



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

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**NEWS RELEASE**

FOR RELEASE

March 24, 2005

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$27,068,458 for the year ended June 30, 2004, which included \$1,368,229 in tax credits from the state. The County forwarded \$21,304,542 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,763,916 of the local tax revenue to finance County operations, a 0.4 percent increase over the prior year. Other revenues included charges for service of \$3,277,460, operating grants, contributions and restricted interest of \$3,888,073, capital grants, contributions and restricted interest of \$2,135,925, local option sales tax of \$498,748, unrestricted investment earnings of \$99,526 and other general revenues of \$175,112.

Expenses for County operations totaled \$13,662,130, a five percent increase over the prior year. Expenses included \$4,730,139 for roads and transportation, \$2,029,006 for public safety and legal services and \$2,005,825 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.

# # #

**BOONE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2004**

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**Boone County**

**Officials**

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

**Boone County**



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Des Moines, Iowa 50319-0004

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Independent Auditor's Report

To the Officials of Boone County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Boone County's management. Our responsibility is to express opinions on these financial statements based on our audit.

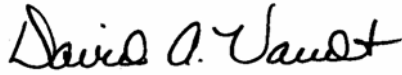
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County at June 30, 2004, 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.

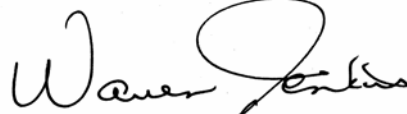
In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2004 on our consideration of Boone County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 18 and 50 through 53 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 Boone County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 10, 2004

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

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Boone County provides this Management's Discussion and Analysis of the Boone County FY2003-FY2004 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped that this section will assist you in understanding the events that significantly affected the financial position of Boone County as a whole.

This is the second year that Boone County is required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. This year's financial information will be compared to FY2002-2003 information. Comparisons to FY2001-2002 and years before are probably not meaningful as financial standards were different.

### **FISCAL YEAR 2004 FINANCIAL HIGHLIGHTS**

- Boone County's governmental funds revenue increased by \$235,249, or 2.00%, compared to FY2003. Taxes levied on property and other County tax increased \$202,641, or 3.49% from FY2003.
- Boone County governmental funds expenditures decreased \$499,715, or 3.98%, compared to FY2003. Capital project expenditures were \$920,307 less than in FY2003.
- Boone County's net assets increased approximately \$2.2 million from 2003.
- Boone County refinanced the original jail bond on August 1, 2003 taking advantage of a 3.161% effective interest rate.

### **USING THIS ANNUAL REPORT**

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

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

The financial statements also include notes to explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of Boone County's budget for FY2004. Other supplementary information provides detailed information about nonmajor governmental funds and agency funds.



## **REPORTING THE COUNTY AS A WHOLE**

### *Government-wide Financial Statements*

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

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

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

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

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

### *Fund Financial Statements*

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

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

Boone County has three types of funds:

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

2) Proprietary Funds: Boone County's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. Boone County has three enterprise funds, Landfill Operations Fund, Landfill Closure/Postclosure Fund and Ground Water Tax Fund.

3) Fiduciary Funds: Boone County is the trustee, or fiduciary, for assets that belong to others, such as Trustee Drainage Districts, Emergency Management Services, County Assessor, Empowerment and all the agency funds necessary to collect and distribute property taxes to schools, cities and other taxing authorities. Boone County is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Boone County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary funds report a liability due to other governments and, therefore, the fiduciary funds do not report a fund balance.

### BOONE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Boone County's net assets for FY2004 totaled \$31,173,882. Net assets on June 30, 2003 were \$28,997,252. Net assets increased 7.5% as a result of FY2004 Boone County operations. \$2,061,584 of the increase is attributed to assets paid for from the State Farm to Market Road Fund which are not funds that flow through the County budget.

|   | Net Assets of Boone County Activities |            |                          |           |            |            |
|---|---------------------------------------|------------|--------------------------|-----------|------------|------------|
|   | Governmental Activities               |            | Business Type Activities |           | Total      |            |
|   | 2004                                  | 2003       | 2004                     | 2003      | 2004       | 2003       |
| Current and other assets                        | \$ 11,774,213                         | 11,920,092 | 2,578,280                | 2,560,245 | 14,352,493 | 14,480,337 |
| Capital assets                                  | 25,639,232                            | 24,216,326 | 2,610,560                | 2,179,848 | 28,249,792 | 26,396,174 |
| Total assets                                    | 37,413,445                            | 36,136,418 | 5,188,840                | 4,740,093 | 42,602,285 | 40,876,511 |
| Long-term liabilities                           | 4,286,961                             | 4,926,003  | 1,068,491                | 1,169,068 | 5,355,452  | 6,095,071  |
| Other liabilities                               | 5,585,682                             | 5,674,081  | 537,269                  | 110,107   | 6,122,951  | 5,784,188  |
| Total liabilities                               | 9,872,643                             | 10,600,084 | 1,605,760                | 1,279,175 | 11,478,403 | 11,879,259 |
| Net assets:                                     |                                       |            |                          |           |            |            |
| Invested in capital assets, net of related debt | 21,616,468                            | 19,561,326 | 2,610,560                | 2,179,848 | 24,227,028 | 21,741,174 |
| Restricted                                      | 3,906,240                             | 4,276,073  | 109,625                  | 128,823   | 4,015,865  | 4,404,896  |
| Unrestricted                                    | 2,018,094                             | 1,698,935  | 912,895                  | 1,152,247 | 2,930,989  | 2,851,182  |
| Total net assets                                | \$ 27,540,802                         | 25,536,334 | 3,633,080                | 3,460,918 | 31,173,882 | 28,997,252 |

Net assets increased by \$2,176,630, or 7.5% compared to restated FY2003. The FY2003 net asset figure of \$28,755,231 was adjusted upward by \$242,021 to \$28,997,252 reflecting a correcting adjustment to the Secondary Roads inventory. The largest portion of Boone County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment) less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets since they are unavailable for spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they may be used. Unrestricted net assets – the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements - is \$2,930,989. Unrestricted net assets increased \$79,807, or 3%, as a result of FY2004 operations.

Changes in Net Assets of Boone County Activities

|  | Governmental Activities |                   | Business Type Activities |                  | Total             |                   |
|--|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
|  | 2004                    | 2003              | 2004                     | 2003             | 2004              | 2003              |
| Revenues:  |                         |                   |                          |                  |                   |                   |
| Program revenues:  |                         |                   |                          |                  |                   |                   |
| Charges for service  | \$ 1,509,823            | 1,375,320         | 1,767,637                | 1,716,644        | 3,277,460         | 3,091,964         |
| Operating grants, contributions and restricted interest      | 3,888,073               | 3,884,751         | -                        | -                | 3,888,073         | 3,884,751         |
| Capital grants, contributions and restricted interest        | 2,135,925               | 3,627,500         | -                        | -                | 2,135,925         | 3,627,500         |
| General revenues:  |                         |                   |                          |                  |                   |                   |
| Property tax - general purpose                               | 4,908,648               | 5,034,616         | -                        | -                | 4,908,648         | 5,034,616         |
| Property tax - debt service                                  | 408,341                 | 408,409           | -                        | -                | 408,341           | 408,409           |
| Penalty and interest on property tax                         | 69,921                  | 61,177            | -                        | -                | 69,921            | 61,177            |
| State tax credits  | 272,634                 | 300,643           | -                        | -                | 272,634           | 300,643           |
| Local option sales tax                                       | 673,041                 | 582,167           | -                        | -                | 673,041           | 582,167           |
| Grants and contributions not restricted to specific purposes | 26,142                  | 40,916            | -                        | -                | 26,142            | 40,916            |
| Unrestricted investment earnings                             | 82,558                  | 123,762           | 16,968                   | 36,999           | 99,526            | 160,761           |
| Gain on sale of capital assets                               | 11,247                  | 64,350            | -                        | 44,900           | 11,247            | 109,250           |
| Miscellaneous  | 57,601                  | 38                | 10,201                   | 3,406            | 67,802            | 3,444             |
| <b>Total revenues</b>  | <b>14,043,954</b>       | <b>15,503,649</b> | <b>1,794,806</b>         | <b>1,801,949</b> | <b>15,838,760</b> | <b>17,305,598</b> |
| Program expenses:  |                         |                   |                          |                  |                   |                   |
| Public safety and legal services                             | 2,029,006               | 2,009,746         | -                        | -                | 2,029,006         | 2,009,746         |
| Physical health and social services                          | 597,127                 | 620,148           | -                        | -                | 597,127           | 620,148           |
| Mental health  | 2,005,825               | 2,136,380         | -                        | -                | 2,005,825         | 2,136,380         |
| County environment and education                             | 778,898                 | 794,165           | -                        | -                | 778,898           | 794,165           |
| Roads and transportation                                     | 4,730,139               | 3,458,799         | -                        | -                | 4,730,139         | 3,458,799         |
| Governmental services to residents                           | 477,316                 | 457,021           | -                        | -                | 477,316           | 457,021           |
| Administration   | 1,247,211               | 1,145,154         | -                        | -                | 1,247,211         | 1,145,154         |
| Interest on long-term debt                                   | 173,964                 | 265,949           | -                        | -                | 173,964           | 265,949           |
| Solid waste  | -                       | -                 | 1,622,644                | 1,918,669        | 1,622,644         | 1,918,669         |
| <b>Total expenses</b>  | <b>12,039,486</b>       | <b>10,887,362</b> | <b>1,622,644</b>         | <b>1,918,669</b> | <b>13,662,130</b> | <b>12,806,031</b> |
| Increase (decrease) in net assets                            | 2,004,468               | 4,616,287         | 172,162                  | (116,720)        | 2,176,630         | 4,499,567         |
| Net assets beginning of year, as restated                    | 25,536,334              | 20,920,047        | 3,460,918                | 3,577,638        | 28,997,252        | 24,497,685        |
| <b>Net assets end of year</b>                                | <b>\$ 27,540,802</b>    | <b>25,536,334</b> | <b>3,633,080</b>         | <b>3,460,918</b> | <b>31,173,882</b> | <b>28,997,252</b> |

Boone County increased property tax rates approximately \$0.07 per \$1,000 of valuation in the rural levy and \$0.118 per \$1,000 of valuation in the county-wide levy. Taxable value by levy, the actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

|                                       | For Taxes<br>Levied<br>FY2004 | For Taxes<br>Levied<br>FY2003 |
|---------------------------------------|-------------------------------|-------------------------------|
| Countywide taxable value              | \$ 953,903,115                | 944,094,125                   |
| Countywide levy rate without debt     | 4.05759                       | 3.93663                       |
| Dollars levied without debt           | 3,870,548                     | 3,716,548                     |
| Countywide taxable debt service value | 977,191,723                   | 967,899,214                   |
| County debt service levy rate         | 0.44254                       | 0.44545                       |
| Dollars levied debt service           | 432,450                       | 431,149                       |
| Total countywide rate                 | 4.50013                       | 4.38208                       |
| Total dollars levied countywide       | 4,302,998                     | 4,147,697                     |
| Rural taxable value                   | 602,819,463                   | 595,495,875                   |
| Rural tax levy rate                   | 2.19514                       | 2.12708                       |
| Dollars levied rural area only        | 1,323,272                     | 1,266,670                     |
| Total dollars levied                  | 5,626,270                     | 5,414,367                     |

## Governmental Activities

As stated earlier, this is the second year Boone County is required to prepare financial statements on a full accrual basis. Management will analyze and compare revenues and expenses detailing percentage increases or decreases and attempt to explain the reasons they occurred.

- An increase in taxable property values is usually an indicator the economy is strong. Boone County's taxable valuation increased from \$944,094,125 to \$953,903,115 compared to the prior fiscal year. About \$7 million of the increase was in new construction. The remaining \$2.8 million increase was due to revaluation.
- Revenues for governmental activities were \$14,043,954 while expenses amounted to \$12,039,486. \$2,061,584 of Farm to Market Road Funding is counted in revenue but expenditures of those funds were made by Iowa DOT on Boone County's behalf. Those expenditures for infrastructure assets did not flow through the County. In a difficult budgeting year, Boone County did a remarkable job trimming expenses to match available revenues.
- The local option tax sales tax revenue totaled \$498,748, contributing greatly to the increase in net assets of the governmental activities. Boone County uses 75% of the sales tax revenue to reduce property taxes in the Rural Services Fund. The remaining 25% of the tax is spent for community betterment projects throughout the County.

## Net Cost of Governmental Activities

| Function                            | Expenses             | Program Revenues    |  |                       |
|-------------------------------------|----------------------|---------------------|--|-----------------------|
|                                     |                      | Charges for Service | Operating and Capital Grants and Contributions | Net Expense (Revenue) |
| Public safety and legal services    | \$ 2,029,006         | 385,133             | 20,913   | 1,622,960             |
| Physical health and social services | 597,127              | 45,128              | 216,768  | 335,231               |
| Mental health                       | 2,005,825            | 5,529               | 1,040,775                                      | 959,521               |
| County environment and education    | 773,150              | 345,527             | 6,571  | 421,052               |
| Roads and transportation            | 4,730,139            | 181,994             | 4,718,682                                      | (170,537)             |
| Governmental services to residents  | 477,316              | 506,000             | -  | (28,684)              |
| Administration                      | 1,247,211            | 40,512              | 20,289   | 1,186,410             |
| Non-program                         | 5,748                | -                   | -  | 5,748                 |
| Interest on long-term debt          | 173,964              | -                   | -  | 173,964               |
| <b>Total</b>                        | <b>\$ 12,039,486</b> | <b>1,509,823</b>    | <b>6,023,998</b>                               | <b>4,505,665</b>      |

- The cost of all governmental activities this year was \$12,039,486, an increase of \$1,152,124, or 10.6% from restated FY2003.
- The portion of the cost financed by users of Boone County programs was \$1,509,823, an increase of \$134,503, or 9.78%.
- The federal and state government and private contributors subsidized certain programs with operating grants and contributions totaling \$6,023,998, a decrease of 19.8% from FY2003, and included a capital grant of \$2,061,584 which is farm to market funding that was used for road resurfacing projects whose expenditures were capitalized and depreciated. Farm to market funding was down 76%, reflecting less road construction in FY2004.
- The net cost of governmental activities was financed with property tax of \$5,561,203, an increase of 1.04% from last year, \$498,748 of local option taxes, a decrease of 14.33% from FY2003, \$82,558 of unrestricted investment income, a decrease of 33.29% compared to last year and \$11,247 of gain on sale of capital assets, a

decrease of 82.52% compared to FY2003. Governmental activities revenues exceeded expenses by \$2,004,468 compared to \$4,616,287 in FY2003, as restated.

### **Business Type Activities**

Revenues of the Boone County Landfill decreased 0.40% to \$1,794,806 while expenses decreased 15.43% to \$1,622,644. The County landfill is Boone County's only business type activity. Revenues of the landfill include charges for service, the Iowa Department of Natural Resources Ground Water Tax and investment earnings.

- The Boone County Landfill focused on enhancing its programs and services during FY2004. The landfill has entered a new period marked by less intensive cell development that will last for a period of several years.
- A second landfill compactor was added to benefit operations and air-space management. This was achieved by not trading an older machine when making a planned purchase of a new unit. The landfill also hired an additional operator.
- The landfill spear-headed a successful effort for Boone County to be selected by the Iowa Department of Natural Resources as one of just three "pilot" communities participating in an illegal dumping prevention campaign. The landfill's Keep Boone County Beautiful program took the lead on this project which will operate through October 2005.

### **MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS**

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

The financial performance of Boone County as a whole is reflected in its governmental funds as well. As Boone County completed the year, its governmental funds reported combined fund balances of \$6,035,870, .5% lower than last year's restated balance of \$6,068,032.

| General Fund                        | Current<br>Year | Prior<br>Year |
|-------------------------------------|-----------------|---------------|
| Beginning fund balance              | \$ 1,481,538    | 1,251,764     |
| Property tax related                | 3,166,015       | 2,910,177     |
| Local option sales tax              | 174,293         | 170,430       |
| Intergovernmental                   | 546,519         | 626,684       |
| Permits and charges for service     | 881,407         | 854,773       |
| Interest and use of property        | 106,282         | 120,988       |
| Miscellaneous                       | 79,655          | 77,294        |
| Total revenue                       | 4,954,171       | 4,760,346     |
| Public safety and legal services    | 1,994,648       | 1,892,653     |
| Physical health and social services | 597,127         | 620,149       |
| County environment and education    | 481,031         | 444,692       |
| Governmental services to residents  | 85,455          | 87,109        |
| Administration                      | 384,235         | 358,804       |
| Non-program                         | 1,064,871       | 991,775       |
| Capital projects                    | -               | 20,000        |
| Transfers to other funds            | 94,161          | 115,390       |
| Total uses                          | 4,701,528       | 4,530,572     |
| Ending fund balance                 | \$ 1,734,181    | 1,481,538     |

Total dollars from property tax revenue increased 8.79%. The increase in dollars levied was \$279,050. It is estimated 71% of the increase was paid by taxpayers owning new construction in the County. The biggest reason for the additional dollars was to pay for the 27% increase in cost of employee health benefits. Cash labor expenditures (including wages, employment taxes and health insurance) for FY2004 exceeded FY2003 expenditures by \$347,368. Local option tax revenue increased 2.27% compared to FY2003. Several state grants were reduced and a few were totally eliminated. Most notable was the elimination of the personal property tax reimbursement which was \$143,676 in FY2003. Intergovernmental revenue decreased \$80,165 when compared to FY2003. Care of prisoners revenue increased \$85,557 compared to last year.

Permits and charges for service revenue increased by 3.12%, indicating a larger demand for service as no fees were increased. Interest revenue dropped from \$95,698 in FY2003 to \$80,892, or 15.47%.

Total expenditures and uses increased by 3.77%, or \$170,956, compared to FY2003. This increase was attributable to the modest increase in state grant funding which, for the most part, is pass through dollars, and administrative services which contain the new operational expenditures of the Law Enforcement Center. General Fund labor expense, including wages, FICA, IPERS and health insurance, increased 14.02%, or \$347,368, to \$2,825,703.

| Mental Health Fund          | Current<br>Year | Prior<br>Year |
|-----------------------------|-----------------|---------------|
| Beginning fund balance      | \$ 282,414      | 658,160       |
| Property tax related        | 749,073         | 882,157       |
| Property tax relief payment | 733,008         | 733,009       |
| Other intergovernmental     | 314,547         | 131,238       |
| Miscellaneous               | 922             | 14,230        |
| Total revenue               | 1,797,550       | 1,760,634     |
| Mental illness              | 258,499         | 214,520       |
| Chronic mental illness      | 544,879         | 666,035       |
| Mental retardation          | 1,194,141       | 1,249,613     |
| Developmental disability    | 8,306           | 6,212         |
| Total uses                  | 2,005,825       | 2,136,380     |
| Ending fund balance         | \$ 74,139       | 282,414       |

Boone County levied \$753,946 for FY2004, which was \$125,000 less than the maximum levy established by the Mental Health Fund base year calculation. The FY2003 ending fund balance was 13.22% of FY2003 expenditures, which qualified the County for an additional \$183,309 of revenue supplied by the State of Iowa. Boone County experienced a 6.11% decrease in expenditures for service. The FY2004 ending fund balance represents 3.7% of FY2004 expenditures. This low fund balance may allow Boone County to access additional risk pool dollars for mental health services in FY 2005.

| Rural Services Fund                   | Current<br>Year | Prior<br>Year |
|---------------------------------------|-----------------|---------------|
| Beginning fund balance                | \$ 264,751      | 156,833       |
| Property tax related                  | 1,316,992       | 1,272,247     |
| Local option sales tax                | 522,880         | 511,289       |
| Charges for service and miscellaneous | 18,384          | 19,442        |
| Total revenue                         | 1,858,256       | 1,802,978     |
| Weed control                          | 46,420          | 52,306        |
| Rural landfill per capita             | 41,480          | 41,480        |
| Animal control                        | 18,906          | 12,360        |
| Planning and development              | 99,977          | 97,014        |
| Library support                       | 60,000          | 60,000        |
| Township officials                    | 1,180           | 2,251         |
| Transfer to secondary roads           | 1,486,251       | 1,429,649     |
| Total uses                            | 1,754,214       | 1,695,060     |
| Ending fund balance                   | \$ 368,793      | 264,751       |

Property tax revenue was increased for the following reasons.

1) The local effort for secondary roads was increased from 80% to 82%.

2) Boone County expected local option sales tax revenue to decrease because of the economic forecast for the State of Iowa to \$425,000. Local option sales tax receipts increased 2.27% compared to FY2003.

Total property tax related revenue is less than the dollars transferred to secondary roads by \$169,259, which means local option taxes pay for all of the services paid for in the rural services fund and part of the road expenditures.

The Board of Supervisors is intentionally allowing the Rural Services Fund balance to increase to 20% of total uses so if local option tax revenue declines significantly, the County will still be able to meet the local match requirements for Secondary Roads. The current fund balance is 21.02% of expenditures and transfer from this fund based on FY2004 information. The fund balance percentage for FY2003 was 15.62%.

| Secondary Roads Fund                   | Current<br>Year | Prior<br>Year |
|--|-----------------|---------------|
| Beginning fund balance                 | \$ 2,967,076    | 2,563,964     |
| Transfers in                           | 1,579,814       | 1,519,649     |
| State fuel tax and other state revenue | 2,757,345       | 2,773,269     |
| Charges for services and miscellaneous | 98,305          | 72,842        |
| Sale of capital assets                 | 1,400           | -             |
| Total revenue                          | 4,436,864       | 4,365,760     |
| Maintenance and construction           | 4,256,675       | 3,962,648     |
| Ending fund balance                    | \$ 3,147,265    | 2,967,076     |

The beginning balance of the Secondary Roads Fund has been restated to properly report the June 30, 2003 inventories.

Secondary Roads Fund revenue increased by 1.63% compared to FY2003. The increase in transfers in was made to increase local funding effort to 82%, besides the small increase because of valuation. Road use tax decreased 0.57% compared to FY2003.

Secondary Roads Fund expenditures increased by \$294,027, or 7.42%, compared to FY2003. Expenditures for roadway construction increased \$226,856.

Total ending fund balance compared to total uses increased to 73.94% in FY2004 from 74.88% in FY2003, as restated.



| Debt Service Fund                 | Current<br>Year | Prior<br>Year |
|-----------------------------------|-----------------|---------------|
| Beginning fund balance            | \$ 14,838       | 13,322        |
| Property tax related              | 429,676         | 432,665       |
| General obligation bond proceeds  | 4,880,061       | -             |
| Transfers in                      | 433,300         | -             |
| Total revenue                     | 5,743,037       | 432,665       |
| Principal                         | 689,785         | 163,750       |
| Interest                          | 116,066         | 267,399       |
| Bond refinancing costs            | 37,257          | -             |
| General obligation bond refunding | 4,880,061       | -             |
| Total uses                        | 5,723,169       | 431,149       |
| Ending fund balance               | \$ 34,706       | 14,838        |

The Debt Service Fund accumulates resources and pays the principal and interest for the bond financing, the jail project and a loan from the City of Boone that helped finance the renovation of the Boone County Fair Community Building in 1994. The original jail bond was refinanced August 1, 2003 using \$433,300 of remaining jail project funds. The final payment of \$18,750 will be made to the City of Boone in FY2005 for the deferred payment contract. Jail bonds of \$4,022,764 are outstanding at June 30, 2004.

#### **BUSINESS TYPE FUND HIGHLIGHTS**

FY2003-2004 was the Boone County Landfill's 34<sup>th</sup> year of operations.

FY2003-2004 was a year in which the landfill had to operate on a cash deficit basis due to cell construction, equipment repair and the addition of closure/postclosure costs associated with cell 6-R. However, the deficit ended up only being 43% of what was approved by the Board of Supervisors. It is anticipated that by FY2005-2006 the Landfill will be in position to begin rebuilding its operating reserves.

FY2003-2004 included construction of Cell 6-R, continued improvement of our already extensive erosion control program, increased the effectiveness of our solid waste and recycling education programs and providing excellent household hazardous waste services.

#### **Landfill Operations Fund**

Revenues: Landfill fees charged to its customers did not increase for FY2004. However, revenue was up 3.4% to \$1,717,548 compared to last year due to increased activity.

Expenses: Operating expenses decreased 13.67% compared to FY2003. The major reduction was in the adjustment necessary to fund closure and postclosure costs (C/PC). C/PC is fully funded on the older portion of the landfill. Labor cost, including payroll taxes and health insurance, increased by 6.34%. Depreciation expense was \$88,952 less than FY2003. No major equipment was replaced this year.

#### **Landfill Closure/Postclosure Fund**

Revenues: Payments from the operations fund made annually are the funding source for the Closure and Postclosure Fund. The Landfill Operations Fund contributed \$146,000 from FY2004 operations. Interest earned on this fund is reinvested. Total assets of this fund are \$1,355,921, with the total projected liability for closure/postclosure being \$1,053,454. Current funding exceeds the estimated liability by \$302,467.

Expenses: This fund is in the midst of its “pay-in” period. No closure/postclosure costs were expended from this fund during FY2004.

## **BUDGETARY HIGHLIGHTS**

On July 23, 2003 the County Board of Supervisors amended the original FY 2004 budget for the following:

- Increased charges for service receipts by \$50,000 to reflect the Recorder’s Electronic Transaction Fee Fund.
- Decreased public safety and legal services disbursements by \$25,500 to reflect elimination of one full time dispatcher and a \$2,500 allocation reduction to youth and family services.
- Decreased physical health and social services \$834 to reflect appropriation decrease to Boone County community services.
- Decreased county environment and education \$3,500 to reflect \$2,500 reduction to Boone Futures and \$1,000 reduction to soil conservation.
- Increased governmental services to residents \$50,000 for disbursement authority for the Recorder’s Electronic Transaction Fee Fund.
- Decreased administration by \$21,000 to reflect appropriation cut of \$11,000 for computer equipment and capital repair reduction of \$10,000.
- Increased debt service \$500,000 to allow for remaining jail project money to be used in refinancing of original jail bond.
- Increased budgeted beginning balance on July 1, 2003 from \$3,582,045 to actual cash balance of \$5,309,986.
- Decreased capital projects due to the jail project.

## **CAPITAL ASSETS**

Boone County concluded FY 2004 with \$28,249,792 invested in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, roads and bridges. GASB 34 requires infrastructure and other capital assets to be depreciated according to a capital asset policy.

## **LONG TERM DEBT**

Boone County issued general obligation bonds of \$4,835,000 for the purpose of refinancing the original jail project bonds. The county bond rating for the refinancing issue is Aa3. The bond rating firm requires a higher ending fund balance than the County has determined necessary to receive a higher bond rating. The June 30, 2004 balance due on refunding jail bond issue is \$4,022,764.

Boone County also has a long term loan from the City of Boone that helped finance the renovation of the Boone County Fair Community Building in 1994. The balance due on the loan from the City of Boone is \$18,750 (final payment will be in FY05).

## **FACTORS BEARING ON THE FUTURE**

Boone County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that partially finance the various county services. One of those factors is the economy. Boone County’s employment (number of persons working) has remained steady at approximately 13,500 since 1998. The average Boone County

unemployment rate for 1998 was 2.3%. Unemployment in Boone County now stands at 3.3% versus 3.4% a year ago. This compares with the State's unemployment rate of 4.3% and the national rate of 5.6% for the same period ended June 30, 2004.

The State of Iowa's modest financial condition and relatively flat revenue projection continue. The actual revenue shortfalls compared to projected revenue of the State of Iowa are, in fact, causing property tax and charges for service to pick up a larger share of local governmental expenditures.

The above factors were all part of the considerations for the FY 2005 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

|                     | Dollars<br>Certified | Percentage<br>Increase (Decrease) |
|---------------------|----------------------|-----------------------------------|
| General Fund        | \$ 3,116,572         | 0.0%                              |
| Mental Health Fund  | 878,976              | 16.6%                             |
| Debt Service Fund   | 333,495              | (22.8%)                           |
| Rural Services Fund | 1,323,272            | 0.0%                              |
| Total               | <u>\$ 5,652,315</u>  | <u>0.5%</u>                       |

Continued State revenue cutbacks and health insurance increases above 20% for three years is driving the increase in property tax. No new services were added in the FY 2005 budget. Levy rates (expressed in \$/\$1,000 taxable valuation) to produce the above dollars for FY 2004 are as follows:

|                      |            |
|----------------------|------------|
| General Basic        | \$ 3.50000 |
| General Supplemental | 0.31869    |
| Mental Health        | 1.07700    |
| Debt Service         | 0.39130    |
| Rural Services Basic | 2.73960    |

Boone County has been fortunate there has been continued new construction and economic growth in the community to help offset the growth in demands for county services. However, in looking forward to FY 2005, the taxable value of agricultural land has been reduced by 36% according to the use formula that determines the taxable value of agricultural land. It is estimated this reduction will reduce taxable value county-wide by about 10%. That fact alone caused the general fund levy rate to raise the same dollars as for FY2004 to be in excess of the \$3.50 limit.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Boone 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 Boone County Auditor's Office, 201 State Street, Boone, Iowa 50036.

## **Basic Financial Statements**

**Exhibit A**

Boone County  
Statement of Net Assets  
June 30, 2004

|  | Governmental<br>Activities | Business Type<br>Activities | Total             |
|--|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>  |                            |                             |                   |
| Cash and pooled investments                                      | \$ 5,458,795               | 974,790                     | 6,433,585         |
| Cash and pooled investments - restricted                         | -                          | 1,441,682                   | 1,441,682         |
| Receivables:   |                            |                             |                   |
| Property tax:  |                            |                             |                   |
| Delinquent   | 8,031                      | -                           | 8,031             |
| Succeeding year  | 5,101,000                  | -                           | 5,101,000         |
| Interest and penalty on property tax                             | 18,794                     | -                           | 18,794            |
| Accounts   | 6,632                      | 143,723                     | 150,355           |
| Accrued interest   | 2,435                      | 14,417                      | 16,852            |
| Road assessments:  | 19,554                     | -                           | 19,554            |
| Current  |                            |                             |                   |
| Noncurrent   | 82,648                     | -                           | 82,648            |
| Due from other governments                                       | 465,934                    | -                           | 465,934           |
| Inventories  | 553,694                    | -                           | 553,694           |
| Prepaid insurance  | 56,696                     | 3,668                       | 60,364            |
| Capital assets (net of accumulated depreciation)                 | 25,639,232                 | 2,610,560                   | 28,249,792        |
| <b>Total assets</b>  | <b>37,413,445</b>          | <b>5,188,840</b>            | <b>42,602,285</b> |
| <b>Liabilities</b>   |                            |                             |                   |
| Accounts payable   | 175,056                    | 449,003                     | 624,059           |
| Accrued interest payable   | 24,908                     | -                           | 24,908            |
| Salaries and benefits payable                                    | 67,955                     | 5,918                       | 73,873            |
| Due to other governments   | 216,763                    | 32,348                      | 249,111           |
| Deferred revenue:  |                            |                             |                   |
| Succeeding year property tax                                     | 5,101,000                  | -                           | 5,101,000         |
| Long-term liabilities:   |                            |                             |                   |
| Portion due or payable within one year:                          |                            |                             |                   |
| General obligation bonds   | 265,000                    | -                           | 265,000           |
| Deferred payment contract  | 18,750                     | -                           | 18,750            |
| Compensated absences   | 245,447                    | 15,037                      | 260,484           |
| Portion due or payable after one year:                           |                            |                             |                   |
| General obligation bonds   | 3,757,764                  | -                           | 3,757,764         |
| Estimated liability for landfill closure<br>and postclosure care | -                          | 1,053,454                   | 1,053,454         |
| <b>Total liabilities</b>   | <b>9,872,643</b>           | <b>1,555,760</b>            | <b>11,428,403</b> |
| <b>Net Assets</b>  |                            |                             |                   |
| Invested in capital assets, net of related debt                  | 21,616,468                 | 2,610,560                   | 24,227,028        |
| Restricted for:  |                            |                             |                   |
| Mental health purposes   | 75,348                     | -                           | 75,348            |
| Secondary roads purposes   | 3,118,960                  | -                           | 3,118,960         |
| Debt service   | 35,146                     | -                           | 35,146            |
| Other purposes   | 676,786                    | 109,625                     | 786,411           |
| Unrestricted   | 2,018,094                  | 912,895                     | 2,930,989         |
| <b>Total net assets</b>  | <b>\$ 27,540,802</b>       | <b>3,633,080</b>            | <b>31,173,882</b> |

See notes to financial statements.

Boone County  
Statement of Activities  
Year ended June 30, 2004

|   | Program Revenues     |                     |   | Net (Expense) Revenue and Changes in Net Assets       |                         | Total                       |
|---|----------------------|---------------------|---|---|-------------------------|-----------------------------|
|   | Expenses             | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | Governmental Activities |                             |
| <b>Functions / Programs:</b>                                |                      |                     |   |   |                         |                             |
| Governmental activities:                                    |                      |                     |   |   |                         |                             |
| Public safety and legal services                            | \$ 2,029,006         | 385,133             | 20,913  | -   | (1,622,960)             | - (1,622,960)               |
| Physical health and social services                         | 597,127              | 45,128              | 216,768   | -   | (335,231)               | - (335,231)                 |
| Mental health   | 2,005,825            | 5,529               | 1,040,775   | -   | (959,521)               | - (959,521)                 |
| County environment and education                            | 778,898              | 345,527             | 6,571   | -   | (426,800)               | - (426,800)                 |
| Roads and transportation                                    | 4,730,139            | 181,994             | 2,582,757   | 2,135,925   | 170,537                 | - 170,537                   |
| Governmental services to residents Administration           | 477,316              | 506,000             | -   | -   | 28,684                  | - 28,684                    |
|   | 1,247,211            | 40,512              | 20,289  | -   | (1,186,410)             | - (1,186,410)               |
| Interest on long-term debt                                  | 173,964              | -                   | -   | -   | (173,964)               | - (173,964)                 |
| <b>Total governmental activities</b>                        | <b>12,039,486</b>    | <b>1,509,823</b>    | <b>3,888,073</b>  | <b>2,135,925</b>                                      | <b>(4,505,665)</b>      | <b>- (4,505,665)</b>        |
| Business type activities:                                   |                      |                     |   |   |                         |                             |
| Solid waste   | 1,622,644            | 1,767,637           | -   | -   | -                       | 144,993 144,993             |
| <b>Total</b>  | <b>\$ 13,662,130</b> | <b>3,277,460</b>    | <b>3,888,073</b>  | <b>2,135,925</b>                                      | <b>(4,505,665)</b>      | <b>144,993 (4,360,672)</b>  |
| <b>General Revenues:</b>                                    |                      |                     |   |   |                         |                             |
| Property and other county tax levied for:                   |                      |                     |   |   |                         |                             |
| General purposes  |                      |                     |   |   | 4,908,648               | - 4,908,648                 |
| Debt service  |                      |                     |   |   | 408,341                 | - 408,341                   |
| Penalty and interest on property tax                        |                      |                     |   |   | 69,921                  | - 69,921                    |
| State tax credits   |                      |                     |   |   | 272,634                 | - 272,634                   |
| Local option sales tax                                      |                      |                     |   |   | 673,041                 | - 673,041                   |
| Grants and contributions not restricted to specific purpose |                      |                     |   |   | 26,142                  | - 26,142                    |
| Unrestricted investment earnings                            |                      |                     |   |   | 82,558                  | 16,968 99,526               |
| Gain on sale of capital assets                              |                      |                     |   |   | 11,247                  | - 11,247                    |
| Miscellaneous   |                      |                     |   |   | 57,601                  | 10,201 67,802               |
| <b>Total general revenues</b>                               |                      |                     |   |   | <b>6,510,133</b>        | <b>27,169 6,537,302</b>     |
| Change in net assets  |                      |                     |   |   | 2,004,468               | 172,162 2,176,630           |
| Net assets beginning of year, as restated                   |                      |                     |   |   | 25,536,334              | 3,460,918 28,997,252        |
| Net assets end of year                                      |                      |                     |   |   | <b>\$ 27,540,802</b>    | <b>3,633,080 31,173,882</b> |

See notes to financial statements.

Boone County  
Balance Sheet  
Governmental Funds

June 30, 2004

|   | General             | Special Revenue  |                  |                  |
|---|---------------------|------------------|------------------|------------------|
|   |                     | Mental Health    | Rural Services   | Secondary Roads  |
| <b>Assets</b>                                       |                     |                  |                  |                  |
| Cash and pooled investments                         | 1,739,631           | 364,660          | 299,798          | 2,355,648        |
| Receivables:  |                     |                  |                  |                  |
| Property tax:                                       |                     |                  |                  |                  |
| Delinquent  | 4,768               | 1,345            | 1,429            | -                |
| Succeeding year                                     | 2,814,000           | 794,000          | 1,192,000        | -                |
| Interest and penalty on property tax                | 18,794              | -                | -                | -                |
| Accounts  | 1,143               | 95               | 1,013            | 2,915            |
| Accrued interest                                    | 2,435               | -                | -                | -                |
| Road assessments                                    | -                   | -                | -                | 102,202          |
| Due from other funds                                | -                   | -                | -                | 2,774            |
| Due from other governments                          | 75,887              | 4,462            | 106,601          | 264,692          |
| Inventories   | -                   | -                | -                | 553,694          |
| Prepaid insurance                                   | 28,630              | -                | -                | 28,066           |
| <b>Total assets</b>                                 | <b>\$ 4,685,288</b> | <b>1,164,562</b> | <b>1,600,841</b> | <b>3,309,991</b> |
| <b>Liabilities and Fund Balances</b>                |                     |                  |                  |                  |
| Liabilities:  |                     |                  |                  |                  |
| Accounts payable                                    | \$ 60,580           | 87,312           | 3,085            | 24,079           |
| Salaries and benefits payable                       | 30,883              | -                | 708              | 36,364           |
| Due to other funds                                  | 2,931               | -                | -                | -                |
| Due to other governments                            | 8,529               | 207,902          | -                | 81               |
| Deferred revenue:                                   |                     |                  |                  |                  |
| Succeeding year property tax                        | 2,814,000           | 794,000          | 1,192,000        | -                |
| Other   | 34,184              | 1,209            | 36,255           | 102,202          |
| Total liabilities                                   | 2,951,107           | 1,090,423        | 1,232,048        | 162,726          |
| Fund balances:                                      |                     |                  |                  |                  |
| Reserved for:                                       |                     |                  |                  |                  |
| Drainage warrants/drainage improvement certificates | -                   | -                | -                | -                |
| Debt service  | -                   | -                | -                | -                |
| Resource enhancement and protection                 | -                   | -                | -                | -                |
| Unreserved, reported in:                            |                     |                  |                  |                  |
| General fund  | 1,734,181           | -                | -                | -                |
| Special revenue funds                               | -                   | 74,139           | 368,793          | 3,147,265        |
| Capital projects fund                               | -                   | -                | -                | -                |
| Total fund balances                                 | 1,734,181           | 74,139           | 368,793          | 3,147,265        |
| <b>Total liabilities and fund balances</b>          | <b>\$ 4,685,288</b> | <b>1,164,562</b> | <b>1,600,841</b> | <b>3,309,991</b> |

See notes to financial statements.

| Debt Service   | Nonmajor Governmental | Total             |
|----------------|-----------------------|-------------------|
| 34,908         | 664,150               | 5,458,795         |
| 489            | -                     | 8,031             |
| 301,000        | -                     | 5,101,000         |
| -              | -                     | 18,794            |
| -              | 1,466                 | 6,632             |
| -              | -                     | 2,435             |
| -              | -                     | 102,202           |
| -              | 157                   | 2,931             |
| -              | 14,292                | 465,934           |
| -              | -                     | 553,694           |
| -              | -                     | 56,696            |
| <u>336,397</u> | <u>680,065</u>        | <u>11,777,144</u> |
| -              | -                     | 175,056           |
| -              | -                     | 67,955            |
| -              | -                     | 2,931             |
| 251            | -                     | 216,763           |
| 301,000        | -                     | 5,101,000         |
| 440            | 3,279                 | 177,569           |
| <u>301,691</u> | <u>3,279</u>          | <u>5,741,274</u>  |
| -              | 120,420               | 120,420           |
| 34,706         | -                     | 34,706            |
| -              | 70,823                | 70,823            |
| -              | -                     | 1,734,181         |
| -              | 162,132               | 3,752,329         |
| -              | 323,411               | 323,411           |
| <u>34,706</u>  | <u>676,786</u>        | <u>6,035,870</u>  |
| <u>336,397</u> | <u>680,065</u>        | <u>11,777,144</u> |



**Boone County**

Boone County

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

June 30, 2004

**Total governmental fund balances (page 23)** \$ 6,035,870

***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 \$43,569,605 and the accumulated depreciation is \$17,930,373. 25,639,232

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 177,569

Long-term liabilities, including deferred payment contract payable, bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (4,311,869)

**Net assets of governmental activities (page 20)** \$ 27,540,802

See notes to financial statements.

Boone County

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

Year ended June 30, 2004

|   | Special Revenue |               |                |                 |
|---|-----------------|---------------|----------------|-----------------|
|   | General         | Mental Health | Rural Services | Secondary Roads |
| Revenues:   |                 |               |                |                 |
| Property and other county tax                             | \$ 3,115,664    | 711,512       | 1,777,916      | -               |
| Interest and penalty on property tax                      | 66,697          | -             | -              | -               |
| Intergovernmental   | 704,466         | 1,085,116     | 61,956         | 2,757,345       |
| Licenses and permits                                      | 14,980          | -             | -              | 521             |
| Charges for service                                       | 866,427         | -             | 18,360         | -               |
| Use of money and property                                 | 106,282         | -             | -              | 961             |
| Miscellaneous   | 79,655          | 922           | 24             | 96,823          |
| Total revenues  | 4,954,171       | 1,797,550     | 1,858,256      | 2,855,650       |
| Expenditures:   |                 |               |                |                 |
| Operating:  |                 |               |                |                 |
| Public safety and legal services                          | 1,994,648       | -             | -              | -               |
| Physical health and social services                       | 597,127         | -             | -              | -               |
| Mental health   | -               | 2,005,825     | -              | -               |
| County environment and education                          | 481,031         | -             | 266,783        | -               |
| Roads and transportation                                  | -               | -             | -              | 3,581,862       |
| Governmental services to residents                        | 85,455          | -             | 1,180          | -               |
| Administration  | 384,235         | -             | -              | -               |
| Non-program   | 1,064,871       | -             | -              | -               |
| Debt service  | -               | -             | -              | -               |
| Capital projects  | -               | -             | -              | 674,813         |
| Total expenditures  | 4,607,367       | 2,005,825     | 267,963        | 4,256,675       |
| Excess (deficiency) of revenues over (under) expenditures | 346,804         | (208,275)     | 1,590,293      | (1,401,025)     |
| Other financing sources (uses):                           |                 |               |                |                 |
| Sale of capital assets                                    | -               | -             | -              | 1,400           |
| Operating transfers in                                    | -               | -             | -              | 1,579,814       |
| Operating transfers out                                   | (94,161)        | -             | (1,486,251)    | -               |
| General obligation bond proceeds                          | -               | -             | -              | -               |
| Premium on general obligation bonds                       | -               | -             | -              | -               |
| General obligation bonds refunded                         | -               | -             | -              | -               |
| Total other financing sources (uses)                      | (94,161)        | -             | (1,486,251)    | 1,581,214       |
| Net change in fund balances                               | 252,643         | (208,275)     | 104,042        | 180,189         |
| Fund balances beginning of year, as restated              | 1,481,538       | 282,414       | 264,751        | 2,967,076       |
| Fund balances end of year                                 | \$ 1,734,181    | 74,139        | 368,793        | 3,147,265       |

See notes to financial statements.

| Debt Service     | Nonmajor Governmental | Total             |
|------------------|-----------------------|-------------------|
| 408,413          | -                     | 6,013,505         |
| -                | -                     | 66,697            |
| 21,263           | 10,583                | 4,640,729         |
| -                | 45,307                | 60,808            |
| -                | -                     | 884,787           |
| -                | 22,011                | 129,254           |
| -                | 34,995                | 212,419           |
| <u>429,676</u>   | <u>112,896</u>        | <u>12,008,199</u> |
| -                | 18,506                | 2,013,154         |
| -                | -                     | 597,127           |
| -                | -                     | 2,005,825         |
| -                | 10,265                | 758,079           |
| -                | -                     | 3,581,862         |
| -                | -                     | 86,635            |
| -                | -                     | 384,235           |
| -                | -                     | 1,064,871         |
| 843,108          | -                     | 843,108           |
| -                | 32,052                | 706,865           |
| <u>843,108</u>   | <u>60,823</u>         | <u>12,041,761</u> |
| <u>(413,432)</u> | <u>52,073</u>         | <u>(33,562)</u>   |
| -                | -                     | 1,400             |
| 433,300          | 598                   | 2,013,712         |
| -                | (433,300)             | (2,013,712)       |
| 45,061           | -                     | 45,061            |
| 4,835,000        | -                     | 4,835,000         |
| (4,880,061)      | -                     | (4,880,061)       |
| <u>433,300</u>   | <u>(432,702)</u>      | <u>1,400</u>      |
| 19,868           | (380,629)             | (32,162)          |
| <u>14,838</u>    | <u>1,057,415</u>      | <u>6,068,032</u>  |
| <u>34,706</u>    | <u>676,786</u>        | <u>6,035,870</u>  |

Boone County

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

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 27)** \$ (32,162)

**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                                     | \$ 933,706         |           |
| Capital assets contributed by the Iowa Department of Transportation | 2,061,584          |           |
| Donated land  | 5,000              |           |
| Depreciation expense  | <u>(1,587,231)</u> | 1,413,059 |

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

9,847

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 | 4,264           |          |
| Other        | <u>(47,740)</u> | (43,476) |

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 | (4,835,000)      |         |
| Repaid | <u>5,485,986</u> | 650,986 |

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       | (11,944)      |              |
| Interest on long-term debt | <u>18,158</u> | <u>6,214</u> |

**Change in net assets of governmental activities (page 21)** \$ 2,004,468

See notes to financial statements.

Boone County  
Statement of Net Assets  
Proprietary Fund

June 30, 2004

|  | Landfill<br>Operations | Closure<br>and Post<br>Closure | Nonmajor               | Total            |
|--|------------------------|--------------------------------|------------------------|------------------|
|  |                        |                                | Ground<br>Water<br>Tax |                  |
| <b>Assets</b>  |                        |                                |                        |                  |
| Cash and pooled investments                                      | \$ 974,790             | -                              | -                      | 974,790          |
| Cash and pooled investments - restricted                         | -                      | 1,345,602                      | 96,080                 | 1,441,682        |
| Receivables:   |                        |                                |                        |                  |
| Accounts   | 143,723                | -                              | -                      | 143,723          |
| Accrued interest   | 4,098                  | 10,319                         | -                      | 14,417           |
| Due from other funds   | 302,467                | -                              | 16,049                 | 318,516          |
| Prepaid insurance  | 3,668                  | -                              | -                      | 3,668            |
| Capital assets, net of accumulated<br>depreciation               | 2,610,560              | -                              | -                      | 2,610,560        |
| <b>Total assets</b>  | <b>4,039,306</b>       | <b>1,355,921</b>               | <b>112,129</b>         | <b>5,507,356</b> |
| <b>Liabilities</b>   |                        |                                |                        |                  |
| Accounts payable   | 446,589                | -                              | 2,414                  | 449,003          |
| Salaries and benefits payable                                    | 5,918                  | -                              | -                      | 5,918            |
| Due to other funds   | 16,049                 | 302,467                        | -                      | 318,516          |
| Due to other governments   | 32,258                 | -                              | 90                     | 32,348           |
| Compensated absences   | 15,037                 | -                              | -                      | 15,037           |
| Estimated liability for landfill closure<br>and postclosure care | -                      | 1,053,454                      | -                      | 1,053,454        |
| <b>Total liabilities</b>   | <b>515,851</b>         | <b>1,355,921</b>               | <b>2,504</b>           | <b>1,874,276</b> |
| <b>Net Assets</b>  |                        |                                |                        |                  |
| Invested in capital assets                                       | 2,610,560              | -                              | -                      | 2,610,560        |
| Restricted for ground water tax purposes                         | -                      | -                              | 109,625                | 109,625          |
| Unrestricted   | 912,895                | -                              | -                      | 912,895          |
| <b>Total net assets</b>  | <b>\$ 3,523,455</b>    | <b>-</b>                       | <b>109,625</b>         | <b>3,633,080</b> |

See notes to financial statements.

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

Year ended June 30, 2004

|  | Enterprise             |                                    | Total            |
|--|------------------------|------------------------------------|------------------|
|  | Landfill<br>Operations | Nonmajor<br>Ground<br>Water<br>Tax |                  |
| Operating revenues:  |                        |                                    |                  |
| Charges for service  | \$ 1,431,628           | -                                  | 1,431,628        |
| Per capita fees  | 178,400                | -                                  | 178,400          |
| Solid waste fees   | 97,319                 | 60,290                             | 157,609          |
| Miscellaneous  | 10,201                 | -                                  | 10,201           |
| Total operating revenues   | <u>1,717,548</u>       | <u>60,290</u>                      | <u>1,777,838</u> |
| Operating expenses:  |                        |                                    |                  |
| Salaries and wages   | 265,915                | -                                  | 265,915          |
| Payroll tax  | 35,895                 | -                                  | 35,895           |
| Fringe benefits  | 69,721                 | -                                  | 69,721           |
| Fuel   | 60,146                 | -                                  | 60,146           |
| Travel   | 1,581                  | -                                  | 1,581            |
| Utilities  | 8,569                  | -                                  | 8,569            |
| Insurance  | 13,448                 | -                                  | 13,448           |
| Solid waste fees remitted to the Iowa Department<br>of Natural Resources       | 150,726                | -                                  | 150,726          |
| Education and training   | 87,503                 | -                                  | 87,503           |
| Engineering services   | 30,508                 | -                                  | 30,508           |
| Maintenance and repair<br>Operations   | 195,105                | -                                  | 195,105          |
| Depreciation   | 60,674                 | -                                  | 60,674           |
| Dues and membership  | 319,399                | -                                  | 319,399          |
| Hauling costs  | 2,785                  | -                                  | 2,785            |
| Accounting   | 30,110                 | -                                  | 30,110           |
| Recycling  | 14,644                 | -                                  | 14,644           |
| Phase 6-R expansion project  | -                      | 79,488                             | 79,488           |
| Gravel   | 204,255                | -                                  | 204,255          |
| Leachate hauling and treatment   | 61,785                 | -                                  | 61,785           |
| Adjustment to estimated liability for landfill<br>closure and postclosure care | 53,698                 | -                                  | 53,698           |
| Total operating expenses   | <u>(101,945)</u>       | <u>-</u>                           | <u>(101,945)</u> |
| Operating income (loss)  | 1,564,522              | 79,488                             | 1,644,010        |
| Non-operating revenues:  |                        |                                    |                  |
| Interest income  | 153,026                | (19,198)                           | 133,828          |
| Change in net assets   | 38,334                 | -                                  | 38,334           |
| Net assets beginning of year   | 191,360                | (19,198)                           | 172,162          |
| Net assets end of year   | <u>3,332,095</u>       | <u>128,823</u>                     | <u>3,460,918</u> |
|  | <u>\$ 3,523,455</u>    | <u>109,625</u>                     | <u>3,633,080</u> |

See notes to financial statements.

Boone County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2004

|   | Enterprise             |                                 |                                    | Total          |
|---|------------------------|---------------------------------|------------------------------------|----------------|
|   | Landfill<br>Operations | Closure<br>and Post-<br>closure | Nonmajor<br>Ground<br>Water<br>Tax |                |
| Cash flows from operating activities:   |                        |                                 |                                    |                |
| Cash received from gate fees  | \$ 1,431,627           | -                               | -                                  | 1,431,627      |
| Cash received from assessments  | 178,400                | -                               | -                                  | 178,400        |
| Cash received from other operating receipts   | 92,457                 | -                               | 60,171                             | 152,628        |
| Cash paid to suppliers for goods and services   | (1,013,623)            | -                               | (79,641)                           | (1,093,264)    |
| Cash paid to employees for services   | (372,497)              | -                               | -                                  | (372,497)      |
| Net cash provided (used) by operating activities  | 316,364                | -                               | (19,470)                           | 296,894        |
| Cash flows from capital and related financing activities:   |                        |                                 |                                    |                |
| Purchase of capital assets  | (332,731)              | -                               | -                                  | (332,731)      |
| Cash flows from investing activities:   |                        |                                 |                                    |                |
| Closure and postclosure care allocation   | (146,000)              | 146,000                         | -                                  | -              |
| Interest received   | 17,377                 | 23,838                          | -                                  | 41,215         |
| Net cash provided (used) by investing activities  | (128,623)              | 169,838                         | -                                  | 41,215         |
| Net increase (decrease) in cash and cash equivalents  | (144,990)              | 169,838                         | (19,470)                           | 5,378          |
| Cash and cash equivalents beginning of year   | 1,119,780              | 1,175,764                       | 115,550                            | 2,411,094      |
| Cash and cash equivalents end of year   | \$ 974,790             | 1,345,602                       | 96,080                             | 2,416,472      |
| <b>Reconciliation of operating income (loss) to net cash provided (used) in operating activities:</b> |                        |                                 |                                    |                |
| Operating income (loss)   | \$ 174,392             | -                               | (19,198)                           | 155,194        |
| Adjustments to reconcile operating income (loss) to net cash provided (used) in operating activities: |                        |                                 |                                    |                |
| Depreciation  | 319,399                | -                               | -                                  | 319,399        |
| Closure and postclosure care  | 146,000                | -                               | -                                  | 146,000        |
| Changes in assets and liabilities   |                        |                                 |                                    |                |
| (Increase) in accounts receivable   | (15,062)               | -                               | (119)                              | (15,181)       |
| (Increase) in due from other funds  | (269,311)              | -                               | -                                  | (269,311)      |
| (Increase) in prepaid items   | (475)                  | -                               | -                                  | (475)          |
| Increase in accounts payable  | (49,911)               | -                               | 562                                | (49,349)       |
| Increase in salaries payable  | 1,589                  | -                               | -                                  | 1,589          |
| Increase in due to other funds  | 119                    | -                               | -                                  | 119            |
| Increase (decrease) in due to other governments   | 8,256                  | -                               | (715)                              | 7,541          |
| Increase in compensated absences  | 1,368                  | -                               | -                                  | 1,368          |
| Total adjustments   | 141,972                | -                               | (272)                              | 141,700        |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ 316,364</b>      | <b>-</b>                        | <b>(19,470)</b>                    | <b>296,894</b> |

See notes to financial statements.



Boone County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2004

**Assets**

|                              |                   |
|------------------------------|-------------------|
| Cash and pooled investments: |                   |
| County Treasurer             | \$ 1,652,070      |
| Other County officials       | 24,851            |
| Receivables:                 |                   |
| Property tax:                |                   |
| Delinquent                   | 34,257            |
| Succeeding year              | 19,245,000        |
| Accounts                     | 37,039            |
| Special assessments          | 198,564           |
| Due from other governments   | 99,855            |
| Prepaid insurance            | 1,291             |
| <b>Total assets</b>          | <u>21,292,927</u> |

**Liabilities**

|                               |                   |
|-------------------------------|-------------------|
| Accounts payable              | 25,320            |
| Salaries and benefits payable | 1,282             |
| Due to other governments      | 20,923,967        |
| Trusts payable                | 319,237           |
| Compensated absences          | 23,121            |
| <b>Total liabilities</b>      | <u>21,292,927</u> |

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

See notes to financial statements.

Boone County

Notes to Financial Statements

June 30, 2004

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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 not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

Additionally, the County reports the following major proprietary funds:

The Landfill Operations 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.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-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 Funds is charges to customers for sanitary landfill services. Operating expenses for Enterprise Funds include the cost of services and administrative expenses and depreciation on capital assets. 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 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made 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, 2004, 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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

| Asset Class                      | Amount    |
|----------------------------------|-----------|
| Infrastructure                   | \$ 50,000 |
| Land, buildings and improvements | 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) |
|------------------------------|-----------------------------------|
| Buildings and improvements   | 25-50                             |
| Land improvements            | 10-50                             |
| Infrastructure, road network | 10-65                             |
| Equipment                    | 3 - 20                            |
| Vehicles                     | 3 - 15                            |

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, 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, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

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

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$159,595 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.



**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

| Receivable Fund                              | Payable Fund | Amount          |
|--|--------------|-----------------|
| Special Revenue:                             |              |                 |
| Secondary Roads                              | General      | \$ 2,774        |
| County Recorder's Records Management         | General      | 107             |
| County Recorder's Electronic Transaction Fee | General      | 50              |
| Total  |              | <u>\$ 2,931</u> |

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.

**(4) Interfund Transfers**

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

| Transfer to                   | Transfer from    | Amount              |
|-------------------------------|------------------|---------------------|
| Special Revenue:              |                  |                     |
| Secondary Roads               | General          | \$ 93,563           |
|                               | Special Revenue: |                     |
|                               | Rural Services   | 1,486,251           |
| Conservation Land Acquisition | General          | 598                 |
| Debt Service                  | Capital Projects | 433,300             |
| Total                         |                  | <u>\$ 2,013,712</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, 2004 was as follows:

|  | Balance<br>Beginning<br>of Year | Increases | Decreases   | Balance<br>End<br>of Year |
|--|---------------------------------|-----------|-------------|---------------------------|
| <b>Governmental activities:</b>              |                                 |           |             |                           |
| Capital assets not being depreciated:        |                                 |           |             |                           |
| Land   | \$ 243,085                      | 5,000     | -           | 248,085                   |
| Construction in progress                     | 171,859                         | 2,567,003 | (2,446,002) | 292,860                   |
| Total capital assets not being depreciated   | 414,944                         | 2,572,003 | (2,446,002) | 540,945                   |
| Capital assets being depreciated:            |                                 |           |             |                           |
| Buildings                                    | 5,420,803                       | 31,457    | -           | 5,452,260                 |
| Improvements other than buildings            | 178,238                         | -         | -           | 178,238                   |
| Equipment and vehicles                       | 7,325,512                       | 419,730   | (78,296)    | 7,666,946                 |
| Infrastructure, road network                 | 27,285,214                      | 2,446,002 | -           | 29,731,216                |
| Total capital assets being depreciated       | 40,209,767                      | 2,897,189 | (78,296)    | 43,028,660                |
| Less accumulated depreciation for:           |                                 |           |             |                           |
| Buildings                                    | 630,124                         | 129,050   | -           | 759,174                   |
| Improvements other than buildings            | 8,912                           | 4,456     | -           | 13,368                    |
| Equipment and vehicles                       | 5,695,973                       | 729,045   | (65,243)    | 6,359,775                 |
| Infrastructure, road network                 | 10,073,376                      | 724,680   | -           | 10,798,056                |
| Total accumulated depreciation               | 16,408,385                      | 1,587,231 | (65,243)    | 17,930,373                |
| Total capital assets being depreciated, net  | 23,801,382                      | 1,309,958 | (13,053)    | 25,098,287                |
| Governmental activities capital assets, net  | \$ 24,216,326                   | 3,881,961 | (2,459,055) | 25,639,232                |
| <b>Business type activities:</b>             |                                 |           |             |                           |
| Capital assets not being depreciated:        |                                 |           |             |                           |
| Land   | \$ 488,499                      | -         | -           | 488,499                   |
| Capital assets being depreciated:            |                                 |           |             |                           |
| Buildings                                    | 443,091                         | -         | -           | 443,091                   |
| Equipment and vehicles                       | 2,292,751                       | 447,642   | -           | 2,740,393                 |
| Infrastructure                               | 710,989                         | 302,469   | -           | 1,013,458                 |
| Total capital assets being depreciated       | 3,446,831                       | 750,111   | -           | 4,196,942                 |
| Less accumulated depreciation for:           |                                 |           |             |                           |
| Buildings                                    | 61,982                          | 11,077    | -           | 73,059                    |
| Equipment and vehicles                       | 1,585,118                       | 260,243   | -           | 1,845,361                 |
| Infrastructure                               | 108,382                         | 48,079    | -           | 156,461                   |
| Total accumulated depreciation               | 1,755,482                       | 319,399   | -           | 2,074,881                 |
| Total capital assets being depreciated, net  | 1,691,349                       | 430,712   | -           | 2,122,061                 |
| Business type activities capital assets, net | \$ 2,179,848                    | 430,712   | -           | 2,610,560                 |

Depreciation expense was charged to the following functions:

|  |  |                     |
|--|--|---------------------|
| Governmental activities:                             |  |                     |
| Public safety and legal services                     |  | \$ 64,701           |
| County environment and education                     |  | 50,081              |
| Roads and transportation                             |  | 1,290,229           |
| Administration                                       |  | 182,220             |
|  |  | <u>1,587,231</u>    |
| Total depreciation expense - governmental activities |  | \$ <u>1,587,231</u> |
| Business type activities:                            |  |                     |
| Depreciation expense                                 |  | \$ <u>319,399</u>   |

**(6) Due to Other Governments**

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

| Fund                             | Description | Amount               |
|----------------------------------|-------------|----------------------|
| General                          | Services    | \$ 8,529             |
| Special Revenue:                 |             |                      |
| Mental Health                    | Services    | 207,902              |
| Secondary Roads                  | Services    | 81                   |
|                                  |             | <u>207,983</u>       |
| Debt Service                     | Services    | 251                  |
| Total for governmental funds     |             | \$ <u>216,763</u>    |
| Agency:                          |             |                      |
| Agricultural Extension Education | Collections | \$ 120,722           |
| County Assessor                  |             | 527,773              |
| Schools                          |             | 12,194,918           |
| Community Colleges               |             | 450,559              |
| Corporations                     |             | 5,544,114            |
| Townships                        |             | 226,308              |
| Auto License and Use Tax         |             | 547,606              |
| County hospital                  |             | 714,193              |
| Special Assessments              |             | 226,130              |
| E911                             |             | 243,401              |
| All other                        |             | 128,243              |
| Total for agency funds           |             | \$ <u>20,923,967</u> |

**(7) Changes in Long-Term Liabilities**

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

|                              | Governmental Activities        |                                 |                              |                  | Business Type Activities     |                                    |                  |
|------------------------------|--------------------------------|---------------------------------|------------------------------|------------------|------------------------------|------------------------------------|------------------|
|                              | General<br>Obligation<br>Bonds | Deferred<br>Payment<br>Contract | Compen-<br>sated<br>Absences | Total            | Compen-<br>sated<br>Absences | Closure and<br>Postclosure<br>Care | Total            |
| Balance beginning<br>of year | \$ 4,655,000                   | 37,500                          | 233,503                      | 4,926,003        | 13,669                       | 1,155,399                          | 1,169,068        |
| Increases                    | 4,835,000                      | -                               | 207,786                      | 5,042,786        | 9,780                        | -                                  | 9,780            |
| Decreases                    | 5,467,236                      | 18,750                          | 195,842                      | 5,681,828        | 8,412                        | 101,945                            | 110,357          |
| Balance end of year          | <u>\$ 4,022,764</u>            | <u>18,750</u>                   | <u>245,447</u>               | <u>4,286,961</u> | <u>15,037</u>                | <u>1,053,454</u>                   | <u>1,068,491</u> |
| Due within one year          | <u>\$ 265,000</u>              | <u>18,750</u>                   | <u>245,447</u>               | <u>529,197</u>   | <u>15,037</u>                | <u>-</u>                           | <u>15,037</u>    |

General Obligation Bonds Payable

A summary of the County's June 30, 2004 general obligation bonded indebtedness is as follows:

| Year<br>ending<br>June 30, | Interest<br>Rates | Principal           | Interest         | Total            |
|----------------------------|-------------------|---------------------|------------------|------------------|
| 2005                       | 3.00%             | \$ 265,000          | 149,445          | 414,445          |
| 2006                       | 3.25              | 275,000             | 141,495          | 416,495          |
| 2007                       | 3.40              | 285,000             | 132,557          | 417,557          |
| 2008                       | 3.50              | 295,000             | 122,868          | 417,868          |
| 2009                       | 3.50              | 310,000             | 112,542          | 422,542          |
| 2010                       | 2.70              | 325,000             | 101,693          | 426,693          |
| 2011                       | 2.95              | 340,000             | 92,917           | 432,917          |
| 2012                       | 3.05              | 350,000             | 82,888           | 432,888          |
| 2013                       | 3.15              | 360,000             | 72,212           | 432,212          |
| 2014                       | 3.25              | 375,000             | 60,873           | 435,873          |
| 2015                       | 3.40              | 385,000             | 48,685           | 433,685          |
| 2016                       | 3.50              | 400,000             | 35,595           | 435,595          |
| 2017                       | 3.60              | 420,000             | 21,595           | 441,595          |
| 2018                       | 3.70              | 175,000             | 6,475            | 181,475          |
| Total                      |                   | <u>\$ 4,560,000</u> | <u>1,181,840</u> | <u>5,741,840</u> |

During the year ended June 30, 2004, the County issued \$4,835,000 in general obligation bonds and retired general obligation bonds of \$4,655,000. The unamortized discount totaled \$537,236 at June 30, 2004.

### Refunded General Obligation Bonds

During the year ended June 30, 2004, the County entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the County. The transactions, balances and liabilities of the escrow account are not recorded by the County. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$4,500,000 at June 30, 2004.

The reacquisition price exceeded the net carrying amount of the old debt by \$576,036. This amount has been netted against the new debt and is being amortized over the remaining life of the new debt issued, which is shorter than the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$706,647 and resulted in an economic gain of \$741,934.

### **(8) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively, and protection occupation employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and the contribution rates for protection occupation employees and the County were 6.04% and 9.07%, respectively. For the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively, and the contribution rates for protection occupation employees and the County were 5.93% and 8.90%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$240,101, \$225,716 and \$205,731, respectively, equal to the required contributions for each year.

### **(9) Risk Management**

Boone County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$123,310.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Deferred Payment Contract**

In prior years, Boone County borrowed \$187,000 from the City of Boone for improvements to the Boone County Fairgrounds. The contract is interest free and due in ten equal annual installments, with the final payment of \$18,750 due January 1, 2005.

**(11) Hospital Revenue Bonds**

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

**(12) Closure and Postclosure Care Costs**

To comply with federal and state regulations, the Landfill is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Landfill (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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

These costs for the Boone County Landfill have been estimated at \$1,126,000 for closure and \$948,000 for postclosure, for a total of \$2,074,400 as of June 30, 2004 for the original and expansion areas combined. The portion of the liability that has been recognized is \$1,053,454. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. Actual

costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 16 years for the expansion area and the capacity used at June 30, 2004 is 23.81%.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun accumulating resources to fund these costs and, at June 30, 2004, assets of \$1,355,921 are restricted for these purposes, of which \$674,941 is for closure and \$680,980 is for postclosure care.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded for the expansion area, the County is required to demonstrate financial assurance for the unfunded costs. The County had adopted the dedicated fund mechanism.

Chapter 567-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**(13) Solid Waste Tonnage Fees Retained**

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

As of June 30, 2004, the unspent amounts retained by the County and restricted for the required purposes totaled \$109,625.

**(14) Restatement**

Beginning net assets for governmental activities has been restated due to an understatement of inventories at June 30, 2003. The restatement increased the beginning net assets by \$242,021, as follows:

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Net assets, June 30, 2003, as previously reported | \$25,294,313                       |
| Correction of June 30, 2003 inventories           | <u>242,021</u>                     |
| Net assets July 1, 2003, as restated              | <u><u>\$25,536,334</u></u>         |

The beginning balance of the Special Revenue, Secondary Roads Fund has also been restated to properly report the June 30, 2003 inventories. The effect of this restatement was to increase the beginning fund balance by \$242,021, from \$2,725,055 to \$2,967,076.



**Boone County**

**Required Supplementary Information**

Boone County

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

Required Supplementary Information

Year ended June 30, 2004

|   | Actual              | Less<br>Funds not<br>Required to<br>be Budgeted | Net               |
|---|---------------------|---|-------------------|
| <b>Receipts:</b>  |                     |   |                   |
| Property and other county tax   | \$ 6,054,966        | -   | 6,054,966         |
| Interest and penalty on property tax  | 66,598              | -   | 66,598            |
| Intergovernmental   | 4,598,708           | -   | 4,598,708         |
| Licenses and permits  | 14,815              | -   | 14,815            |
| Charges for service   | 923,513             | -   | 923,513           |
| Use of money and property   | 127,728             | -   | 127,728           |
| Miscellaneous   | 199,549             | 21,979  | 177,570           |
| Total receipts  | <u>11,985,877</u>   | <u>21,979</u>                                   | <u>11,963,898</u> |
| <b>Disbursements:</b>   |                     |   |                   |
| Public safety and legal services  | 2,024,954           | -   | 2,024,954         |
| Physical health and social services   | 602,714             | -   | 602,714           |
| Mental health   | 1,997,068           | -   | 1,997,068         |
| County environment and education  | 755,279             | 10,265  | 745,014           |
| Roads and transportation  | 3,658,288           | -   | 3,658,288         |
| Governmental services to residents  | 471,594             | -   | 471,594           |
| Administration  | 1,060,248           | -   | 1,060,248         |
| Debt service  | 842,855             | -   | 842,855           |
| Capital projects  | 708,677             | -   | 708,677           |
| Total disbursements   | <u>12,121,677</u>   | <u>10,265</u>                                   | <u>12,111,412</u> |
| Excess (deficiency) of receipts over (under) disbursements  | (135,800)           | 11,714  | (147,514)         |
| Other financing sources, net  | 36,061              | -   | 36,061            |
| Excess (deficiency) of receipts and other financing<br>sources over (under) disbursements and other<br>financing uses | (99,739)            | 11,714  | (111,453)         |
| Balance beginning of year   | 5,558,534           | 108,706   | 5,449,828         |
| Balance end of year   | <u>\$ 5,458,795</u> | <u>120,420</u>                                  | <u>5,338,375</u>  |

See accompanying independent auditor's report.

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| Budgeted Amounts  |                   | Final to<br>Net<br>Variance |
|-------------------|-------------------|-----------------------------|
| Original          | Final             |                             |
| 5,883,968         | 5,883,968         | 170,998                     |
| 52,100            | 52,100            | 14,498                      |
| 4,444,700         | 4,444,700         | 154,008                     |
| 11,200            | 11,200            | 3,615                       |
| 811,650           | 861,650           | 61,863                      |
| 339,930           | 339,930           | (212,202)                   |
| 489,084           | 489,084           | (311,514)                   |
| <u>12,032,632</u> | <u>12,082,632</u> | <u>(118,734)</u>            |
| 2,327,155         | 2,301,655         | 276,701                     |
| 800,852           | 800,018           | 197,304                     |
| 2,000,785         | 2,000,785         | 3,717                       |
| 798,784           | 795,284           | 50,270                      |
| 4,230,300         | 4,230,300         | 572,012                     |
| 518,072           | 568,072           | 96,478                      |
| 1,180,930         | 1,159,930         | 99,682                      |
| 432,450           | 932,450           | 89,595                      |
| 1,381,600         | 1,311,600         | 602,923                     |
| <u>13,670,928</u> | <u>14,100,094</u> | <u>1,988,682</u>            |
| (1,638,296)       | (2,017,462)       | 1,869,948                   |
| -                 | -                 | 36,061                      |
| (1,638,296)       | (2,017,462)       | 1,906,009                   |
| <u>3,582,045</u>  | <u>5,309,986</u>  | <u>139,842</u>              |
| <u>1,943,749</u>  | <u>3,292,524</u>  | <u>2,045,851</u>            |

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

|                                      | Governmental Funds |                             |                              |
|--------------------------------------|--------------------|-----------------------------|------------------------------|
|                                      | Cash<br>Basis      | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                             | \$ 11,985,877      | 22,322                      | 12,008,199                   |
| Expenditures                         | 12,121,677         | (79,916)                    | 12,041,761                   |
| Net                                  | (135,800)          | (57,594)                    | (33,562)                     |
| Other financing sources, net         | 36,061             | (34,661)                    | 1,400                        |
| Beginning fund balances, as restated | 5,558,534          | 509,498                     | 6,068,032                    |
| Ending fund balances                 | \$ 5,458,795       | 577,075                     | 6,035,870                    |

See accompanying independent auditor's report.

Boone County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$429,166. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 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, 2004, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated.

**Boone County**

**Other Supplementary Information**



Boone County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2004

|   |   |  |                       | Special                             |
|---|---|--|-----------------------|-------------------------------------|
|   | County<br>Recorder's<br>Records<br>Management | County Recorder's<br>Electronic<br>Transaction Fee | Drainage<br>Districts | Conservation<br>Land<br>Acquisition |
| <b>Assets</b>                                       |   |  |                       |                                     |
| Cash and pooled investments                         | \$ 36,773                                     | 22,709   | 120,420               | 17,309                              |
| Accounts receivable                                 | -   | -  | -                     | -                                   |
| Due from other funds                                | 107   | 50   | -                     | -                                   |
| Due from other governments                          | -   | 14,195   | -                     | -                                   |
| <b>Total assets</b>                                 | <b>\$ 36,880</b>                              | <b>36,954</b>                                      | <b>120,420</b>        | <b>17,309</b>                       |
| <b>Liabilities and Fund Equity</b>                  |   |  |                       |                                     |
| Liabilities:  |   |  |                       |                                     |
| Deferred revenue                                    | \$ -  | -  | -                     | -                                   |
| Fund equity:  |   |  |                       |                                     |
| Fund balances:                                      |   |  |                       |                                     |
| Reserved for:                                       |   |  |                       |                                     |
| Drainage warrants/drainage improvement certificates | -   | -  | 120,420               | -                                   |
| Resource enhancement and protection                 | -   | -  | -                     | -                                   |
| Unreserved, reported in:                            |   |  |                       |                                     |
| Special revenue funds                               | 36,880  | 36,954   | -                     | 17,309                              |
| Capital projects fund                               | -   | -  | -                     | -                                   |
| Total fund equity                                   | 36,880  | 36,954   | 120,420               | 17,309                              |
| <b>Total liabilities and fund equity</b>            | <b>\$ 36,880</b>                              | <b>36,954</b>                                      | <b>120,420</b>        | <b>17,309</b>                       |

See accompanying independent auditor's report.

| Revenue                          |               |                                 |                    |                     |  |                |
|----------------------------------|---------------|---------------------------------|--------------------|---------------------|--|----------------|
| Resource                         |               |                                 |                    |                     |  |                |
| Enhancement<br>and<br>Protection | Task<br>Force | Attorney<br>Drug<br>Prosecution | Jail<br>Commissary | Capital<br>Projects |  | Total          |
| 70,726                           | 62,665        | 342                             | 9,795              | 323,411             |  | 664,150        |
| -                                | 23            | -                               | 1,443              | -                   |  | 1,466          |
| -                                | -             | -                               | -                  | -                   |  | 157            |
| 97                               | -             | -                               | -                  | -                   |  | 14,292         |
| <u>70,823</u>                    | <u>62,688</u> | <u>342</u>                      | <u>11,238</u>      | <u>323,411</u>      |  | <u>680,065</u> |
| -                                | 1,836         | -                               | 1,443              | -                   |  | 3,279          |
| -                                | -             | -                               | -                  | -                   |  | 120,420        |
| 70,823                           | -             | -                               | -                  | -                   |  | 70,823         |
| -                                | 60,852        | 342                             | 9,795              | -                   |  | 162,132        |
| -                                | -             | -                               | -                  | 323,411             |  | 323,411        |
| <u>70,823</u>                    | <u>60,852</u> | <u>342</u>                      | <u>9,795</u>       | <u>323,411</u>      |  | <u>676,786</u> |
| <u>70,823</u>                    | <u>62,688</u> | <u>342</u>                      | <u>11,238</u>      | <u>323,411</u>      |  | <u>680,065</u> |

Boone County

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

Year ended June 30, 2004

|   | Special                                    |  |                       |                                     |
|---|--|--|-----------------------|-------------------------------------|
|   | County Recorder's<br>Records<br>Management | County Recorder's<br>Electronic<br>Transaction Fee | Drainage<br>Districts | Conservation<br>Land<br>Acquisition |
| Revenues:   |  |  |                       |                                     |
| Intergovernmental   | \$ -                                       |  | -                     | -                                   |
| Charges for service   | 8,422                                      | 36,885   | -                     | -                                   |
| Use of money and property   | 390  | 69   | -                     | -                                   |
| Miscellaneous   | -  | -  | 21,979                | 682                                 |
| Total revenues  | <u>8,812</u>                               | <u>36,954</u>                                      | <u>21,979</u>         | <u>682</u>                          |
| Expenditures:   |  |  |                       |                                     |
| Operating:  |  |  |                       |                                     |
| Public safety and legal services  | -  | -  | -                     | -                                   |
| County environment and education  | -  | -  | 10,265                | -                                   |
| Capital projects  | -  | -  | -                     | -                                   |
| Total expenditures  | <u>-</u>                                   | <u>-</u>   | <u>10,265</u>         | <u>-</u>                            |
| Excess (deficiency) of revenues over (under) expenditures   | <u>8,812</u>                               | <u>36,954</u>                                      | <u>11,714</u>         | <u>682</u>                          |
| Other financing sources (uses):   |  |  |                       |                                     |
| Operating transfers in  | -  | -  | -                     | 598                                 |
| Operating transfers out   | -  | -  | -                     | -                                   |
| Total other financing sources (uses)  | <u>-</u>                                   | <u>-</u>   | <u>-</u>              | <u>598</u>                          |
| Excess (deficiency) of revenues and other financing sources<br>over (under) expenditures and other financing uses | <u>8,812</u>                               | <u>36,954</u>                                      | <u>11,714</u>         | <u>1,280</u>                        |
| Fund balances beginning of year   | <u>28,068</u>                              | <u>-</u>   | <u>108,706</u>        | <u>16,029</u>                       |
| Fund balances end of year   | <u>\$ 36,880</u>                           | <u>36,954</u>                                      | <u>120,420</u>        | <u>17,309</u>                       |

See accompanying independent auditor's report.

| Revenue                          |               |                                 |                    |                     |           |  |
|----------------------------------|---------------|---------------------------------|--------------------|---------------------|-----------|--|
| Resource                         |               |                                 |                    |                     |           |  |
| Enhancement<br>and<br>Protection | Task<br>Force | Attorney<br>Drug<br>Prosecution | Jail<br>Commissary | Capital<br>Projects | Total     |  |
| 6,571                            | 4,012         | -                               | -                  | -                   | 10,583    |  |
| -                                | -             | -                               | -                  | -                   | 45,307    |  |
| 1,051                            | -             | -                               | 19,477             | 1,024               | 22,011    |  |
| 183                              | 5,460         | 1,769                           | -                  | 4,922               | 34,995    |  |
| 7,805                            | 9,472         | 1,769                           | 19,477             | 5,946               | 112,896   |  |
| -                                | 7,397         | 1,427                           | 9,682              | -                   | 18,506    |  |
| -                                | -             | -                               | -                  | -                   | 10,265    |  |
| -                                | -             | -                               | -                  | 32,052              | 32,052    |  |
| -                                | 7,397         | 1,427                           | 9,682              | 32,052              | 60,823    |  |
| 7,805                            | 2,075         | 342                             | 9,795              | (26,106)            | 52,073    |  |
| -                                | -             | -                               | -                  | -                   | 598       |  |
| -                                | -             | -                               | -                  | (433,300)           | (433,300) |  |
| -                                | -             | -                               | -                  | (433,300)           | (432,702) |  |
| 7,805                            | 2,075         | 342                             | 9,795              | (459,406)           | (380,629) |  |
| 63,018                           | 58,777        | -                               | -                  | 782,817             | 1,057,415 |  |
| 70,823                           | 60,852        | 342                             | 9,795              | 323,411             | 676,786   |  |

Boone County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2004

|                               | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools           | Community<br>Colleges |
|-------------------------------|-------------------|--|--------------------|-------------------|-----------------------|
| <b>Assets</b>                 |                   |  |                    |                   |                       |
| Cash and pooled investments:  |                   |  |                    |                   |                       |
| County Treasurer              | \$ -              | 1,520                                  | 253,242            | 174,275           | 6,812                 |
| Other county officials        | 24,851            | -                                      | -                  | -                 | -                     |
| Receivables:                  |                   |  |                    |                   |                       |
| Property tax:                 |                   |  |                    |                   |                       |
| Delinquent                    | -                 | 202                                    | 501                | 20,643            | 747                   |
| Succeeding year               | -                 | 119,000                                | 296,000            | 12,000,000        | 443,000               |
| Accounts                      | 3,806             | -                                      | 2,003              | -                 | -                     |
| Special assessments           | -                 | -                                      | -                  | -                 | -                     |
| Due from other governments    | -                 | -                                      | -                  | -                 | -                     |
| Prepaid insurance             | -                 | -                                      | 467                | -                 | -                     |
| <b>Total assets</b>           | <b>\$ 28,657</b>  | <b>120,722</b>                         | <b>552,213</b>     | <b>12,194,918</b> | <b>450,559</b>        |
| <b>Liabilities</b>            |                   |  |                    |                   |                       |
| Accounts payable              | \$ -              | -                                      | 5,233              | -                 | -                     |
| Salaries and benefits payable | -                 | -                                      | -                  | -                 | -                     |
| Due to other governments      | 21,623            | 120,722                                | 527,773            | 12,194,918        | 450,559               |
| Trusts payable                | 7,034             | -                                      | -                  | -                 | -                     |
| Compensated absences          | -                 | -                                      | 19,207             | -                 | -                     |
| <b>Total liabilities</b>      | <b>\$ 28,657</b>  | <b>120,722</b>                         | <b>552,213</b>     | <b>12,194,918</b> | <b>450,559</b>        |

See accompanying independent auditor's report.

| Corporations | Townships | Auto License and Use Tax | Special Assessments | County Hospital | E 911   | Other   | Total      |
|--------------|-----------|--------------------------|---------------------|-----------------|---------|---------|------------|
| 74,433       | 3,020     | 547,606                  | 27,566              | 11,003          | 214,890 | 337,703 | 1,652,070  |
| -            | -         | -                        | -                   | -               | -       | -       | 24,851     |
| 10,681       | 288       | -                        | -                   | 1,190           | -       | 5       | 34,257     |
| 5,459,000    | 223,000   | -                        | -                   | 702,000         | -       | 3,000   | 19,245,000 |
| -            | -         | -                        | -                   | -               | 31,230  | -       | 37,039     |
| -            | -         | -                        | 198,564             | -               | -       | -       | 198,564    |
| -            | -         | -                        | -                   | -               | -       | 99,855  | 99,855     |
| -            | -         | -                        | -                   | -               | -       | 824     | 1,291      |
| 5,544,114    | 226,308   | 547,606                  | 226,130             | 714,193         | 246,120 | 441,387 | 21,292,927 |
| -            | -         | -                        | -                   | -               | 2,719   | 17,368  | 25,320     |
| -            | -         | -                        | -                   | -               | -       | 1,282   | 1,282      |
| 5,544,114    | 226,308   | 547,606                  | 226,130             | 714,193         | 243,401 | 106,620 | 20,923,967 |
| -            | -         | -                        | -                   | -               | -       | 312,203 | 319,237    |
| -            | -         | -                        | -                   | -               | -       | 3,914   | 23,121     |
| 5,544,114    | 226,308   | 547,606                  | 226,130             | 714,193         | 246,120 | 441,387 | 21,292,927 |

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

Year ended June 30, 2004

|                                    | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools    | Community<br>Colleges |
|------------------------------------|-------------------|--|--------------------|------------|-----------------------|
| <b>Assets and Liabilities</b>      |                   |  |                    |            |                       |
| Balances beginning of year         | \$ 24,270         | 113,820                                | 553,043            | 12,932,292 | 509,742               |
| Additions:                         |                   |  |                    |            |                       |
| Property and other county tax      | -                 | 124,115                                | 411,043            | 12,554,634 | 465,841               |
| E911 surcharge                     | -                 | -                                      | -                  | -          | -                     |
| State tax credits                  | -                 | 6,111                                  | 19,079             | 705,684    | 27,399                |
| Office fees and collections        | 821,020           | -                                      | -                  | -          | -                     |
| Electronic transaction fee         | -                 | -                                      | -                  | -          | -                     |
| Auto licenses, use tax and postage | -                 | -                                      | -                  | -          | -                     |
| Assessments                        | -                 | -                                      | -                  | -          | -                     |
| Trusts                             | -                 | -                                      | -                  | -          | -                     |
| Miscellaneous                      | -                 | -                                      | 6,346              | -          | -                     |
| Total additions                    | 821,020           | 130,226                                | 436,468            | 13,260,318 | 493,240               |
| Deductions:                        |                   |  |                    |            |                       |
| Agency remittances:                |                   |  |                    |            |                       |
| To other funds                     | 386,418           | -                                      | -                  | -          | -                     |
| To other governments               | 178,395           | 123,324                                | 437,298            | 13,997,692 | 552,423               |
| Trusts paid out                    | 251,820           | -                                      | -                  | -          | -                     |
| Total deductions                   | 816,633           | 123,324                                | 437,298            | 13,997,692 | 552,423               |
| Balances end of year               | \$ 28,657         | 120,722                                | 552,213            | 12,194,918 | 450,559               |

See accompanying independent auditor's report.

| Corpora-<br>tions | Townships | Auto<br>License<br>and<br>Use Tax | Special<br>Assessments | County<br>Hospital | E 911   | Other     | Total      |
|-------------------|-----------|-----------------------------------|------------------------|--------------------|---------|-----------|------------|
| 5,187,641         | 252,866   | 448,166                           | 216,214                | 824,035            | 294,740 | 330,732   | 21,687,561 |
| 5,675,067         | 236,226   | -                                 | -                      | 738,544            | -       | 3,477     | 20,208,947 |
| -                 | -         | -                                 | -                      | -                  | 143,490 | -         | 143,490    |
| 280,793           | 12,099    | -                                 | -                      | 44,242             | -       | 188       | 1,095,595  |
| -                 | -         | -                                 | -                      | -                  | -       | -         | 821,020    |
| -                 | -         | -                                 | -                      | -                  | -       | 37,997    | 37,997     |
| -                 | -         | 5,634,065                         | -                      | -                  | -       | 141,169   | 5,775,234  |
| -                 | -         | -                                 | 114,601                | -                  | -       | -         | 114,601    |
| -                 | -         | -                                 | -                      | -                  | -       | 296,241   | 296,241    |
| -                 | -         | -                                 | -                      | -                  | 2,673   | 1,729,623 | 1,738,642  |
| 5,955,860         | 248,325   | 5,634,065                         | 114,601                | 782,786            | 146,163 | 2,208,695 | 30,231,767 |
| -                 | -         | 211,890                           | -                      | -                  | -       | 141,169   | 739,477    |
| 5,599,387         | 274,883   | 5,322,735                         | 104,685                | 892,628            | 194,783 | 31,733    | 27,709,966 |
| -                 | -         | -                                 | -                      | -                  | -       | 1,925,138 | 2,176,958  |
| 5,599,387         | 274,883   | 5,534,625                         | 104,685                | 892,628            | 194,783 | 2,098,040 | 30,626,401 |
| 5,544,114         | 226,308   | 547,606                           | 226,130                | 714,193            | 246,120 | 441,387   | 21,292,927 |



**Schedule 5**

## Boone County

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

For the Last Five Years

|                                      | Modified Accrual Basis |            |            |            |            |
|--------------------------------------|------------------------|------------|------------|------------|------------|
|                                      | 2004                   | 2003       | 2002       | 2001       | 2000       |
| Revenues:                            |                        |            |            |            |            |
| Property and other county tax        | \$ 6,013,505           | 5,810,864  | 5,504,926  | 4,750,472  | 4,246,522  |
| Interest and penalty on property tax | 66,697                 | 64,522     | 67,451     | 60,113     | 44,407     |
| Intergovernmental                    | 4,640,729              | 4,569,465  | 4,840,152  | 4,881,308  | 5,035,302  |
| Licenses and permits                 | 60,808                 | 14,598     | 10,431     | 7,838      | 7,120      |
| Charges for service                  | 884,787                | 869,192    | 832,023    | 719,700    | 724,327    |
| Use of money and property            | 129,254                | 151,049    | 436,706    | 357,245    | 295,697    |
| Miscellaneous                        | 212,419                | 293,260    | 204,584    | 157,254    | 377,682    |
| Total                                | \$ 12,008,199          | 11,772,950 | 11,896,273 | 10,933,930 | 10,731,057 |
| Expenditures:                        |                        |            |            |            |            |
| Operating:                           |                        |            |            |            |            |
| Public safety and legal services     | \$ 2,013,154           | 1,927,982  | 1,900,164  | 1,756,703  | 1,501,153  |
| Physical health and social services  | 597,127                | 620,149    | 839,084    | 830,284    | 783,540    |
| Mental health                        | 2,005,825              | 2,136,380  | 1,859,850  | 1,958,823  | 1,898,781  |
| County environment and education     | 758,079                | 742,442    | 680,163    | 701,680    | 546,285    |
| Roads and transportation             | 3,581,862              | 3,602,048  | 3,832,568  | 3,572,743  | 3,355,470  |
| Governmental services to residents   | 86,635                 | 96,860     | 101,936    | 88,242     | 87,664     |
| Administration                       | 384,235                | 358,804    | 327,425    | 300,317    | 267,195    |
| Non-program                          | 1,064,871              | 998,490    | 867,867    | 852,361    | 898,337    |
| Debt service                         | 843,108                | 431,149    | 341,149    | 241,607    | 18,750     |
| Capital projects                     | 706,865                | 1,627,172  | 3,609,233  | 1,056,929  | 604,856    |
| Total                                | \$ 12,041,761          | 12,541,476 | 14,359,439 | 11,359,689 | 9,962,031  |

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Boone County:

We have audited the financial statements of Boone County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 10, 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 Boone County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

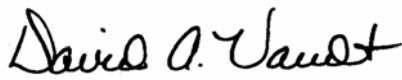
Internal Control Over Financial Reporting

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

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 10, 2004

Boone County

Schedule of Findings

Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

The County does not have written policies for:

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

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer based system.

Response – County-wide written policies for logging of unattended computers, and password privacy and confidentiality will be developed and adopted.

Conclusion – Response accepted

- (B) Board of Supervisors – One warrant was written and held at year end. This matter was resolved for audit purposes.

Recommendation – Warrants should not be written and held prior to receiving goods and services since this can weaken the control the Board has over disbursements.

Response – The department head has been advised not to submit claims for materials or services not received by June 30<sup>th</sup>. The County Auditor’s staff has reviewed this situation and will take steps to prevent this happening in the future.

Conclusion – Response accepted

- (C) Payroll – A County employee also provides medical services to jail inmates as an independent contractor. The County issues a W-2 to the employee for wages earned and a 1099 to the employee for the independent contractor services.

Recommendation – The County should complete IRS Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, to determine whether the employee’s services as a nurse constitute services as an independent party. The County may submit this form to the IRS, free of charge, so a determination can be made by an independent party. In the absence of an IRS determination, the County should process the payments for medical services in the same manner as the payments as an employee through payroll, subject to withholdings and included on the individual’s W-2.

Boone County

Schedule of Findings

Year ended June 30, 2004

Response – The County Attorney has advised the County to proceed with submitting an IRS Form SS-8 to determine if the employee services as a nurse constitute services that are provided by an independent contractor. The County Attorney advises that nursing services continue to be treated as an independent contractor until the IRS rules. If the IRS rules against the County, proper withholding adjustment will be made.

Conclusion – Response accepted.

- (D) County Recorder – Although monthly bank reconciliations were performed, the variance between the book balance and the bank balance of \$1,537 at June 30, 2004 was not investigated and resolved. Also, an accounts receivable listing was not prepared the last day of the month.

Copy fee receipts were not reconciled and recorded monthly.

Recommendation – Variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. Also, all reconciling items between the book and bank balances should be documented each month, including an accounts receivable listing at the end of each month. In addition, the book balance should be reconciled to listing of month end liabilities.

Copy fee receipts should be reconciled and recorded monthly.

Response – We will run an accounts receivable listing monthly at the end of business. We will try to figure and balance between the bank and book balance monthly and resolve differences. Our copy fee money is reconciled and recorded monthly. We count the copy money several times a month, and then at the end of the month it is totaled and deposited into our bank account.

Conclusion – Response accepted.

- (E) County Sheriff – An insurance check for \$18,000 was received by the County Sheriff and endorsed to a vendor without being recorded in the County records.

Recommendation – Insurance checks received should be deposited by the County Treasurer. Collections and subsequent expenditures should be reflected in the County's accounting system and should be included in the County's annual budget and financial report.

Response – In the future, the insurance checks to the County will be sent through the County Treasurer and then expended through the County Sheriff's budget.

Conclusion – Response accepted.

- (F) Sheriff's Reserve – The County Sheriff has a reserve force of peace officers to act in a supplementary capacity to the regular force. While performing official duties, they are paid an hourly wage. The County Sheriff's reserve has a separate bank account for these funds and pay the officers directly. They are paid a direct wage with no FICA or Medicare withheld.

Boone County

Schedule of Findings

Year ended June 30, 2004

Recommendation – As required by Chapter 80D.11 of the Code of Iowa, while performing official duties, each reserve peace officer shall be considered an employee of the governing body which the officer represents. The County should pay the reserve peace officers through the normal payroll process and have FICA and Medicare withheld from their wages. A W-2 should be issued at the end of the year for the reserve peace officers wages.

Response – I will contact the County Auditor about getting W-2 forms to the reserves for this past year.

In the future we will not pay reserves with the exception of the \$1 per year. Monies collected will go to the reserve fund to purchase equipment and pay for training. This fund will be under the control of the County Treasurer. Vouchers will be sent to the County Auditor to pay expenses for the Reserves and account funds will roll-over to the next year. This should ensure no future W-2's and better handle fund disbursements.

Conclusion – Response accepted.

Boone County  
 Schedule of Findings  
 Year ended June 30, 2004

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.

Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – 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 budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – County will amend appropriations on a timely basis.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and Business Connection                              | Description       | Amount |
|--|-------------------|--------|
| Morris Walters, foreman at Boone County Landfill, farmer         | Bales of hay      | \$ 425 |
| Corey Reutter, Sheriff Jailer, owner of Reutter Computer Systems | Computer services | 22,100 |

Recommendation – In accordance with Chapter 331.342(10) of the Code of Iowa, the hay purchased does not appear to represent a conflict of interest since the total was less than \$1,500 during the fiscal year.

The transactions for computer services may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa. The County should consult legal counsel to determine the disposition of this matter.

Boone County

Schedule of Findings

Year ended June 30, 2004

Response – This comment has been submitted to the Boone County Attorney and his advice will be followed.

Conclusion – Response accepted.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Financial Assurance – The Boone County Landfill has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

|   | Original Area |             | Expension Area |             |
|---|---------------|-------------|----------------|-------------|
|   | Closure       | Postclosure | Closure        | Postclosure |
| Total estimated costs for closure and postclosure care                            | \$ 284,400    | 450,000     | 842,000        | 498,000     |
| Less: Balance of funds held in the local dedicated fund at June 30, 2003          | (284,400)     | (450,000)   | (285,372)      | (168,783)   |
|   | -             | -           | 556,628        | 329,217     |
| Divided by the number of years remaining in the pay-in period                     | 4             | 4           | 6              | 6           |
| Required payment into the local dedicated fund for the year ended June 30, 2004   | -             | -           | 92,771         | 54,870      |
| Balance of funds held in the local dedicated fund at June 30, 2003                | 284,400       | 450,000     | 285,372        | 168,783     |
| Required balance of funds to be held in the local dedicated fund at June 30, 2004 | \$ 284,400    | 450,000     | 378,143        | 223,653     |
| Amount County has restricted for closure and postclosure care at June 30, 2004    | \$ 284,409    | 450,000     | 390,532        | 230,980     |



Boone County

Schedule of Findings

Year ended June 30, 2004

- (11) Solid Waste Fees Retainage – During the year ended June 30, 2004, the County used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (12) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

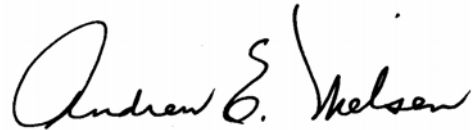
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Boone County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Pamela L. Brandenburg, Senior Auditor  
Julie J. Lyon, CPA, Staff Auditor  
Gary D. Van Lengen, CPA, Staff Auditor  
Cynthia R. Ellingson, Assistant Auditor  
Donna R. Neubauer, 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 a distinct "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State