|--|
| Assets and Liabilities | | | |
| Balances beginning of year | 14,659 | - | - |
| Additions: | | | |
| Property and other county tax | - | - | - |
| E911 surcharge | - | - | - |
| State tax credits | - | - | - |
| State allocation | - | - | - |
| Office fees and collections | - | - | - |
| Auto licenses, use tax and postage | - | - | - |
| Assessments | - | - | - |
| Trusts | - | 15,049,353 | - |
| Miscellaneous | - | - | 55,018 |
| Total additions | - | 15,049,353 | 55,018 |
| Deductions: | | | |
| Agency remittances: | | | |
| To other funds | - | - | - |
| To other governments | - | 15,049,353 | 55,018 |
| Trusts paid out | - | - | - |
| Total deductions | - | 15,049,353 | 55,018 |
| Balances end of year | 14,659 | - | - |

See accompanying independent auditor's report.

| Brucellosis and Tuberculosis Eradication | Solid Waste Administration | Medicaid Reimbursement | Flexible Spending | Total |
|---|----------------------------------|---------------------------|----------------------|-------------|
| 12,298 | 2,958 | 462,281 | 58,407 | 101,098,578 |
| 12,216 | - | - | - | 97,619,665 |
| - | - | - | - | 657,824 |
| 661 | - | - | - | 4,782,640 |
| - | - | - | - | 4,960 |
| - | - | - | - | 2,153,646 |
| - | - | - | - | 23,476,477 |
| - | - | - | - | 28,350 |
| - | - | - | - | 22,110,237 |
| - | 81,048 | 90,600 | 129,726 | 577,364 |
| 12,877 | 81,048 | 90,600 | 129,726 | 151,411,163 |
| - | - | - | - | 2,341,189 |
| 12,934 | 78,675 | 60,581 | 132,799 | 138,798,120 |
| - | - | - | - | 7,140,866 |
| 12,934 | 78,675 | 60,581 | 132,799 | 148,280,175 |
| 12,241 | 5,331 | 492,300 | 55,334 | 104,229,566 |

Schedule 8

Black Hawk County

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

For the Last Four Years

| | Modified Accrual Basis | | | |
|--------------------------------------|------------------------|-------------------|-------------------|-------------------|
| | 2003 | 2002 | 2001 | 2000 |
| Revenues: | | | | |
| Property and other county tax | \$ 25,555,766 | 24,419,228 | 22,848,198 | 21,535,321 |
| Interest and penalty on property tax | 339,343 | 337,709 | 305,557 | 249,076 |
| Intergovernmental | 24,073,274 | 24,215,608 | 23,710,890 | 24,440,095 |
| Licenses and permits | 342,815 | 344,623 | 312,803 | 333,573 |
| Charges for service | 4,624,478 | 4,288,126 | 3,930,837 | 3,623,166 |
| Use of money and property | 905,556 | 1,025,169 | 1,561,485 | 2,335,800 |
| Miscellaneous | 1,126,149 | 1,050,026 | 1,030,062 | 1,526,876 |
| Total | <u>\$ 56,967,381</u> | <u>55,680,489</u> | <u>53,699,832</u> | <u>54,043,907</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 14,250,874 | 13,759,118 | 12,744,201 | 12,278,021 |
| Physical health and social services | 9,742,599 | 9,964,422 | 9,175,627 | 10,244,458 |
| Mental health | 18,218,133 | 17,645,336 | 17,855,463 | 16,204,385 |
| County environment and education | 1,979,881 | 1,932,905 | 1,869,824 | 1,875,236 |
| Roads and transportation | 3,937,977 | 4,069,017 | 3,843,090 | 4,431,820 |
| Governmental services to residents | 1,493,129 | 1,436,204 | 1,313,347 | 1,263,535 |
| Administration | 5,028,006 | 4,830,170 | 4,696,934 | 5,139,958 |
| Debt service | 3,699,996 | 11,382,486 | 2,603,108 | 12,839,028 |
| Capital projects | 1,308,079 | 971,109 | 1,450,891 | 2,257,166 |
| Total | <u>\$ 59,658,674</u> | <u>65,990,767</u> | <u>55,552,485</u> | <u>66,533,607</u> |

See accompanying independent auditor's report.

Black Hawk County

Schedule 9

Black Hawk County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

| Grantor/Program | CFDA Number | Agency of Pass-through Number | Expenditures |
|---|----------------|-------------------------------------|----------------|
| Direct: | | | |
| U.S. Department of Justice: | | | |
| Bulletproof Vest Partnership Program | 16.607 | | \$ 1,431 |
| Planning, Implementing, and Enhancing Strategies in Community Prosecution - Gun Violence Prosecution | 16.609 | 2001-GP-CX-0081 | 40,000 |
| Environmental Protection Agency: | | | |
| Surveys, Studies, Investigations and Special Purpose Grants | 66.606 | | <u>8,323</u> |
| Total direct | | | <u>49,755</u> |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| School Breakfast Program (Youth Shelter) | 10.553 | | <u>5,264</u> |
| National School Lunch Program (Youth Shelter) | 10.555 | | <u>5,983</u> |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for Food Stamp Program | 10.561 | | <u>55,414</u> |
| U.S. Department of Justice: | | | |
| Iowa Department of Justice: | | | |
| Crime Victim Assistance | 16.575 | VA-03-53 | <u>24,440</u> |
| Governor's Office of Drug Control Policy: | | | |
| City of Waterloo: | | | |
| Byrne Formula Grant Program | 16.579 | 02A-0209 | <u>51,677</u> |
| Violence Against Women Formula Grants | 16.588 | VW-02-0212 | <u>70,916</u> |
| Iowa Department of Human Rights: | | | |
| Enforcing Underage Drinking Laws Program | 16.727 | 06-JD01-FS02 | <u>1,363</u> |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BROS-C007(66)--8J-07 | <u>120,851</u> |
| Iowa Department of Public Safety: | | | |
| Alcohol Traffic and Drunk Driving Prevention Incentive Grant | 20.601 | PAP 03-410, Task 03 | 1,252 |
| Alcohol Traffic and Drunk Driving Prevention Incentive Grant | 20.601 | PAP 02-410, Task 03 | <u>3,681</u> |
| | | | <u>4,933</u> |
| Safety Incentive Grants for Use of Seatbelts | 20.604 | PAP 02-157, Task 12 | <u>1,227</u> |

Black Hawk County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

| Grantor/Program | CFDA Number | Agency of Pass-through Number | Expenditures |
|--|----------------|-------------------------------------|----------------|
| Indirect (continued): | | | |
| U.S. Department of Transportation: | | | |
| Iowa Department of Public Safety: | | | |
| State and Community Highway Safety | 20.600 | PAP 03-02, Task 13 | 8,990 |
| State and Community Highway Safety | 20.600 | PAP 03-03, Task 10 | 5,043 |
| State and Community Highway Safety | 20.600 | PAP 02-164, Task 14 | 9,839 |
| State and Community Highway Safety | 20.600 | PAP 02-12, Task 01 | 4,489 |
| | | | <u>28,361</u> |
| Federal Emergency Management Agency: | | | |
| Iowa Department of Public Defense: | | | |
| Emergency Management Division: | | | |
| Emergency Management Performance Grants | 83.552 | | 23,959 |
| Public Assistance Grants | 83.544 | FEMA-DR-1282-IA | 9,156 |
| Hazard Mitigation Grant | 83.548 | 911-GIS-007 | 2,500 |
| Hazard Mitigation Grant | 83.548 | 1282-0001 | 142,934 |
| Hazard Mitigation Grant | 83.548 | 1277UN-0011 | 1,247 |
| Hazard Mitigation Grant | 83.548 | 0996-0139 | 137 |
| | | | <u>146,818</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Rehabilitation Services-Vocational Rehabilitation Grants to States | 84.126 | | 19,650 |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Public Health: | | | |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 5883TB03 | 6,154 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | 5882TB03 | 28,811 |
| | | | <u>34,965</u> |
| Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 93.197 | 5883LP02 | 81,803 |
| Immunization Grants | 93.268 | 5883I413 | 7,013 |
| Immunization Grants | 93.268 | 5882I413 | 11,579 |
| | | | <u>18,592</u> |

Schedule 9

Black Hawk County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

| Grantor/Program | CFDA Number | Agency of Pass-through Number | Expenditures |
|---|----------------|-------------------------------------|----------------|
| Indirect (continued): | | | |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Public Health: | | | |
| Center for Disease Control and Prevention-Investigations and Technical Assistance | 93.283 | 5883BT109 | 1,547 |
| Center for Disease Control and Prevention-Investigations and Technical Assistance | 93.283 | 5883BT09 | 9,342 |
| Center for Disease Control and Prevention-Investigations and Technical Assistance | 93.283 | 5883EHC | 6,149 |
| Center for Disease Control and Prevention-Investigations and Technical Assistance | 93.283 | 5883WW19 | 3,780 |
| Center for Disease Control and Prevention-Investigations and Technical Assistance | 93.283 | 5883WW04 | 3,700 |
| | | | <u>24,518</u> |
| Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs | 93.919 | 5883NB02 | 40,776 |
| Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs | 93.919 | 5882NB02 | 10,440 |
| | | | <u>51,216</u> |
| HIV Prevention Activities- Health Department Based | 93.940 | 5883AP06 | 17,027 |
| HIV Prevention Activities- Health Department Based | 93.940 | 5882AP06 | 29,967 |
| | | | <u>46,994</u> |
| Preventive Health and Health Services Block Grant | 93.991 | 5882AS09 | 6,450 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 5883CH01 | 119,958 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 5882CH01 | 46,774 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 5883DH02 | 16,000 |
| | | | <u>182,732</u> |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursement: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 81,927 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | | 243 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 15,788 |
| Foster Care - Title IV-E | 93.658 | | 27,978 |

Black Hawk County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

| Grantor/Program | CFDA Number | Agency of Pass-through Number | Expenditures |
|---|----------------|-------------------------------------|---------------------|
| Indirect (continued): | | | |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursement: | | | |
| Adoption Assistance | 93.659 | | 9,251 |
| Medical Assistance Program | 93.778 | | 79,715 |
| Social Services Block Grant | 93.667 | | 53,905 |
| Social Services Block Grant | 93.667 | | 730,892 |
| | | | <u>784,797</u> |
| Total indirect | | | <u>2,016,981</u> |
| Total | | | <u>\$ 2,066,736</u> |

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

See accompanying independent auditor's report.

Black Hawk 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 Black Hawk County:

We have audited the financial statements of Black Hawk County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated February 13, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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 items IV-B-03 and IV-J-03.

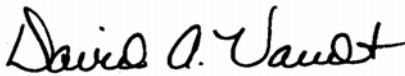
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Black Hawk 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 Black Hawk County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have been resolved except for item II-C-03.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Black Hawk County and other parties to whom Black Hawk 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 Black Hawk 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

February 13, 2004

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

Black Hawk County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Black Hawk County:

Compliance

We have audited the compliance of Black Hawk County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. Black Hawk County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Black Hawk County's management. Our responsibility is to express an opinion on Black Hawk County's compliance based on our audit.

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

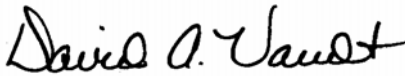
In our opinion, Black Hawk County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

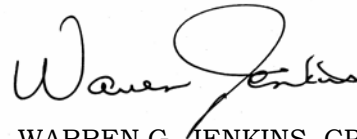
The management of Black Hawk County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Black Hawk County's internal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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 13, 2004

Black Hawk County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to its major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was CFDA Number 93.667 – Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Black Hawk County qualified as a low-risk auditee.

Black Hawk County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part II: Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-03 County Care Facility – County Care Facility residents working outside of the County Care Facility at local businesses are allowed to have snacks during breaks from work. These snacks are purchased through the County Care Facility Snack Bar account, with subsequent reimbursement to be made from the individual resident accounts. The snack bar account was not reimbursed timely from the individual resident accounts.

Recommendation – The snack bar account should be reimbursed timely from the individual resident accounts.

Response – Reimbursements from individual resident accounts to the snack bar account have been completed through the current time and will be done in a timely manner in the future.

Conclusion – Response accepted.

II-B-03 Communications Center – All receipts were not deposited timely with the County Treasurer. Also, prenumbered receipts were not issued. In addition, a restrictive endorsement (for deposit only) was not placed on checks when received.

Recommendation - All receipts should be deposited timely with the County Treasurer. Also, prenumbered receipts should be issued and accounted for. In addition, to better safeguard receipts, all checks should be endorsed when received.

Response – During this time period we were short staffed and had only one person able to do this. We have since hired a person to assist with these duties. She is restrictively endorsing the checks and they are hand delivered to the County Treasurer’s Office for deposit in a timely manner.

Conclusion – Response accepted.

Black Hawk County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

II-C-03 Electronic Data Processing Systems – The County does not have a written disaster recovery plan.

Recommendation – The County should establish a written disaster recovery plan.

Response – The County is in the process of writing procedures for disaster recovery. Some of the security policies have been established in draft form. Black Hawk County has had an assessment of our systems and is working toward correcting our deficiencies. Our completion date is April, 2005.

Conclusion – Response accepted.

Black Hawk County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Black Hawk County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 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 ended June 30, 2003.

IV-B-03 Certified Budget – Expenditures during the year ended June 30, 2003 exceeded the amounts budgeted in the public safety and legal services, mental health, governmental services to residents and debt service functions. Expenditures in certain departments exceeded the amounts appropriated.

Recommendation – Although the County acted to amend the budget and appropriations during the year ended June 30, 2003, the amendment was not effective since the publication of the budget amendment included June 30, 2004 budget information. The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before expenditures were allowed to exceed the budget.

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

Response – The wrong year's budget figures were accidentally published in the budget amendment in question. We will take care that this error doesn't happen again.

Conclusion – Response accepted.

IV-C-03 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-03 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-F-03 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 ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Black Hawk County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

- IV-H-03 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-03 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-03 Deficit Fund Balances – The Special Revenue, Rural Services and Conservation Trust Funds had deficit balances during the year ended June 30, 2003. This appears to violate Chapter 331.476 of the Code of Iowa.

Also, the Internal Service, Central Purchasing Fund had a deficit balance of \$32,400 at June 30, 2003.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations in accordance with Chapter 331.477 of the Code of Iowa.

Also, the County should investigate alternatives to eliminate the deficit in the Internal Service, Central Purchasing Fund to return this fund to a sound financial position.

Response – The Rural Services Fund is funded primarily through Local Option Sales Tax revenues, which the County receives on a delayed basis. In the future, we will endeavor to utilize formal short-term debt instruments or obligations to prevent funds from showing deficit balances.

Also, the Central Purchasing Fund is no longer in use, but was kept active in case plans were made to use it again. That now appears unlikely, so the remaining cash in the fund will be distributed to the funds from which they were advanced, in proportion to the original advance and this will eliminate the deficit fund balance.

Conclusion – Response accepted.

- IV-K-03 Electronic Check Retention – County Care Facility – Chapter 554D.114 of the Code of Iowa allows the County Care Facility 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 Care Facility retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response – We have contacted the bank and starting with the February 2004 bank statement, images of both front and back of checks will be included.

Black Hawk County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Conclusion – Response accepted.

- IV-L-03 County Assessor Conference Board Minutes – Certain minutes of the Conference Board were not signed.

Recommendation – All minutes should be signed to authenticate action taken.

Response – We are taking appropriate action to be sure all minutes are signed in the future.

Conclusion – Response accepted.

- IV-M-03 Emergency Management Commission Budget – Disbursements for the Emergency Management Services Fund exceeded the amount budgeted.

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

Response – The 2003 fiscal year budget amendment did not cover the disbursements of the agency due to an incorrect amount listed as the adopted 2003 fiscal year budget. We will make every attempt to provide accurate budget information in future years.

Conclusion – Response accepted.

- IV-N-03 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2003 for the County Extension Office exceeded the amount budgeted.

Recommendation – The budget should have been amended by the County Extension Council in accordance with Chapters 24.9 and 176A.8(6) of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We were not aware that this had happened. I was not the County Extension Director at the time. We will watch this more closely in the future.

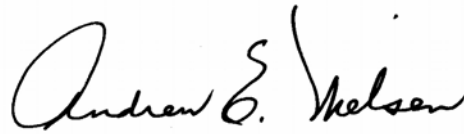
Conclusion – Response accepted.

Black Hawk County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Billie Jo Heth, Staff Auditor
Sarah M. Wright, Staff Auditor
Heather B. Allen, Staff Auditor
Kristen E. Harang, CPA, Assistant Auditor
Brad T. Holtan, Assistant Auditor
Candice R. Meester, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State