



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

June 1, 2005

Contact: Andy Nielsen
515/281-5834

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$15,479,939 for the year ended June 30, 2004, which included \$1,052,377 in tax credits from the state. The County forwarded \$11,961,240 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,518,699 of the local tax revenue to finance County operations. Other revenues included charges for service of \$552,873, operating grants, contributions and restricted interest of \$3,475,005, capital grants, contributions and restricted interest of \$885,417, unrestricted investment earnings of \$47,221, local option sales tax of \$240,360 and other general revenues of \$176,853.

Expenses for County operations totaled \$7,690,754. Expenses included \$2,977,817 for roads and transportation, \$1,408,149 for mental health and \$1,227,311 for public safety and legal services.

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

###

PAGE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14
Statement of Activities	B	15
Governmental Fund Financial Statements:		
Balance Sheet	C	16-17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	22
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	23
Notes to Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		36-37
Budget to GAAP Reconciliation		38
Notes to Required Supplementary Information – Budgetary Reporting		39
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42-43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	44-45
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	46-47
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	48-49
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	50
Schedule of Expenditures of Federal Awards	6	52-53
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		55-56
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		59-60
Schedule of Findings and Questioned Costs		61-66
Staff		67

Page County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Anderson	Board of Supervisors	Jan 2005
Elaine Armstrong	Board of Supervisors	Jan 2005
James Richardson	Board of Supervisors	Jan 2007
Judy Clark	County Auditor	Jan 2005
Connie Burton	County Treasurer	(Resigned)
Kim Behrens (Appointed)	County Treasurer	Nov 2004
Brenda Esaias	County Recorder	Jan 2007
Mike Williams	County Sheriff	Jan 2005
Richard Davidson	County Attorney	Jan 2007
Peggy Smith	County Assessor	Jan 2010

Page County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Page County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Page 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 Page 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.

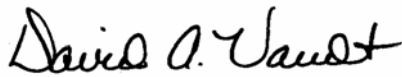
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Page County at June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, for the year ended June 30, 2004, Page County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

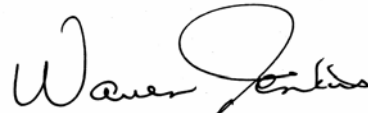
In accordance with Government Auditing Standards, we have also issued our reports dated October 21, 2004 on our consideration of Page County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Page County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the materials and supplies inventories, pertaining primarily to the Special Revenue Funds. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 21, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Page County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

This is the first year Page County is required to report all activities on a full accrual basis in accordance with GASB 34. A comprehensive comparison to the prior fiscal year is not possible. Efforts have been made to provide comparison to prior fiscal year data when such data is available. In subsequent years, comparison to prior year data will be provided for all key financial information.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental funds increased 5.2%, or \$431,500, from fiscal year 2003 (FY03). Property and other county tax increased \$342,250 over FY03 primarily because FY04 is the first year the County utilized the General Supplemental levy.
- Expenditures of the County's governmental funds increased 1.7%, or approximately \$144,000, from FY03. The increase is primarily the result of capital projects for secondary roads and courthouse tuckpointing.
- The County's net assets increased 13%, or approximately \$1,206,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES:

Government-wide Financial Statements

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

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

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

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The County has two kinds of funds:

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

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

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for County offices, drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Page County's combined net assets increased by 13% from a year ago, increasing from \$9.3 million to \$10.5 million.

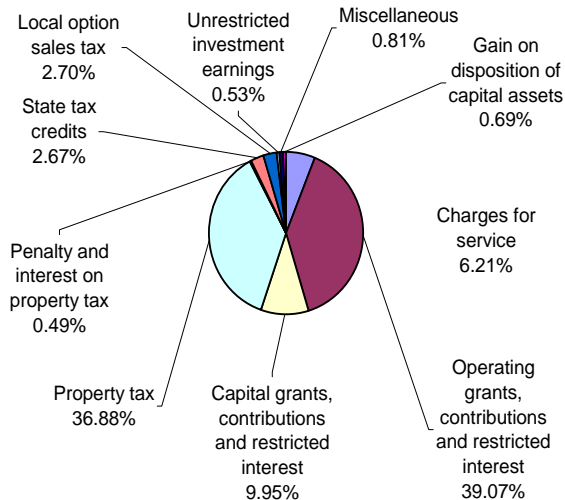
Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 7,913,796
Capital assets	6,481,287
Total assets	<u>14,395,083</u>
Long-term liabilities	275,446
Other liabilities	3,645,735
Total liabilities	<u>3,921,181</u>
Net assets:	
Invested in capital assets	6,481,287
Restricted	3,188,524
Unrestricted	804,091
Total net assets	<u><u>\$ 10,473,902</u></u>

The largest portion of the County's net assets is invested in capital assets (i.e. land, infrastructure, buildings and equipment.) Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements – are reported at \$804,091 at June 30, 2004.

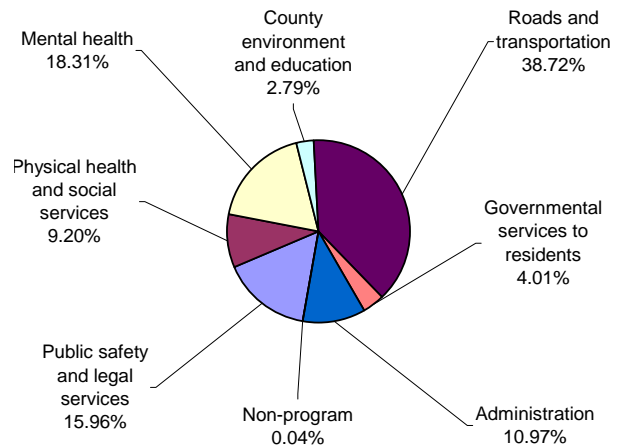
Changes in Net Assets of Governmental Activities

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 552,873
Operating grants, contributions and restricted interest	3,475,005
Capital grants, contributions and restricted interest	885,417
General revenues:	
Property tax	3,281,425
Penalty and interest on property tax	43,424
State tax credits	237,274
Local option sales tax	240,360
Unrestricted investment earnings	47,221
Gain on disposition of capital assets	61,035
Miscellaneous	72,394
Total revenues	<u>8,896,428</u>
Program expenses:	
Public safety and legal services	1,227,311
Physical health and social services	707,819
Mental health	1,408,149
County environment and education	214,409
Roads and transportation	2,977,817
Governmental services to residents	308,612
Administration	843,835
Non-program	2,802
Total expenses	<u>7,690,754</u>
Increase in net assets	1,205,674
Net assets beginning of year, as restated	<u>9,268,228</u>
Net assets end of year	<u>\$ 10,473,902</u>

Revenues by Source



Expenses by Function



Page County increased property tax rates by \$.35 per \$1,000 of taxable valuation for the rural levy and \$.77286 per \$1,000 of taxable valuation for the countywide levy. The courthouse restoration debt was paid off in FY03, so the debt service levy of \$.24036 per \$1,000 of taxable valuation was removed for FY04 and the general supplemental levy of \$1.00 per \$1,000 of taxable valuation was added in FY04. The rural assessed property taxable valuation increased by approximately \$737,000. The countywide assessed property taxable valuation decreased by approximately \$2 million.

INDIVIDUAL MAJOR FUND ANALYSIS

As Page County completed the year, its governmental funds reported a total fund balance of \$4,239,471, an increase of 2.5% over the FY03 total fund balance of \$4,135,548.

The General Fund, the operating fund for Page County, ended FY04 with a balance of \$789,939, an increase of \$140,530 over FY03's ending balance of \$649,409. The primary reason for the increase in revenue is because of the additional tax generated by the general supplemental levy. The taxable property valuation decreased from approximately \$478 million in FY03 to approximately \$476 million in FY04. The combined General Fund levy rate increased from \$3.50 per \$1,000 of taxable valuation in FY03 to \$4.50 per \$1,000 of taxable valuation in FY04.

Page County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund ending fund balance was \$531,462, a \$132,659 decrease from FY03. Non-property tax revenues decreased \$44,704 from FY03. The levy rate was lowered \$.33678 per \$1,000 of taxable valuation from a FY03 levy rate of \$1.36402 per \$1,000 of taxable valuation. These decreases, along with the FY04 expenditure increase of \$43,838 resulted in the fund balance decrease.

The Rural Services Fund ended FY04 with a \$181,631 balance compared to the prior year ending fund balance of \$99,772. Property tax revenue for the Rural Services Fund increased \$125,104, from \$704,459 in FY03. Local option sales tax revenue decreased by approximately \$20,000 in FY04. Other revenues within the Rural Services Fund remained virtually unchanged. Page County increased the tax levy to provide resources to transfer to the Secondary Roads Fund. The local option sales tax received and provided to the Rural Services Fund met the requirements of the referendum for property tax relief.

The Secondary Roads Fund ended FY04 with a \$2,458,223 balance compared to the prior year ending balance of \$2,489,935. FY04 expenditures increased approximately \$544,000. Page County maintained approximately 923 miles of gravel, dirt and paved roads with the available resources of this fund.

BUDGETARY HIGHLIGHTS

Page County amended the budget twice. The amendments were made in March and May of 2004 for the sheriff to replace a vehicle, to finish the courthouse exterior renovation with grant revenues received and spend more local option sales tax dollars. County farm land was sold and the courthouse sewer had to be replaced.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Page County had approximately \$6.5 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This amount increased approximately \$1.2 million from FY03.

Capital Assets of Governmental Activities at Year End	
	June 30, 2004
Land	\$ 592,603
Buildings and improvements	3,131,647
Equipment and vehicles	1,792,174
Infrastructure	964,863
Total	<u>\$ 6,481,287</u>
This year's major additions included (in thousands):	
Capital assets contributed by the Iowa Department of Transportation	\$ 131
Courthouse improvement project	360
Replacement of 2 motor graders, 4 trucks and other secondary roads equipment	705
Various county infrastructure projects	834
Total	<u>\$ 2,030</u>

Page County had depreciation expense of \$446,432 in FY04 and total accumulated depreciation of \$4,217,704 at June 30, 2004. Additional information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2004, Page County had no long-term debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Page County's elected and appointed officials and citizens considered many factors when setting the fiscal 2005 budget, tax rates and fees charged for the various County services. The General Fund levy rate for FY04 was set at \$4.50 per \$1,000 of taxable valuation.

The Page County Board of Supervisors dedicates 40% of the local option sales tax dollars received for property tax relief for the Rural Services Fund.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Page 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 Judy Clark at the Page County Auditor's Office, by mail at 112 E. Main, Clarinda, Iowa 51632, or by telephone at (712) 542-3219.

Basic Financial Statements

Page County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,950,089
Receivables:	
Property tax:	
Delinquent	9,288
Succeeding year	3,126,000
Interest and penalty on property tax	2,327
Accounts	8,620
Accrued interest	2,942
Due from other governments	354,305
Inventories	460,225
Capital assets (net of accumulated depreciation)	<u>6,481,287</u>
Total assets	<u>14,395,083</u>
Liabilities	
Accounts payable	330,795
Salaries and benefits payable	90,241
Due to other governments	98,699
Deferred revenue:	
Succeeding year property tax	3,126,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	97,699
Portion due or payable after one year:	
Compensated absences	<u>177,747</u>
Total liabilities	<u>3,921,181</u>
Net Assets	
Invested in capital assets	6,481,287
Restricted for:	
Supplemental levy purposes	91,326
Mental health purposes	526,142
Secondary roads purposes	2,292,840
Other purposes	278,216
Unrestricted	<u>804,091</u>
Total net assets	<u>\$ 10,473,902</u>

See notes to financial statements.

Page County
Statement of Activities
Year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,227,311	79,400	48,663	-	(1,099,248)
Physical health and social services	707,819	46,411	313,795	-	(347,613)
Mental health	1,408,149	760	783,865	-	(623,524)
County environment and education	214,409	25,908	12,717	-	(175,784)
Roads and transportation	2,977,817	61,093	2,300,336	885,417	269,029
Governmental services to residents	308,612	255,157	98	-	(53,357)
Administration	843,835	84,144	15,531	-	(744,160)
Non-program	2,802	-	-	-	(2,802)
Total	\$ 7,690,754	552,873	3,475,005	885,417	(2,777,459)
General Revenues:					
Property and other county tax levied for general purposes					3,281,425
Penalty and interest on property tax					43,424
State tax credits					237,274
Local option sales tax					240,360
Grants and contributions not restricted to specific purpose					20,213
Unrestricted investment earnings					47,221
Gain on disposition of capital assets					61,035
Miscellaneous					52,181
Total general revenues					3,983,133
Change in net assets					1,205,674
Net assets beginning of year, as restated					9,268,228
Net assets end of year					\$ 10,473,902

See notes to financial statements.

Page County
Balance Sheet
Governmental Funds

June 30, 2004

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 781,712	658,125	175,596	2,056,444
Receivables:				
Property tax:				
Delinquent	6,815	1,245	1,228	-
Succeeding year	2,116,000	386,000	624,000	-
Interest and penalty on property tax	2,327	-	-	-
Accounts	3,059	231	2,900	2,430
Accrued interest	2,942	-	-	-
Due from other governments	113,167	23,054	5,411	212,519
Inventories	-	-	-	460,225
Total assets	\$ 3,026,022	1,068,655	809,135	2,731,618
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 46,170	46,652	1,359	236,464
Salaries and benefits payable	47,254	5,208	917	36,862
Due to other governments	525	98,105	-	69
Deferred revenue:				
Succeeding year property tax	2,116,000	386,000	624,000	-
Other	26,134	1,228	1,228	-
Total liabilities	2,236,083	537,193	627,504	273,395
Fund balances:				
Reserved for supplemental levy purposes	102,092	-	-	-
Unreserved, reported in:				
General fund	687,847	-	-	-
Special revenue funds	-	531,462	181,631	2,458,223
Total fund balances	789,939	531,462	181,631	2,458,223
Total liabilities and fund balances	\$ 3,026,022	1,068,655	809,135	2,731,618

See notes to financial statements.

<u>Nonmajor Governmental</u>	<u>Total</u>
278,212	3,950,089
-	9,288
-	3,126,000
-	2,327
-	8,620
-	2,942
154	354,305
-	460,225
<u>278,366</u>	<u>7,913,796</u>
150	330,795
-	90,241
-	98,699
-	3,126,000
-	28,590
<u>150</u>	<u>3,674,325</u>
-	102,092
-	687,847
<u>278,216</u>	<u>3,449,532</u>
<u>278,216</u>	<u>4,239,471</u>
<u>278,366</u>	<u>7,913,796</u>

Page County

Page County

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

June 30, 2004

Total governmental fund balances (page 17) \$ 4,239,471

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 \$10,698,991 and the accumulated depreciation is \$4,217,704. 6,481,287

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 28,590

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (275,446)

Net assets of governmental activities (page 14) \$ 10,473,902

See notes to financial statements.

Page 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	\$ 2,114,079	455,187	829,563	32,000
Interest and penalty on property tax	42,423	-	-	-
Intergovernmental	560,620	818,557	64,252	3,119,581
Licenses and permits	335	-	20,129	1,045
Charges for service	326,388	-	-	26,911
Use of money and property	67,529	-	-	-
Miscellaneous	85,780	760	979	33,137
Total revenues	3,197,154	1,274,504	914,923	3,212,674
Expenditures:				
Operating:				
Public safety and legal services	1,231,612	-	-	-
Physical health and social services	655,999	-	43,963	-
Mental health	-	1,407,163	-	-
County environment and education	167,908	-	23,606	-
Roads and transportation	-	-	-	3,156,284
Governmental services to residents	301,127	-	1,130	-
Administration	709,348	-	-	-
Non-program	927	-	-	-
Capital projects	-	-	-	852,467
Total expenditures	3,066,921	1,407,163	68,699	4,008,751
Excess (deficiency) of revenues over (under) expenditures	130,233	(132,659)	846,224	(796,077)
Other financing sources (uses):				
Sale of capital assets	20,097	-	-	-
Operating transfers in	-	-	-	764,365
Operating transfers out	(9,800)	-	(764,365)	-
Total other financing sources (uses)	10,297	-	(764,365)	764,365
Net change in fund balances	140,530	(132,659)	81,859	(31,712)
Fund balances beginning of year, as restated	649,409	664,121	99,772	2,489,935
Fund balances end of year	\$ 789,939	531,462	181,631	2,458,223

See notes to financial statements.

Nonmajor Governmental	Total
88,351	3,519,180
-	42,423
11,052	4,574,062
26,433	47,942
-	353,299
364	67,893
7,705	128,361
<u>133,905</u>	<u>8,733,160</u>
355	1,231,967
-	699,962
-	1,407,163
10,617	202,131
-	3,156,284
5,000	307,257
71,828	781,176
-	927
10,000	862,467
<u>97,800</u>	<u>8,649,334</u>
<u>36,105</u>	<u>83,826</u>
-	20,097
9,800	774,165
-	(774,165)
<u>9,800</u>	<u>20,097</u>
45,905	103,923
<u>232,311</u>	<u>4,135,548</u>
<u>278,216</u>	<u>4,239,471</u>

Page 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 21) \$ 103,923

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

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

Expenditures for capital assets	\$ 1,477,294	
Capital assets contributed by the Iowa Department of Transportation	130,956	
Depreciation expense	<u>(446,432)</u>	1,161,818

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 61,035

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

Property tax	2,605	
Other	<u>(51,425)</u>	(48,820)

Compensated absences 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. (72,282)

Change in net assets of governmental activities (page 15) \$ 1,205,674

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 733,658
Other County officials	11,152
Receivables:	
Property tax:	
Delinquent	36,944
Succeeding year	10,559,000
Accounts	21,081
Due from other governments	1,985
Total assets	<u>11,363,820</u>

Liabilities

Accounts payable	2,577
Salaries and benefits payable	3,245
Due to other governments	11,326,473
Trusts payable	26,330
Compensated absences	5,195
Total liabilities	<u>11,363,820</u>

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

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

Eleven 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 Page 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 Page County Auditor's Office.

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Page County Landfill, Juvenile Detention Center and Jobs Training Partnership Act Quality Jobs Program. The County also participates in the following jointly governed organizations: Alcohol Assistance Agency, 4th Judicial District Department of Correctional Services, Golden Hills Resource Conservation and Development, Southwest Iowa Planning Council and West Central Development Corporation.

B. Basis of Presentation

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

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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 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.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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.

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 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 and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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, road network	\$ 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	40 - 50
Infrastructure, road network	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized,

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

Deferred revenue 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 compensatory time vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

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.

(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.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) 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	Special Revenue: Rural Services	\$ 764,365
Conservation Land Acquisition	General	9,800
Total		<u>\$ 774,165</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 592,603	-	-	592,603
Construction in progress	327,186	32,442	(359,628)	-
Total capital assets not being depreciated	<u>919,789</u>	<u>32,442</u>	<u>(359,628)</u>	<u>592,603</u>
Capital assets being depreciated:				
Buildings and improvements	4,150,873	359,628	-	4,510,501
Equipment and vehicles	4,374,430	760,840	(514,701)	4,620,569
Infrastructure, road network	-	975,318	-	975,318
Total capital assets being depreciated	<u>8,525,303</u>	<u>2,095,786</u>	<u>(514,701)</u>	<u>10,106,388</u>
Less accumulated depreciation for:				
Buildings and improvements	1,273,633	105,221	-	1,378,854
Equipment and vehicles	2,913,025	330,756	(415,386)	2,828,395
Infrastructure, road network	-	10,455	-	10,455
Total accumulated depreciation	<u>4,186,658</u>	<u>446,432</u>	<u>(415,386)</u>	<u>4,217,704</u>
Total capital assets being depreciated, net	<u>4,338,645</u>	<u>1,649,354</u>	<u>(99,315)</u>	<u>5,888,684</u>
Governmental activities capital assets, net	<u>\$ 5,258,434</u>	<u>1,681,796</u>	<u>(458,943)</u>	<u>6,481,287</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 29,742
Physical health and social services	2,849
County environment and education	9,930
Roads and transportation	299,591
Administration	<u>104,320</u>
Total depreciation expense - governmental activities	<u>\$ 446,432</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 525</u>
Special Revenue:		
Mental Health	Services	98,105
Secondary Roads	Services	69
		<u>98,174</u>
Total for governmental funds		<u>\$ 98,699</u>
Agency:		
County Assessor	Collections	\$ 234,795
Schools		6,649,498
Community Colleges		321,529
Corporations		3,390,155
Auto License and Use Tax		297,388
All other		<u>433,108</u>
Total for agency funds		<u>\$ 11,326,473</u>

(6) Changes in Long-Term Liabilities

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

	<u>Compen- sated Absences</u>
Balance beginning of year, as restated	\$ 203,164
Increases	287,125
Decreases	<u>214,843</u>
Balance end of year	<u>\$ 275,446</u>
Due within one year	<u>\$ 97,699</u>

(7) Pension and Retirement Benefits

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

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. 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 for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, 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 \$165,367, \$165,350 and \$152,230, respectively, equal to the required contributions for each year.

(8) Risk Management

Page 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 \$74,028.

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.

(9) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County's governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 4,094,355
GASB Interpretation 6 adjustments	<u>41,193</u>
Net assets July 1, 2003, as restated for governmental funds	4,135,548
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$4,186,658	5,258,434
Compensated absences	(203,164)
Deferral of long-term assets	<u>77,410</u>
Net assets July 1, 2003, as restated	<u><u>\$ 9,268,228</u></u>

Required Supplementary Information

Page 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 Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 3,531,532	-
Interest and penalty on property tax	42,603	-
Intergovernmental	4,616,970	-
Licenses and permits	19,004	-
Charges for service	398,893	-
Use of money and property	68,378	97
Miscellaneous	120,512	7,255
Total receipts	<u>8,797,892</u>	<u>7,352</u>
Disbursements:		
Public safety and legal services	1,245,172	-
Physical health and social services	697,636	-
Mental health	1,395,470	-
County environment and education	199,887	1,412
Roads and transportation	3,098,702	-
Governmental services to residents	307,296	-
Administration	772,189	-
Non-program	927	-
Capital projects	862,467	-
Total disbursements	<u>8,579,746</u>	<u>1,412</u>
Excess (deficiency) of receipts over (under) disbursements	218,146	5,940
Other financing sources, net	<u>20,097</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	238,243	5,940
Balance beginning of year	<u>3,711,846</u>	<u>21,189</u>
Balance end of year	<u>\$ 3,950,089</u>	<u>27,129</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
3,531,532	3,427,319	3,472,319	59,213
42,603	20,350	20,350	22,253
4,616,970	4,143,470	4,835,581	(218,611)
19,004	23,937	24,437	(5,433)
398,893	271,685	263,160	135,733
68,281	111,550	111,556	(43,275)
113,257	30,250	64,750	48,507
<u>8,790,540</u>	<u>8,028,561</u>	<u>8,792,153</u>	<u>(1,613)</u>
1,245,172	1,301,940	1,342,841	97,669
697,636	655,823	927,401	229,765
1,395,470	1,533,865	1,533,865	138,395
198,475	223,988	223,988	25,513
3,098,702	3,984,750	3,578,000	479,298
307,296	325,126	327,526	20,230
772,189	774,438	847,670	75,481
927	5,000	5,000	4,073
862,467	453,000	876,338	13,871
<u>8,578,334</u>	<u>9,257,930</u>	<u>9,662,629</u>	<u>1,084,295</u>
212,206	(1,229,369)	(870,476)	1,082,682
20,097	-	-	20,097
232,303	(1,229,369)	(870,476)	1,102,779
<u>3,690,657</u>	<u>2,873,799</u>	<u>3,687,349</u>	<u>3,308</u>
<u>3,922,960</u>	<u>1,644,430</u>	<u>2,816,873</u>	<u>1,106,087</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,797,892	(64,732)	8,733,160
Expenditures	8,579,746	69,588	8,649,334
Net	218,146	(134,320)	83,826
Other financing sources, net	20,097	-	20,097
Beginning fund balances	3,711,846	423,702	4,135,548
Ending fund balances	\$ 3,950,089	289,382	4,239,471

See accompanying independent auditor's report.

Page 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 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 and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$404,699. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 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 or the amounts appropriated.

Page County

Other Supplementary Information

Page County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2004

	Resource Enhancement and Protection	Local Option Sales Tax
Assets		
Cash and pooled investments	\$ 43,572	143,031
Due from other governments	154	-
Total assets	\$ 43,726	143,031
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 150	-
Fund equity:		
Unreserved fund balances	43,576	143,031
Total liabilities and fund equity	\$ 43,726	143,031

See accompanying independent auditor's report.

County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition	Sheriff Special Investigation	Special Law Enforcement	Total
13,955	22,706	27,129	12,588	5,249	9,982	278,212
-	-	-	-	-	-	154
13,955	22,706	27,129	12,588	5,249	9,982	278,366
-	-	-	-	-	-	150
13,955	22,706	27,129	12,588	5,249	9,982	278,216
13,955	22,706	27,129	12,588	5,249	9,982	278,366

Page County

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

Year ended June 30, 2004

	Special		
	Resource Enhancement and Protection	Local Option Sales Tax	County Recorder's Records Management
Revenues:			
Property and other county tax	\$ -	88,351	-
Intergovernmental	11,001	-	-
Charges for service	-	-	3,744
Use of money and property	169	-	81
Miscellaneous	-	-	-
Total revenues	<u>11,170</u>	<u>88,351</u>	<u>3,825</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	9,205	-	-
Governmental services to residents	-	-	5,000
Administration	-	60,880	-
Capital projects	-	-	-
Total expenditures	<u>9,205</u>	<u>60,880</u>	<u>5,000</u>
Excess (deficiency) of revenues over (under) expenditures	1,965	27,471	(1,175)
Other financing sources:			
Operating transfer in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,965	27,471	(1,175)
Fund balances beginning of year, as restated	<u>41,611</u>	<u>115,560</u>	<u>15,130</u>
Fund balances end of year	<u>\$ 43,576</u>	<u>143,031</u>	<u>13,955</u>

See accompanying independent auditor's report.

Revenue							
County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition	Sheriff Special Investigation	Special Law Enforcement	Debt Service		Total
-	-	-	-	-	-	-	88,351
-	-	-	-	-	51	-	11,052
22,689	-	-	-	-	-	-	26,433
17	97	-	-	-	-	-	364
-	7,255	450	-	-	-	-	7,705
22,706	7,352	450	-	51	-	-	133,905
-	-	-	-	355	-	-	355
-	1,412	-	-	-	-	-	10,617
-	-	-	-	-	-	-	5,000
-	-	-	-	-	10,948	-	71,828
-	-	10,000	-	-	-	-	10,000
-	1,412	10,000	-	355	10,948	-	97,800
-	5,940	(9,550)	-	(304)	(10,948)	-	36,105
-	-	9,800	-	-	-	-	9,800
-	5,940	250	-	(304)	(10,948)	-	45,905
-	21,189	12,338	5,249	10,286	10,948	-	232,311
-	27,129	12,588	5,249	9,982	-	-	278,216

Page County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor
Assets			
Cash and pooled investments:			
County Treasurer	\$ -	9,836	75,278
Other County officials	11,152	-	-
Receivables:			
Property tax:			
Delinquent	-	388	537
Succeeding year	-	120,000	167,000
Accounts	586	-	363
Due from other governments	-	-	-
Total assets	\$ 11,738	130,224	243,178
Liabilities			
Accounts payable	\$ -	-	446
Salaries and benefits payable	-	-	2,742
Due to other governments	8,072	130,224	234,795
Trusts payable	3,666	-	-
Compensated absences	-	-	5,195
Total liabilities	\$ 11,738	130,224	243,178

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
115,048	5,510	45,743	2,227	297,388	182,628	733,658
-	-	-	-	-	-	11,152
21,450	1,019	13,412	132	-	6	36,944
6,513,000	315,000	3,331,000	111,000	-	2,000	10,559,000
-	-	-	-	-	20,132	21,081
-	-	-	-	-	1,985	1,985
6,649,498	321,529	3,390,155	113,359	297,388	206,751	11,363,820
-	-	-	-	-	2,131	2,577
-	-	-	-	-	503	3,245
6,649,498	321,529	3,390,155	113,359	297,388	181,453	11,326,473
-	-	-	-	-	22,664	26,330
-	-	-	-	-	-	5,195
6,649,498	321,529	3,390,155	113,359	297,388	206,751	11,363,820

Page County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor
Assets and Liabilities			
Balances beginning of year	\$ 29,839	127,290	208,331
Additions:			
Property and other county tax	-	127,688	175,424
E911 surcharge	-	-	-
State tax credits	-	9,494	11,220
Drivers license fees	-	-	-
Office fees and collections	291,963	-	-
Electronic transaction fees	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	264,320	-	-
Miscellaneous	70	-	3,521
Total additions	556,353	137,182	190,165
Deductions:			
Agency remittances:			
To other funds	212,228	-	-
To other governments	97,597	134,248	155,318
Trusts paid out	264,629	-	-
Total deductions	574,454	134,248	155,318
Balances end of year	\$ 11,738	130,224	243,178

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
6,405,100	315,233	3,018,050	106,516	265,440	175,674	10,651,473
6,899,545	331,157	3,492,536	118,016	-	1,771	11,146,137
-	-	-	-	-	109,285	109,285
507,288	24,371	254,509	8,086	-	135	815,103
-	-	-	-	116,031	-	116,031
-	-	-	-	-	-	291,963
-	-	-	-	-	18,721	18,721
-	-	-	-	3,204,609	-	3,204,609
-	-	-	-	-	9,299	9,299
-	-	-	-	-	201,818	466,138
-	-	-	-	-	28,949	32,540
7,406,833	355,528	3,747,045	126,102	3,320,640	369,978	16,209,826
-	-	-	-	138,947	-	351,175
7,162,435	349,232	3,374,940	119,259	3,149,745	199,493	14,742,267
-	-	-	-	-	139,408	404,037
7,162,435	349,232	3,374,940	119,259	3,288,692	338,901	15,497,479
6,649,498	321,529	3,390,155	113,359	297,388	206,751	11,363,820

Page County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 3,519,180	3,176,930	2,640,602	2,520,751
Interest and penalty on property tax	42,423	41,588	43,522	36,863
Intergovernmental	4,574,062	4,543,706	4,502,131	4,081,019
Licenses and permits	47,942	19,579	17,854	14,417
Charges for service	353,299	321,437	286,987	258,686
Use of money and property	67,893	103,757	155,304	278,982
Miscellaneous	128,361	94,663	122,990	42,254
Total	\$ 8,733,160	8,301,660	7,769,390	7,232,972
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,231,967	1,254,344	1,220,497	1,071,756
Physical health and social services	699,962	706,786	380,171	391,274
Mental health	1,407,163	1,363,325	1,306,859	1,213,690
County environment and education	202,131	267,954	243,979	219,447
Roads and transportation	3,156,284	2,808,527	3,069,208	3,483,821
Governmental services to residents	307,257	289,840	292,679	273,806
Administration	781,176	1,036,824	759,974	758,644
Non-program	927	6,574	12,092	9,757
Debt service	-	114,700	108,700	107,500
Capital projects	862,467	656,163	968,513	369,916
Total	\$ 8,649,334	8,505,037	8,362,672	7,899,611

See accompanying independent auditor's report.

Page County

Page County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Hungry Canyons Alliance:			
Soil and Water Conservation	10.902	HC 02-7-F	\$ 63,596
Soil and Water Conservation	10.902	HC 02-6-F	56,752
Soil and Water Conservation	10.902	HC 02-9-F	92,382
Soil and Water Conservation	10.902	HC 02-10-F	7,763
			220,493
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		8,135
West Central Development Corporation:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		3,148
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		10,564
Refugee and Entrant Assistance - State Administered Programs	93.566		36
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,935
Foster Care - Title IV-E	93.658		4,807
Adoption Assistance	93.659		1,285
Medical Assistance Program	93.778		10,610
Social Services Block Grant	93.667		6,946
Social Services Block Grant	93.667		94,671
			101,617
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003	5884EM68	10,098
Visiting Nurses Association:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	422013BT	14,604

Page County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Ringgold County Public Health:			
Childhood Immunization Grants	93.268	5883I419	2,600
Childhood Immunization Grants	93.268	5884I419	1,488
			<u>4,088</u>
Taylor County Public Health Agency:			
Maternal and Child Health Services Block Grant	93.994	5883MC07	1,332
Maternal and Child Health Services Block Grant	93.994	5884MC07	2,091
			<u>3,423</u>
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division:			
State and Local All Hazards Emergency Operations Planning	97.051	EMK2003GR2535	6,330
U.S. Department of Justice:			
Governor's Office on Drug Control Policy:			
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	98RDV-003B	20,775
U.S. Environmental Protection Agency:			
Iowa Department of Health:			
Linn County Public Health: State Indoor Radon Grants	66.032	5889RC02	2,860
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	00-CF-030	61,566
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO73(73)--8J-73	63,967
Total			<u>\$ 550,341</u>

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

See accompanying independent auditor's report.

Page County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Page County:

We have audited the financial statements of Page County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 21, 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 Page County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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. The prior year statutory comment has been resolved.

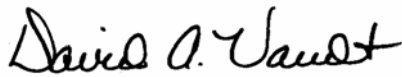
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Page 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 a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Page County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

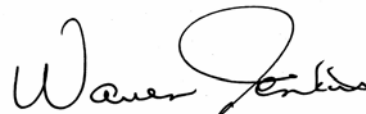
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above, item II-A-04, is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Page County and other parties to whom Page 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 Page County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 21, 2004

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

Page County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Page County:

Compliance

We have audited the compliance of Page County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Page County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Page County's management. Our responsibility is to express an opinion on Page County's compliance based on our audit.

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

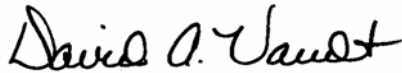
In our opinion, Page County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

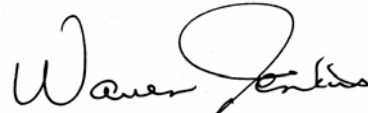
The management of Page County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Page County's internal control over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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 21, 2004

Page County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.902 – Soil and Water Conservation
 - CFDA Number 93.667 – Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Page County did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-04 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Sheriff and Recorder
(2) Disbursements – check writing, signing, posting, reconciling and final approval.	Recorder
(3) Bank reconciliations are not reviewed periodically for propriety by an independent person who does not sign checks, handle or record cash.	Recorder
(4) Investments – custody and accounting.	Treasurer

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

Responses:

County Treasurer –

I will list the mail receipts two days a month on varying days and track their progress into posting and reconciliation for item (1).

I will check CD’s to insure that they require signature of Treasurer and Auditor to cash or transfer. I will have staff review monthly bank balance report for item (4).

Page County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

County Sheriff – The Office Secretary, Chief Deputy Sheriff, and Page County Sheriff all assist with opening mail, collecting money, depositing money, posting and daily reconciling for item (1).

County Recorder – The Recorder’s office has worked on measures to implement internal control of the items (1, 2 & 3) listed above and will continue to segregate the duties, as much as possible with a small staff.

Conclusion – Responses accepted.

Page County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

The notice of the second budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapters 331.434(2) and 331.435 of the Code of Iowa.

Recommendation – The notice of the budget amendment hearing should be published not less than 10 days or more than 20 days prior to the hearing date.

Response – In the future the publication will be made 10-20 days prior to the hearing date, in accordance with the Iowa Code.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-04 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
James Maranville, Deputy Sheriff	Park improvements and gun supplies	<u>\$ 2,470</u>

In accordance with Chapter 331.342 of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and were not based on competitive bidding.

Recommendation – The County should consult legal counsel to determine the disposition of these matters.

Response – Both the county employee involved and the Conservation Board will be reminded of the \$1,500 limit on related party work on one or more projects during a single fiscal year. In the future, related party work costing over \$1,500 will be done only after bids are taken.

Page County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Conclusion – Response acknowledged. The County should seek legal counsel to determine the disposition of this matter.

IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-04 Deposits and Investments – Except as noted, 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.

The interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee. Public fund time certificates of deposit, when renewed, shall be renewed at a rate of interest which conforms with current rates for public funds on date of renewal.

Recommendation – The County should seek reimbursement of the additional interest due on this certificate of deposit. In addition, the County should be aware of the current allowable rates to insure at least the minimum allowable rate is received for all investments.

Response – I contacted the bank and they paid the additional interest owed.

Conclusion – Response accepted.

IV-I-04 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 subsection (b)(2) and (b)(3).

IV-J-04 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.

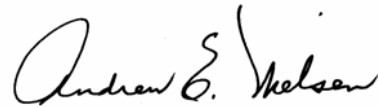
Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Page County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor
Daniel L. Durbin, CPA, Staff Auditor
Shawn P. Limback, CPA, Staff Auditor
Amanda S. Guthrie, Assistant Auditor
Corrine M. Johnson, CPA, Assistant Auditor
Janet M. Tiefenthaler, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State