



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ June 13, 2005

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$39,894,413 for the year ended June 30, 2004, which included \$2,377,821 in tax credits from the state. The County forwarded \$30,777,661 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,116,752 of the local tax revenue to finance County operations, a one percent decrease from the prior year. Other revenues included charges for service of \$1,942,541, operating grants, contributions and restricted interest of \$6,139,136, capital grants, contributions and restricted interest of \$1,068,142, tax increment financing of \$155,837, unrestricted investment earnings of \$123,766 and other general revenues of \$487,897.

Expenses for County operations totaled \$17,818,259, a one percent decrease from the prior year. Expenses included \$5,509,603 for roads and transportation, \$3,631,585 for mental health and \$3,136,668 for public safety and legal services.

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

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

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**Jasper County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Max Worthington	Board of Supervisors	Jan 2005
Dennis Carpenter	Board of Supervisors	Jan 2007
W. E. Ward	Board of Supervisors	Jan 2007
Kenneth Slothouber	County Auditor	Jan 2005
Jana Lust	County Treasurer	Jan 2007
Nancy Parrot	County Recorder	Jan 2007
Mike Balmer	County Sheriff	Jan 2005
Steve Johnson	County Attorney	Jan 2007
John Deegan	County Assessor	Jan 2010

**Jasper County**



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Independent Auditor's Report

To the Officials of Jasper County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jasper 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 Jasper County's management. Our responsibility is to express opinions on these financial statements based on our audit.

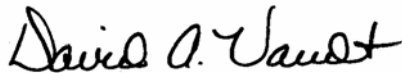
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require 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 Jasper 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.

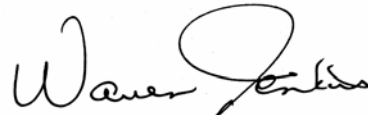
In accordance with Government Auditing Standards, we have also issued our reports dated February 16, 2005 on our consideration of Jasper County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports 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 14 and 42 through 45 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 Jasper 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 two years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 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

February 16, 2005

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

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

### **2004 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 21.8%, or approximately \$5,305,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$97,000, operating grants, contributions and restricted interest increased approximately \$846,000 and capital grants, contributions and restricted interest decreased approximately \$4,985,000.
- Program expenses were 2.7%, or approximately \$500,000, less in fiscal 2004 than in fiscal 2003. Roads and transportation expense decreased approximately \$96,000.
- The County's net assets increased 7.4%, or approximately \$1,216,000, from June 30, 2003 to June 30, 2004.
- Jasper County issued \$6,000,000 in general obligation bonds during the year ended June 30, 2004. The bonds will be used for construction of a law enforcement center which is expected to be completed in FY 2005.

During fiscal year 2004, the County restated capital assets to correct amounts previously reported (see Note 13). This resulted in a decrease in the governmental activities beginning net asset balances of \$690,501. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2003 amounts have been revised to reflect the applicable changes as if they had been made in the prior year.

### **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 Jasper 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 Jasper 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 Jasper County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.



Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various 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 which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

The County's governmental activities 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 non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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 governmental 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 which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

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. Jasper County's combined net assets strengthened from a year ago, increasing from approximately \$16,439,000 to approximately \$17,655,000. The analysis that follows focuses on the changes in the net assets for governmental activities.

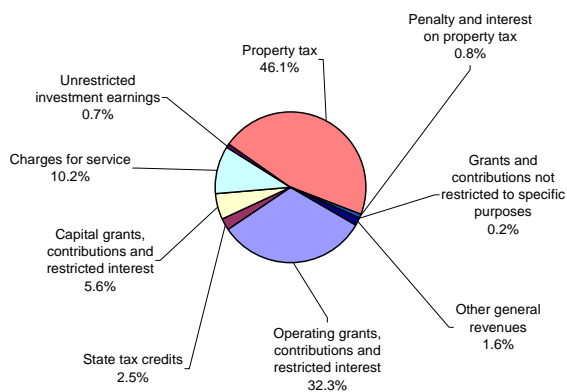
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2004	2003 (as restated)
Current and other assets	\$ 22,083	17,795
Capital assets	17,186	12,343
Total assets	39,269	30,138
Long-term liabilities	8,728	3,685
Other liabilities	12,886	10,014
Total liabilities	21,614	13,699
Net assets:		
Invested in capital assets, net of related debt	12,556	9,083
Restricted	3,134	5,419
Unrestricted	1,965	1,937
Total net assets	\$ 17,655	16,439

Net assets of Jasper County's governmental activities increased by \$1,216,000 (\$17,655,000 compared to \$16,439,000). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$1,937,000 at June 30, 2003 to approximately \$1,965,000 at the end of this year, an increase of 1.4 percent. This increase of approximately \$28,000 in unrestricted net assets was a result of overall day-to-day decreased expenditures.

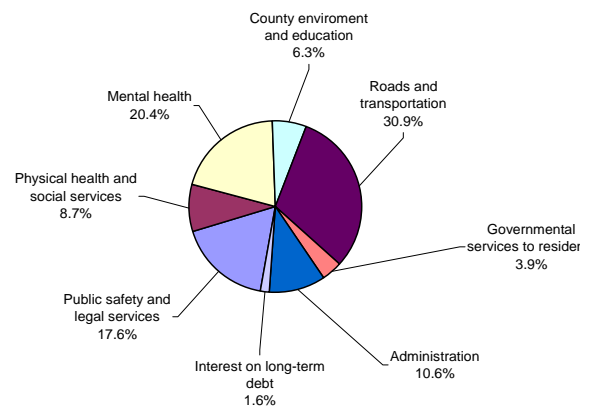
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2004	2003 (as restated)
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,943	2,137
Operating grants, contributions and restricted interest	6,139	5,293
Capital grants, contributions and restricted interest	1,068	6,053
<b>General revenues:</b>		
Property tax	8,798	8,701
Penalty and interest on property tax	145	131
State tax credits	474	614
Grants and contributions not restricted to specific purposes	33	300
Unrestricted investment earnings	124	165
Other general revenues	310	945
<b>Total revenues</b>	<b>19,034</b>	<b>24,339</b>
<b>Program expenses:</b>		
Public safety and legal services	3,137	3,051
Physical health and social services	1,546	1,627
Mental health	3,632	3,777
County environment and education	1,130	1,536
Roads and transportation	5,509	5,605
Governmental services to residents	692	659
Administration	1,895	1,953
Interest on long-term debt	277	110
<b>Total expenses</b>	<b>17,818</b>	<b>18,318</b>
<b>Increase in net assets</b>	<b>1,216</b>	<b>6,021</b>
<b>Net assets beginning of year</b>	<b>16,439</b>	<b>10,418</b>
<b>Net assets end of year</b>	<b>\$ 17,655</b>	<b>16,439</b>

**Revenues by Source**



**Expenses by Function**



Jasper County's net assets of governmental activities increased by approximately \$1,216,000 during the year. Revenues for governmental activities decreased by approximately \$5,305,000 from the prior year, with property tax revenue up from the prior year by approximately \$97,000, or 1.1 percent.

The County increased property tax rates for 2004 by an average of 0.19 percent. This increase raised the County's property tax revenue by approximately \$97,000 in 2004. For 2005, the State issued an equalization order to decrease agricultural property valuations by 21.2%. With this adjustment and a further residential rollback requirement, the County experienced an overall decrease of \$81,948,612 in taxable valuations. Based on these decreases in the total taxable valuation and fund balances being reduced in prior fiscal years to avoid a tax increase, property tax revenue is budgeted to increase by an additional \$1,868,000 next year.

The cost of all governmental activities this year was \$17.8 million compared to \$18.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$8.7 million because some of the cost was paid by those directly benefited from the programs (\$1,942,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,207,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$13,483,000 to approximately \$9,150,000, principally due to farm-to-market road projects that were contributed to the County in the prior year by the Iowa DOT. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$8,798,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Jasper County completed the year, its governmental funds reported a combined fund balance of \$8,515,255, an increase of \$1,067,097 over last year's total of \$7,448,158. The increase in fund balance is primarily attributable to general obligation bonds sold for the new law enforcement center construction project. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$875,000, or 11.6%, due to a property tax increase for the general supplemental levy, while expenditures decreased a modest \$55,000, or 0.7%. Because of the additional tax collections, the ending fund balance showed an increase of \$360,806 from the prior year to \$2,663,644.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$3,628,967, a decrease of 4% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$1,214,000 from the prior year. Approximately \$1,000,000 of this decrease was due to reduced property tax askings in the current year.
- The Rural Services Fund ended FY 2004 with a balance of \$81,059 compared to the prior year ending balance of \$156,286. The \$75,227 decrease was mainly due to an increase in the amount transferred to the Secondary Roads Fund for the local match of State Road Use Tax funds.
- Secondary Roads Fund expenditures increased by approximately \$219,500 over the prior year, due principally to increased wage and cost-of-living adjustments and increased health insurance premiums. Also, in the prior year, the sale of old motor graders and the acquisition of new motor graders under capital lease purchase agreements resulted in proceeds of approximately \$1.4 million and \$924,000, respectively. In the current fiscal year, this activity only resulted in proceeds of approximately \$40,000 from the sale of assets and approximately \$105,000 in proceeds from capital lease purchase agreements.

- During the year ended June 30, 2004, the County issued \$6,000,000 of general obligation bonds to help finance a new law enforcement center. The proceeds from the bond issue were placed in a Capital Projects Fund to account for this major project. Approximately \$3.3 million remained in the Capital Projects Fund at the end of the year.
- There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, Jasper County amended its budget two times. The first amendment was made in January 2004 and resulted in an increase in budgeted disbursements related to the new law enforcement center capital project, a sewer project at the Rock Creek Homesites and purchase of motor graders. The second amendment was made in May 2004. This amendment was made to account for a decrease in revenues caused by a reduction of state funds for personal property and government assistance allocations, lower earnings on investments and to provide for the additional expenditures for housing prisoners and shelter care for juveniles.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2004, Jasper County had approximately \$17,186,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$4,844,000, or 39 percent, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2004	2003 (as restated)
Land	\$ 689	574
Construction in progress	4,137	595
Buildings and improvements	1,788	1,813
Equipment and vehicles	3,196	3,054
Infrastructure	7,376	6,307
Total	<u>\$ 17,186</u>	<u>12,343</u>

The County had depreciation expense of \$1,074,059 in FY04 and total accumulated depreciation of \$5,673,994 at June 30, 2004.

The County's fiscal year 2004 capital budget included approximately \$10,281,000 for capital projects, principally for construction of a new law enforcement center, construction of the Rock Creek bike trail, five new bridges and four road projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2004, Jasper County had approximately \$8,239,000 in general obligation bonds and capital loan notes and other debt outstanding compared to approximately \$3,260,000 at June 30, 2003, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2004	2003
General obligation bonds and capital loan notes	\$ 8,110	2,325
Capital lease purchase agreements	129	935
Total	<u>\$ 8,239</u>	<u>3,260</u>

Debt increased as a result of issuing general obligation bonds for the new law enforcement center. In addition, the County entered into a capital lease purchase agreement to acquire a motor grader.

The County carries a general obligation bond rating of A1 assigned by national rating agencies to the County's debt. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Jasper County's outstanding general obligation debt is significantly below its constitutional debt limit of \$91 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Jasper County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various County activities. In an ongoing effort to maintain County services, the Jasper County Board of Supervisors is committed to limiting expenditure increases, using excess fund balances and reducing funding to non-mandated programs to provide essential services for the citizens of Jasper County.

Amounts available for appropriation in the operating budget are approximately \$24,124,000, an increase of 2.8 percent from the final 2004 budget. Property tax (hindered by the decreases in taxable valuations) are expected to lead this increase. Jasper County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to fall by approximately \$830,000. Increased wage and cost-of-living adjustments, increases in health insurance rates and new expenditures for a large road project are offset by the completion of the law enforcement center capital project and represent the largest increases and decreases. With the exception of opening the new and larger law enforcement center in May 2005, the County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2005.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jasper County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jasper County Auditor's Office, 101 1<sup>st</sup> St. N., Newton, Iowa 50208.

## **Basic Financial Statements**



**Exhibit A**

Jasper County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 9,414,290
Receivables:	
Property tax:	
Delinquent	83,728
Succeeding year	10,521,000
Interest and penalty on property tax	69,772
Accounts	49,752
Accrued interest	8,057
Special assessments	123,039
Due from other governments	1,288,730
Inventories	332,561
Prepaid expense	191,887
Capital assets (net of accumulated depreciation)	<u>17,186,369</u>
<b>Total assets</b>	<u>39,269,185</u>
<b>Liabilities</b>	
Accounts payable	1,676,439
Accrued interest payable	175,523
Salaries and benefits payable	99,009
Due to other governments	413,659
Deferred revenue:	
Succeeding year property tax	10,521,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	72,564
General obligation capital loan notes	220,000
General obligation bonds	100,000
Compensated absences	380,879
Portion due or payable after one year:	
Capital lease purchase agreements	56,841
General obligation capital loan notes	1,890,000
General obligation bonds	5,900,000
Compensated absences	<u>108,093</u>
<b>Total liabilities</b>	<u>21,614,007</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,556,457
Restricted for:	
Supplemental levy purposes	525,438
Mental health purposes	798,556
Secondary roads purposes	1,511,705
Other purposes	297,752
Unrestricted	<u>1,965,270</u>
<b>Total net assets</b>	<u>\$ 17,655,178</u>

See notes to financial statements.

Jasper 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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 3,136,668	318,870	16,989	685	(2,800,124)
Physical health and social services	1,545,826	327,476	434,492	-	(783,858)
Mental health	3,631,585	27,436	1,445,301	-	(2,158,848)
County environment and education	1,130,163	57,242	63,907	314,964	(694,050)
Roads and transportation	5,509,603	342,753	4,174,008	738,494	(254,348)
Governmental services to residents	692,259	717,893	166	-	25,800
Administration	1,895,437	150,871	4,273	13,999	(1,726,294)
Interest on long-term debt	276,718	-	-	-	(276,718)
<b>Total</b>	<b>\$ 17,818,259</b>	<b>1,942,541</b>	<b>6,139,136</b>	<b>1,068,142</b>	<b>(8,668,440)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					8,476,351
Debt service					166,004
Tax increment financing					155,837
Penalty and interest on property tax					145,297
State tax credits					474,397
Grants and contributions not restricted to specific purpose					32,468
Unrestricted investment earnings					123,766
Gain on disposal of capital assets					37,574
Miscellaneous					272,558
<b>Total general revenues</b>					<b>9,884,252</b>
Change in net assets					1,215,812
Net assets beginning of year, as restated					16,439,366
Net assets end of year					<b>\$ 17,655,178</b>

See notes to financial statements.

Jasper County  
Balance Sheet  
Governmental Funds

June 30, 2004

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 2,459,672	1,150,367	94,026	912,141
Receivables:				
Property tax:				
Delinquent	49,051	7,548	25,779	-
Succeeding year	6,027,000	1,765,000	1,933,000	-
Interest and penalty on property tax	69,772	-	-	-
Accounts	31,966	-	-	17,786
Accrued interest	8,057	-	-	-
Special assessments	-	-	-	123,039
Due from other governments	148,504	6,759	652	828,097
Inventories	114,244	-	-	218,317
Prepaid insurance	91,887	100,000	-	-
<b>Total assets</b>	<b>\$ 9,000,153</b>	<b>3,029,674</b>	<b>2,053,457</b>	<b>2,099,380</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 89,010	91,006	3,070	359,364
Salaries and benefits payable	65,762	1,620	-	31,627
Due to other governments	36,440	366,361	10,601	257
Deferred revenue:				
Succeeding year property tax	6,027,000	1,765,000	1,933,000	-
Other	118,297	7,460	25,727	400,234
Total liabilities	6,336,509	2,231,447	1,972,398	791,482
Fund balances:				
Reserved for:				
Supplemental levy purposes	551,271	-	-	-
Dental care of county residents	-	-	-	-
Debt service	-	-	-	-
Cemetery levy	1,008	-	-	-
Unreserved:				
Designated for special projects	132,132	-	-	-
Undesignated, reported in:				
General fund	1,979,233	-	-	-
Special revenue funds	-	798,227	81,059	1,307,898
Capital projects fund	-	-	-	-
Total fund balances	2,663,644	798,227	81,059	1,307,898
<b>Total liabilities and fund balances</b>	<b>\$ 9,000,153</b>	<b>3,029,674</b>	<b>2,053,457</b>	<b>2,099,380</b>

See notes to financial statements.

Capital Projects	Debt Service	Nonmajor Governmental	Total
4,439,030	62,256	296,798	9,414,290
-	1,350	-	83,728
-	618,000	178,000	10,521,000
-	-	-	69,772
-	-	-	49,752
-	-	-	8,057
-	-	-	123,039
304,396	320	2	1,288,730
-	-	-	332,561
-	-	-	191,887
<b>4,743,426</b>	<b>681,926</b>	<b>474,800</b>	<b>22,082,816</b>

1,133,933	-	56	1,676,439
-	-	-	99,009
-	-	-	413,659
-	618,000	178,000	10,521,000
304,415	1,321	-	857,454
<b>1,438,348</b>	<b>619,321</b>	<b>178,056</b>	<b>13,567,561</b>

-	-	-	551,271
-	-	16,865	16,865
-	62,605	-	62,605
-	-	-	1,008
-	-	-	132,132
-	-	-	1,979,233
-	-	279,879	2,467,063
3,305,078	-	-	3,305,078
<b>3,305,078</b>	<b>62,605</b>	<b>296,744</b>	<b>8,515,255</b>
<b>4,743,426</b>	<b>681,926</b>	<b>474,800</b>	<b>22,082,816</b>

**Jasper County**

Jasper County

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

June 30, 2004

**Total governmental fund balances (page 19)** \$ 8,515,255

***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 \$22,860,363 and the accumulated depreciation is \$5,673,994. 17,186,369

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 857,454

Long-term liabilities, including capital lease purchase agreements payable, general obligation bonds payable, general obligation capital loan notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (8,903,900)

**Net assets of governmental activities (page 16)** \$ 17,655,178

See notes to financial statements.

Jasper 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
<b>Revenues:</b>				
Property and other county tax	\$ 5,588,758	862,662	1,970,000	-
Interest and penalty on property tax	142,490	-	-	-
Intergovernmental	1,088,236	1,509,272	103,171	4,550,069
Licenses and permits	98,364	-	-	6,555
Charges for service	992,377	17,723	-	20,103
Use of money and property	114,188	-	-	-
Miscellaneous	379,091	24,851	-	183,093
<b>Total revenues</b>	<b>8,403,504</b>	<b>2,414,508</b>	<b>2,073,171</b>	<b>4,759,820</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	3,122,169	-	-	-
Physical health and social services	1,546,888	-	-	-
Mental health	116,484	3,628,967	-	-
County environment and education	614,338	-	192,559	-
Roads and transportation	-	-	-	6,080,708
Governmental services to residents	690,879	-	-	-
Administration	1,795,483	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	2,201,476
<b>Total expenditures</b>	<b>7,886,241</b>	<b>3,628,967</b>	<b>192,559</b>	<b>8,282,184</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>517,263</b>	<b>(1,214,459)</b>	<b>1,880,612</b>	<b>(3,522,364)</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	39,959
Operating transfers in	40,037	-	-	2,152,333
Operating transfers out	(196,494)	-	(1,955,839)	-
Capital lease purchase agreement	-	-	-	104,810
General obligation bonds issued	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(156,457)</b>	<b>-</b>	<b>(1,955,839)</b>	<b>2,297,102</b>
<b>Net change in fund balances</b>	<b>360,806</b>	<b>(1,214,459)</b>	<b>(75,227)</b>	<b>(1,225,262)</b>
<b>Fund balances beginning of year</b>	<b>2,302,838</b>	<b>2,012,686</b>	<b>156,286</b>	<b>2,533,160</b>
<b>Fund balances end of year</b>	<b>\$ 2,663,644</b>	<b>798,227</b>	<b>81,059</b>	<b>1,307,898</b>

See notes to financial statements.

Capital Projects	Debt Service	Nonmajor Governmental	Total
-	164,192	155,837	8,741,449
-	-	-	142,490
311,882	10,278	15,622	7,588,530
-	-	-	104,919
-	-	34,813	1,065,016
-	34,961	8,410	157,559
51,820	-	47,915	686,770
<u>363,702</u>	<u>209,431</u>	<u>262,597</u>	<u>18,486,733</u>
-	-	7,263	3,129,432
-	-	742	1,547,630
-	-	-	3,745,451
-	-	14,764	821,661
-	-	-	6,080,708
-	-	-	690,879
-	-	12,920	1,808,403
-	330,233	-	330,233
<u>3,208,707</u>	<u>-</u>	<u>5,955</u>	<u>5,416,138</u>
<u>3,208,707</u>	<u>330,233</u>	<u>41,644</u>	<u>23,570,535</u>
<u>(2,845,005)</u>	<u>(120,802)</u>	<u>220,953</u>	<u>(5,083,802)</u>
-	-	6,130	46,089
129,000	141,502	3,000	2,465,872
(40,037)	-	(273,502)	(2,465,872)
-	-	-	104,810
<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>
<u>6,088,963</u>	<u>141,502</u>	<u>(264,372)</u>	<u>6,150,899</u>
3,243,958	20,700	(43,419)	1,067,097
61,120	41,905	340,163	7,448,158
<u>3,305,078</u>	<u>62,605</u>	<u>296,744</u>	<u>8,515,255</u>



Jasper 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 23)** \$ 1,067,097

**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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 5,942,772	
Depreciation expense	(1,074,059)	4,868,713

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. (25,065)

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	1,697	
Other	508,067	509,764

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

Issued	(6,104,810)	
Repaid	1,125,085	(4,979,725)

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

Compensated absences	(63,487)	
Interest on long-term debt	(161,485)	(224,972)

**Change in net assets of governmental activities (page 17)** \$ 1,215,812

See notes to financial statements.

Jasper County  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds

June 30, 2004

	Other		
	Employee Benefit Trust	Private Purpose Trust	Agency
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 41,806	48,273	1,598,983
Other County officials	-	-	17,193
Receivables:			
Property tax:			
Delinquent	-	-	195,035
Succeeding year	-	-	28,862,000
Special assessments	-	-	295,635
Accounts	-	-	68,800
Due from other governments	-	-	29,369
<b>Total assets</b>	<b>41,806</b>	<b>48,273</b>	<b>31,067,015</b>
<b>Liabilities</b>			
Accounts payable	-	-	28,326
Salaries and benefits payable	-	-	6,610
Due to other governments	-	-	30,996,235
Trusts payable	-	-	17,760
Compensated absences	-	-	18,084
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>31,067,015</b>
<b>Net assets</b>			
Held in trust for employee benefits and other	\$ 41,806	48,273	-

See notes to financial statements.

Jasper County  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2004

	<u>Other Employee Benefit Trust</u>	<u>Private Purpose Trust</u>
Additions:		
Donations and contributions	\$ -	48,273
Deductions:		
Distribution to participants	29,431	-
Change in net assets held in trust	(29,431)	48,273
Net assets beginning of year	71,237	-
Net assets end of year	<u>\$ 41,806</u>	<u>48,273</u>

See notes to financial statements.

Jasper County

Notes to Financial Statements

June 30, 2004

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

Jasper 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, Jasper 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 Jasper 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.

Seven 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 Jasper 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 Jasper County Auditor's Office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jasper County Assessor’s Conference Board, Jasper County Emergency Management Commission and Jasper 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 Newton Sanitary Landfill, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

The Other Employee Benefit Trust Fund is used to account for resources held for employees who participated in the County's early retirement incentive program.

The Private Purpose Trust Fund is used to account for resources held for the Newton Memorial Park Cemetery.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-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 are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land improvements	5,000
Land, buildings and improvements	5,000
Machinery, 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	40 - 50
Building improvements	20 - 50
Infrastructure	10 - 65
Land improvements	10 - 50
Machinery and equipment	2 - 20
Vehicles	3 - 15



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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave in excess of 1,440 hours will be paid at the last rate of pay to an employee upon retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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 Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$195,103 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 40,037
Special Revenue:		
Secondary Roads	General	196,494
	Special Revenue:	
	Rural Services	1,955,839
		<u>2,152,333</u>
Other	Special Revenue:	
	Conservation Land Acquisition	<u>3,000</u>
Capital Projects	Special Revenue:	
	Conservation Land Acquisition	26,000
	Rock Creek Bike Trail	103,000
		<u>129,000</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>141,502</u>
Total		<u>\$ 2,465,872</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:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>		<u>End</u>	
	<u>of Year,</u>		<u>of Year</u>	
	<u>as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 574,428	114,308	-	688,736
Construction in progress	594,826	4,989,133	(1,446,544)	4,137,415
Total capital assets not being depreciated	<u>1,169,254</u>	<u>5,103,441</u>	<u>(1,446,544)</u>	<u>4,826,151</u>
Capital assets being depreciated:				
Buildings	3,068,575	32,710	-	3,101,285
Improvements other than buildings	98,017	-	-	98,017
Machinery, equipment and vehicles	6,167,254	811,154	(223,981)	6,754,427
Infrastructure, road network	6,638,472	1,442,011	-	8,080,483
Total capital assets being depreciated	<u>15,972,318</u>	<u>2,285,875</u>	<u>(223,981)</u>	<u>18,034,212</u>
Less accumulated depreciation for:				
Buildings	1,339,623	55,199	-	1,394,822
Improvements other than buildings	14,226	2,544	-	16,770
Machinery, equipment and vehicles	3,113,078	643,921	(198,916)	3,558,083
Infrastructure, road network	331,924	372,395	-	704,319
Total accumulated depreciation	<u>4,798,851</u>	<u>1,074,059</u>	<u>(198,916)</u>	<u>5,673,994</u>
Total capital assets being depreciated, net	<u>11,173,467</u>	<u>1,211,816</u>	<u>(25,065)</u>	<u>12,360,218</u>
Governmental activities capital assets, net	<u>\$ 12,342,721</u>	<u>6,315,257</u>	<u>(1,471,609)</u>	<u>17,186,369</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 55,697
Physical health and social services	7,538
Mental health	1,380
County environment and education	43,676
Roads and transportation	913,946
Administration	<u>51,822</u>
Total depreciation expense - governmental activities	<u>\$ 1,074,059</u>

As permitted by U.S. generally accepted accounting principles, the County will add prior year road infrastructure during the next three years.

**(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	\$ 36,440
Special Revenue:		
Mental Health	Services	366,361
Rural Services		10,601
Secondary Roads		257
		<u>377,219</u>
Total for governmental funds		<u>\$ 413,659</u>
Agency:		
County Assessor	Collections	\$ 507,868
Schools		17,486,668
Community Colleges		663,083
Corporations		7,685,267
Auto License and Use Tax		650,829
All other		4,002,520
Total for agency funds		<u>\$ 30,996,235</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:

	Capital Lease Purchase Agreements	General Obligation Capital Loan Notes	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 934,680	2,325,000	-	425,485	3,685,165
Increases	104,810	-	6,000,000	391,420	6,496,230
Decreases	910,085	215,000	-	327,933	1,453,018
Balance end of year	<u>\$ 129,405</u>	<u>2,110,000</u>	<u>6,000,000</u>	<u>488,972</u>	<u>8,728,377</u>
Due within one year	<u>\$ 72,564</u>	<u>220,000</u>	<u>100,000</u>	<u>380,879</u>	<u>773,443</u>

### Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a dozer and trailer and a John Deere motorgrader. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.9% to 4.1% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

Year Ending June 30,	Dozer and Trailer	John Deere Motorgrader	Total
2005	\$ 38,890	37,077	75,967
2006	-	37,077	37,077
2007	-	21,628	21,628
Total minimum lease payments	38,890	95,782	134,672
Less amount representing interest	(460)	(4,807)	(5,267)
Present value of net minimum lease payments	\$ 38,430	90,975	129,405

Payments under capital lease purchase agreements for the year ended June 30, 2004 totaled \$936,554.

### General Obligation Capital Loan Notes

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

Year Ending June 30,	Series 1995 Issued March 28, 1995			Series 1999 Issued April 1, 1999			Series 2001 Issued July 26, 2001		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2005	5.95%	\$ 45,000	9,253	4.15%	\$ 80,000	14,585	5.00%	\$ 50,000	65,495
2006	6.00	50,000	6,575	4.20	85,000	11,265	5.00	50,000	62,995
2007	6.50	55,000	3,575	4.25	90,000	7,695	5.00	55,000	60,495
2008	-	-	-	4.30	90,000	3,870	5.00	55,000	57,745
2009	-	-	-	-	-	-	5.00	60,000	54,995
2010-2014	-	-	-	-	-	-	5.00-5.15	345,000	226,655
2015-2019	-	-	-	-	-	-	5.20-5.40	440,000	128,431
2020-2021	-	-	-	-	-	-	5.45-5.50	205,000	17,000
Total		\$ 150,000	19,403		\$ 345,000	37,415		\$ 1,260,000	673,811

Year Ending June 30,	Series 2003 Issued May 16, 2003					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2005	3.125%	\$ 45,000	15,713	\$ 220,000	105,046	325,046
2006	3.625	45,000	14,306	230,000	95,141	325,141
2007	4.250	45,000	12,675	245,000	84,440	329,440
2008	4.500	45,000	10,763	190,000	72,378	262,378
2009	4.750	45,000	8,738	105,000	63,733	168,733
2010-2014	4.875-5.250	130,000	13,106	475,000	239,761	714,761
2015-2019	-	-	-	440,000	128,431	568,431
2020-2021	-	-	-	205,000	17,000	222,000
Total		\$ 355,000	75,301	\$ 2,110,000	805,930	2,915,930

During the year ended June 30, 2004, the County retired \$215,000 of general obligation capital loan notes.

General Obligation Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	2.50%	\$ 100,000	365,608	465,608
2006	2.50	215,000	228,410	443,410
2007	2.50	230,000	223,035	453,035
2008	2.50	240,000	217,285	457,285
2009	2.50	250,000	211,285	461,285
2010-2014	3.00-3.65	1,450,000	920,550	2,370,550
2015-2019	3.75-4.20	1,785,000	606,145	2,391,145
2020-2023	4.30-4.50	1,730,000	197,015	1,927,015
Total		\$ 6,000,000	2,969,333	8,969,333

During the year ended June 30, 2004, the County issued \$6,000,000 in general obligation bonds.

**(7) Pension and Retirement Benefits**

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

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 \$401,105, \$384,475 and \$372,577, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Jasper 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 \$173,099.

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, law enforcement liability and employee blanket bond. 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) Designated Fund Equity**

The County has designated \$132,132 from the General Fund for special projects. At June 30, 2004, the amounts designated are as follows:

Description	Amount
Courthouse roof, chiller and dome windows	\$ 17,282
Chichaqua bike trail maintenance	58,000
GIS project	24,168
Computer system upgrades	32,682
Total	<u>\$ 132,132</u>

**(10) Pending Litigation**

The County is involved in several lawsuits as of June 30, 2004. The probability and amount of loss, if any, is undeterminable.

**(11) Other Employee Benefit**

During the year ended June 30, 2003, the Board of Supervisors approved an Early Retirement Incentive Program. Employees meeting certain eligibility requirements could select from two options offered under the program, as follows:

Option 1: An incentive payment in an amount equal to payment for all unused days of sick leave times the employee's current per diem rate or \$17,500, whichever is greater. Payment of the incentive amount without interest is to be made in equal annual installments over a three year period. In the event of the death of the participant prior to all payments being received, the balance will be paid to the former employee's estate.

Option 2: An incentive in the form of a "bank" to pay for the participant's health insurance premiums until the converted dollar amount is depleted or the participant dies or reaches age 65. The "bank" shall include: conversion of all unused sick leave days at the employee's current per diem rate plus one week of pay at the employee's current per diem rate for every year of service with Jasper County. In the event of the death of the participant, the remaining balance in the "bank" will be paid in a lump sum payment to the former employee's estate.

Four county employees participated in this program during the year ended June 30, 2003. The County established a Fiduciary, Other Employee Benefit Trust Fund to account for this activity. The County contributed \$93,032 to the fund, the amount required to fully fund the incentive program.

**(12) Construction Commitment**

The County has entered into contracts totaling \$7,838,093 for construction of a law enforcement center. As of June 30, 2004, costs of \$2,281,824 on the project have been incurred. The balance remaining on the project at June 30, 2004 (\$5,556,269) will be paid as work on the project progresses.



**(13) Restatement**

Beginning net assets for governmental activities was restated to correct the valuation of and reporting for certain capital assets, as follows:

	<u>Governmental Activities</u>
Net assets June 30, 2003, as previously reported	\$ 17,129,867
Correction of reporting errors for certain capital assets, net of accumulated depreciation	<u>(690,501)</u>
Net assets July 1, 2003, as restated	<u>\$ 16,439,366</u>

**(14) Subsequent Event**

In March 2005, the County issued \$6,150,000 in general obligation bonds to construct a County jail, renovate current County buildings and construct secondary road improvements.

**Required Supplementary Information**

Jasper 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	Net
<b>Receipts:</b>			
Property and other county tax	\$ 8,742,301	-	8,742,301
Interest and penalty on property tax	142,558	-	142,558
Intergovernmental	7,286,652	-	7,286,652
Licenses and permits	105,278	-	105,278
Charges for service	1,060,679	-	1,060,679
Use of money and property	158,525	-	158,525
Miscellaneous	740,660	-	740,660
Total receipts	<u>18,236,653</u>	<u>-</u>	<u>18,236,653</u>
<b>Disbursements:</b>			
Public safety and legal services	3,189,664	-	3,189,664
Physical health and social services	1,598,166	-	1,598,166
Mental health	3,768,395	-	3,768,395
County environment and education	952,865	-	952,865
Roads and transportation	5,831,547	-	5,831,547
Governmental services to residents	708,002	-	708,002
Administration	1,860,419	-	1,860,419
Non-program	-	-	-
Debt service	330,232	-	330,232
Capital projects	4,452,788	-	4,452,788
Total disbursements	<u>22,692,078</u>	<u>-</u>	<u>22,692,078</u>
Deficiency of receipts under disbursements	(4,455,425)	-	(4,455,425)
Other financing sources, net	<u>7,011,545</u>	<u>-</u>	<u>7,011,545</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,556,120	-	2,556,120
Balance beginning of year	<u>6,858,170</u>	<u>60,347</u>	<u>6,797,823</u>
Balance end of year	<u>\$ 9,414,290</u>	<u>60,347</u>	<u>9,353,943</u>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
8,804,714	8,742,724	(423)
70,000	70,000	72,558
12,598,676	12,853,521	(5,566,869)
64,164	83,664	21,614
983,901	1,067,576	(6,897)
235,260	130,760	27,765
322,775	506,970	233,690
<u>23,079,490</u>	<u>23,455,215</u>	<u>(5,218,562)</u>
3,270,807	3,350,677	161,013
1,801,873	1,883,628	285,462
3,833,091	3,881,091	112,696
1,045,944	990,224	37,359
4,716,296	6,036,557	205,010
734,383	749,413	41,411
2,114,709	2,037,929	177,510
500	500	500
322,890	330,335	103
7,871,140	10,281,313	5,828,525
<u>25,711,633</u>	<u>29,541,667</u>	<u>6,849,589</u>
(2,632,143)	(6,086,452)	1,631,027
30,000	7,004,000	7,545
(2,602,143)	917,548	1,638,572
5,227,667	6,723,568	74,255
<u>2,625,524</u>	<u>7,641,116</u>	<u>1,712,827</u>

Jasper 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	\$ 18,236,653	250,080	18,486,733
Expenditures	22,692,078	878,457	23,570,535
Net	(4,455,425)	(628,377)	(5,083,802)
Other financing sources, net	7,011,545	(860,646)	6,150,899
Beginning fund balances	6,858,170	589,988	7,448,158
Ending fund balances	\$ 9,414,290	(899,035)	8,515,255

See accompanying independent auditor's report.

Jasper 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, the Debt Service Fund, the Capital Projects Fund and the Permanent 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 \$3,830,034. 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 in certain departments exceeded the amounts appropriated.

**Jasper County**

**Other Supplementary Information**



Jasper County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2004

	Special		
	County Recorder's Records Management	Resource Enhance- ment	Conservation Land Acquisition
<b>Assets</b>			
Cash and pooled investments	\$ 54,313	45,542	25,617
Receivables:			
Property tax:			
Succeeding year	-	-	-
Due from other governments	-	-	-
	<b>\$ 54,313</b>	<b>45,542</b>	<b>25,617</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved for dental care of county residents	-	-	-
Unreserved	54,313	45,542	25,617
Total fund equity	54,313	45,542	25,617
<b>Total liabilities and fund equity</b>	<b>\$ 54,313</b>	<b>45,542</b>	<b>25,617</b>

See accompanying independent auditor's report.

Revenue				
Drainage Districts	Tax Increment Financing	Other	Permanent	Total
60,347	202	93,912	16,865	296,798
-	178,000	-	-	178,000
-	2	-	-	2
60,347	178,204	93,912	16,865	474,800
-	-	56	-	56
-	178,000	-	-	178,000
-	178,000	56	-	178,056
-	-	-	16,865	16,865
60,347	204	93,856	-	279,879
60,347	204	93,856	16,865	296,744
60,347	178,204	93,912	16,865	474,800

Jasper County

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

Year ended June 30, 2004

	Special		
	County Recorder's Records Management	Resource Enhance- ment	Conservation Land Acquisition
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	15,622	-
Charges for service	12,124	-	-
Use of money and property	139	99	148
Miscellaneous	-	-	-
Total revenues	<u>12,263</u>	<u>15,721</u>	<u>148</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
County environment and education	-	-	-
Administration	-	-	-
Capital projects	-	996	2,369
Total expenditures	<u>-</u>	<u>996</u>	<u>2,369</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,263</u>	<u>14,725</u>	<u>(2,221)</u>
Other financing sources:			
Sale of capital assets	-	-	6,130
Operating transfers in	-	-	-
Operating transfers out	-	-	(29,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(22,870)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>12,263</u>	<u>14,725</u>	<u>(25,091)</u>
Fund balances beginning of year	<u>42,050</u>	<u>30,817</u>	<u>50,708</u>
Fund balances end of year	<u>\$ 54,313</u>	<u>45,542</u>	<u>25,617</u>

See accompanying independent auditor's report.

Revenue					
Rock Creek Bike Trail	Drainage Districts	Tax Increment Financing	Other	Permanent	Total
-	-	155,837	-	-	155,837
-	-	-	-	-	15,622
-	-	-	22,689	-	34,813
-	-	-	7,734	290	8,410
-	-	-	47,915	-	47,915
-	-	155,837	78,338	290	262,597
-	-	-	7,263	-	7,263
-	-	-	-	742	742
-	-	14,760	4	-	14,764
-	-	-	12,920	-	12,920
-	-	-	2,590	-	5,955
-	-	14,760	22,777	742	41,644
-	-	141,077	55,561	(452)	220,953
-	-	-	-	-	6,130
-	-	-	3,000	-	3,000
(103,000)	-	(141,502)	-	-	(273,502)
(103,000)	-	(141,502)	3,000	-	(264,372)
(103,000)	-	(425)	58,561	(452)	(43,419)
103,000	60,347	629	35,295	17,317	340,163
-	60,347	204	93,856	16,865	296,744

Jasper County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ -	2,227	210,166
Other County officials	17,193	-	-
Receivables:			
Property tax:			
Delinquent	-	1,395	3,064
Succeeding year	-	150,000	313,000
Special assessments	-	-	-
Accounts	13,564	-	-
Due from other governments	-	79	165
<b>Total assets</b>	<b>\$ 30,757</b>	<b>153,701</b>	<b>526,395</b>
<b>Liabilities</b>			
Accounts payable	\$ -	-	632
Salaries and benefits payable	-	-	5,256
Due to other governments	30,757	153,701	507,868
Trusts payable	-	-	-
Compensated absences	-	-	12,639
<b>Total liabilities</b>	<b>\$ 30,757</b>	<b>153,701</b>	<b>526,395</b>

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
251,386	9,646	116,259	3,322	6,836	650,829	348,312	1,598,983
-	-	-	-	-	-	-	17,193
154,157	6,100	24,510	3,019	-	-	2,790	195,035
17,072,000	647,000	7,539,000	233,000	-	-	2,908,000	28,862,000
-	-	-	-	295,635	-	-	295,635
-	-	-	-	-	-	55,236	68,800
9,125	337	5,498	77	-	-	14,088	29,369
<b>17,486,668</b>	<b>663,083</b>	<b>7,685,267</b>	<b>239,418</b>	<b>302,471</b>	<b>650,829</b>	<b>3,328,426</b>	<b>31,067,015</b>
-	-	-	-	-	-	27,694	28,326
-	-	-	-	-	-	1,354	6,610
17,486,668	663,083	7,685,267	239,418	302,471	650,829	3,276,173	30,996,235
-	-	-	-	-	-	17,760	17,760
-	-	-	-	-	-	5,445	18,084
<b>17,486,668</b>	<b>663,083</b>	<b>7,685,267</b>	<b>239,418</b>	<b>302,471</b>	<b>650,829</b>	<b>3,328,426</b>	<b>31,067,015</b>

Jasper County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 33,900	161,820	584,824	18,081,791
Additions:				
Property and other county tax	-	151,169	314,311	17,148,800
E911 surcharges	-	-	-	-
State tax credits	-	9,781	21,475	1,104,713
Drivers license fees	-	-	-	-
Office fees and collections	1,188,526	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	4,540	-
Total additions	1,188,526	160,950	340,326	18,253,513
Deductions:				
Agency remittances:				
To other funds	687,526	-	-	-
To other governments	226,483	169,069	398,755	18,848,636
Trusts paid out	277,660	-	-	-
Total deductions	1,191,669	169,069	398,755	18,848,636
Balances end of year	\$ 30,757	153,701	526,395	17,486,668

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
692,022	7,500,897	260,826	309,871	739,572	2,659,435	31,024,958
649,492	7,510,239	234,921	-	-	2,865,305	28,874,237
-	-	-	-	-	237,437	237,437
41,610	549,556	13,331	-	-	162,958	1,903,424
-	-	-	-	69,175	-	69,175
-	-	-	-	-	-	1,188,526
-	-	-	-	-	60,560	60,560
-	-	-	-	7,930,141	-	7,930,141
-	-	-	107,135	-	-	107,135
-	-	-	-	-	47,573	47,573
-	-	-	-	-	921,774	926,314
691,102	8,059,795	248,252	107,135	7,999,316	4,295,607	41,344,522
-	-	-	-	299,352	-	986,878
720,041	7,875,425	269,660	114,535	7,788,707	3,591,003	40,002,314
-	-	-	-	-	35,613	313,273
720,041	7,875,425	269,660	114,535	8,088,059	3,626,616	41,302,465
663,083	7,685,267	239,418	302,471	650,829	3,328,426	31,067,015



**Schedule 5**

## Jasper County

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

For the Last Three Years

	Modified Accrual Basis		
	2004	2003	2002
Revenues:			
Property and other county tax	\$ 8,741,449	8,655,221	9,522,849
Interest and penalty on property tax	142,490	95,570	100,809
Intergovernmental	7,588,530	7,180,507	7,734,924
Licenses and permits	104,919	68,371	72,772
Charges for service	1,065,016	1,071,297	953,013
Use of money and property	157,559	168,858	284,837
Miscellaneous	686,770	651,622	399,740
Total	<u>\$ 18,486,733</u>	<u>17,891,446</u>	<u>19,068,944</u>
Expenditures:			
Operating:			
Public safety and legal services	\$ 3,129,432	3,058,425	2,919,333
Physical health and social services	1,547,630	1,682,536	1,752,734
Mental health	3,745,451	3,780,377	3,858,862
County environment and education	821,661	1,035,423	1,008,646
Roads and transportation	6,080,708	6,388,078	4,736,532
Governmental services to residents	690,879	654,019	669,898
Administration	1,808,403	1,802,173	1,784,915
Non-program	-	-	-
Debt service	330,233	265,146	209,588
Capital projects	5,416,138	2,391,818	2,237,536
Total	<u>\$ 23,570,535</u>	<u>21,057,995</u>	<u>19,178,044</u>

See accompanying independent auditor's report.

**Jasper County**

**Schedule 6**

## Jasper 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:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>25,166</u>
Iowa Department of Elder Affairs:			
Aging Resources of Central Iowa:			
Nutrition Services Incentive (Commodities)	10.570		29,000
Nutrition Services Incentive (Cash)	10.570		<u>19,997</u>
			<u>48,997</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State Program	14.228	03-WS-010	<u>199,079</u>
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579		<u>40,394</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO50(54)--8J-50	589,792
Highway Planning and Construction	20.205	BROS-CO50(53)--8J-50	8,600
Highway Planning and Construction	20.205	STP-ES-E-CO50(63)--8T-50	419,833
			<u>1,018,225</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP-03-04 Task 34	1,606
State and Community Highway Safety	20.600	PAP-04-04 Task 34	<u>5,781</u>
			<u>7,387</u>
Governor's Traffic Safety Bureau:			
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP-04-163 Task 38	<u>3,967</u>
Iowa Department of Public Defense:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>5,080</u>
U. S. Department of Education:			
Iowa Department of Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	04-CPSE-09	<u>9,713</u>

Jasper 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:			
Iowa Department of Elder Affairs:			
Aging Resources of Central Iowa:			
Special Programs for the Aging - Title III, Part D-Disease Prevention and Health Promotion Services	93.043		1,873
Special Programs for the Aging - Title III, Part C-Nutrition Services	93.045		62,271
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		32,432
Refugee and Entrant Assistance - State Administered Programs	93.566		114
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		5,847
Foster Care - Title IV-E	93.658		14,903
Adoption Assistance	93.659		3,946
Medical Assistance Program	93.778		32,558
Social Services Block Grant	93.667		21,332
Social Services Block Grant	93.667		113,811
			135,143
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003	5884EM46	6,271
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5883BT149	1,547
U. S. Department of Homeland Security:			
Iowa Department of Public Defense -			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004	FY03 SHSGP II	32,305
Public Assistance Grants	97.036	FEMA-DR-1518-IA	75,634
Hazard Mitigation Grant	97.039	911-GIS-0021	611
Emergency Management Performance Grants	97.042		20,952
Pre-Disaster Mitigation	97.047	PDM-2003-0012	1,172
State and Local All Hazards Emergency Operations Planning	97.051		190
Citizens Corps	97.053		15,509
Community Emergency Response Teams	97.054		4,250
Total			\$ 1,805,536

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jasper 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.

**Jasper 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 Jasper County:

We have audited the financial statements of Jasper County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 16, 2005. 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 Jasper 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. Prior year statutory comments have been resolved except for item IV-M-04.

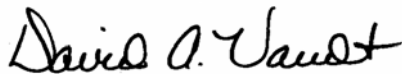
Internal Control Over Financial Reporting

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 16, 2005

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



**Jasper County**



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

To the Officials of Jasper County:

Compliance

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

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

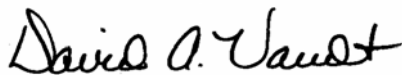
Internal Control Over Compliance

The management of Jasper 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 Jasper 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.

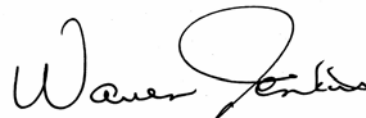
We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Jasper County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item III-A-04 in 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 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. However, of the reportable conditions described above, we do not believe item III-A-04 is a material weakness.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 16, 2005

Jasper 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) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed, which was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 - Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jasper County did not qualify as a low-risk auditee.

Jasper County

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 CONDITIONS:**

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:

County Auditor

1. Journal entries are not reviewed and approved by an independent person.
2. The individual recording capital assets also reconciles the capital asset records.

County Treasurer

1. The person responsible for depositing, reconciling and recording receipts is also the custodian of the change fund.
2. The individuals performing bank reconciliations also sign checks and handle and record cash.
3. Bank reconciliations are not reviewed by an independent person with no responsibility for receipts and disbursements.
4. Checks outstanding for a considerable time are not periodically reviewed for propriety.
5. The person responsible for the detailed record keeping of investments is also the custodian of the investments.
6. Investments are not periodically inspected, confirmed and reconciled to the investment records by an independent person having no responsibility for investments.
7. There is not an independent verification of investment earnings or a reconciliation of earnings to financial records.

Jasper County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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 official 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 Auditor – The County Auditor will review and sign off on journal entries made by financial personnel and will set up a schedule to review all capital assets every six months.

County Treasurer

1. One staff member will continue to review daily deposits, all recording and the change fund and this review will be indicated by an initial.
2. The signing of checks will only take place by these individuals when no other person in authority is available. All reconciliations of the handling and recording of cash are reviewed by another staff member.
3. The person asked to review bank reconciliations last year did not perform the review in a timely manner. The person now accepting the task will be more diligent in the review.
4. Treasurer checks outstanding will be reviewed for propriety in a timely manner.
5. All detailed records and movement of certificate of deposits will be reviewed by another staff member frequently.
6. The person asked to review investments last year did not perform the review in a timely manner. The person now accepting the task will be more diligent in the review.
7. The reconciliation of investment earnings to the financial records will be reviewed by another staff member.

Conclusions –

County Auditor – Response accepted.

County Treasurer – Response acknowledged for item 1. The staff member involved in this review should be independent of the depositing, reconciling and recording of receipts and not be the custodian of the change fund.

Responses accepted for items 2 through 7.

Jasper County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

II-B-04 Electronic Data Processing Systems – The County does not have written policies for:

- Requiring timeout or logoff functions to be utilized when terminals are left unattended.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.

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

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

Responses –

Board of Supervisors – The Board will direct the IT department to develop written policies for timeout, logoff functions and passwords. The County is currently working with the Emergency Management Agency to develop a written disaster recovery plan.

IT Department – Jasper County does have a written computer usage policy in the Employee Handbook. However, the IT department does not have a written policy requiring timeout or logoff functions, a policy requiring periodic password changes or a written disaster recovery plan. The IT department does follow industry and HIPAA (Health Insurance Portability and Accountability Act) standards for data security and integrity, if it has the power to do so as directed by the Board of Supervisors, or as allowed by the Elected Officials of the various County offices.

The IT department will address these written shortfalls by the April 14<sup>th</sup> deadline as set forth in the federal HIPAA law. The IT department has completed an 80-page voluntary self-assessment covering data and equipment security, and recovery, as an essential step towards fulfillment of HIPAA requirements. A copy of this self-assessment was given to the State Auditors. The new written IT policies and disaster recovery plan will be enforced if approved by the Board of Supervisors and the Elected Officials of the County offices.

Conclusion – Responses accepted.

II-C-04 Cancellation of Invoices – Certain invoices and supporting documentation were not marked paid to help prevent duplicate payment.

Recommendation – All invoices and supporting documents should be properly canceled to help prevent duplicate payment.

Response – Accuracy will be stressed in properly canceling all invoices and supporting documents.

Conclusion – Response accepted.

Jasper County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

II-D-04 Untimely Deposits –

County Treasurer – Receipts were not always deposited timely for auto postage received.

County Recorder – Receipts were not always deposited timely.

Recommendation – To safeguard cash and increase funds available for investment, receipts should be deposited intact on a timely basis.

Responses –

County Treasurer – As soon as the State Auditor advised our department of this finding, we immediately started depositing daily the auto postage. As of January 2005, with the redesigned DOT system, daily deposits, with auto postage included, are deposited in the bank. Monthly, a miscellaneous receipt is created for the total postage and entered in the appropriate account reconciling the DOT monthly report.

County Recorder – It is the policy of this office to always deposit all collections in a timely fashion. It is on rare occasion and an exception to the rule when this does not happen. Revenues are not deposited for a day's business until that day has been indexed and that index has been proofed and balanced. This office always strives to bank a working day's business within two workdays.

Conclusion – Responses accepted.

II-E-04 County Sheriff – A check totaling \$9,000 was received by the County Sheriff and endorsed to a vendor without being receipted or disbursed on the County records.

Also, the County Sheriff entered into a food service contract for the purpose of providing meals to the Jasper County jail without prior Board of Supervisors approval. The power to make contracts on behalf of a County rests exclusively with the Board of Supervisors.

Recommendation – All checks received should be recorded as a receipt by the County Treasurer. Collections and subsequent disbursements should be reflected in the County's accounting system and should be included in the County's annual budget and financial report. In addition, the County Sheriff should have all contracts approved by the Board of Supervisors.

Response – In the future, any similar checks received for damaged vehicles will be forwarded to the County Auditor. (The money will go into the General Fund, where it will be inaccessible for replacement of damaged vehicles.)

The contract for the services in question was not signed by the Chairman of the Board of Supervisors. The actual contracting of services was approved by the Board in regular session prior to the drafting of the finished contract. Since that time, all contracted services have been presented to the Board with the contract in hand, and have been signed upon approval.

Conclusion – Response acknowledged. We are unaware of any reason why the money going into the General Fund would be inaccessible for replacement of damaged vehicles. A budget amendment to spend the money may be required.



Jasper County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

II-F-04 Capital Assets – Detailed capital asset records are maintained. However, records are not adjusted timely when capital assets are added or disposed of. An independent person does not test the capital asset listing for existence. Capital assets are not tagged for proper identification. Depreciation calculations are not reviewed for accuracy.

Recommendation – A system to provide written documentation for additions and deletions should be developed. Information should include appropriate details to ensure the assets are properly included or deleted from the capital assets records. An independent person should test capital assets on a periodic basis for existence by observing them and tracing them to the capital asset listing. Capital assets should be tagged for proper identification. Depreciation should be reviewed for accuracy.

Response – The County Auditor’s Office will develop a policy whereby records are adjusted to account for additions and deletions. We will develop a tagging system for the identification and monitoring of the County’s capital assets inventory and test those assets on a regular basis.

Conclusion – Response acknowledged. The testing of capital asset inventory should be performed by someone independent of the capital asset records and depreciation calculations should be reviewed for accuracy.

II-G-04 Compensated Absences Records – Comp time records are kept by various departments and balances are reported to the County Auditor’s office at the end of the year. Also, vacation and sick leave records for Secondary Roads Department employees are kept by the Secondary Roads Department and balances are reported to the County Auditor’s office at year end.

Recommendation – The compensated absences records should be maintained by the County Auditor’s office for all offices and departments. All vacation, sick leave and comp time activity should be included in the centralized payroll records.

Response – All compensated absences records will be maintained by the County Auditor’s office for all departments. All vacation, sick leave and comp time activity will be included in the centralized payroll records.

Conclusion – Response accepted.

II-H-04 Compensated Absences – Certain employees have accumulated unused vacation hours in excess of the maximum hours allowed under the County’s current personnel policy.

Recommendation – The County should comply with its personnel policy and not permit employees to accumulate unused vacation hours in excess of the policy.

Response – The County Auditor’s office will implement procedures to ensure the maximum numbers of hours of unused vacation time do not exceed the personnel policy.

Conclusion – Response accepted.

Jasper County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

II-I-04 Employment Status – In January 2002, the County entered into a “technical services agreement” with an individual who provided services as a voting machine repair technician. The contract does not have a specific termination date, but is cancelable by either party at any time by providing written notice of cancellation. The County considered these services to be that of an independent contractor and issued Form 1099 to this individual for services provided.

In November 2002, this individual was elected to the Jasper County Board of Supervisors and took office in January 2003. The individual was paid wages by Jasper County, as an elected official, and also continued to perform services for the County under the “technical services agreement.” The County continued to issue Form 1099 for the services performed under the service agreement.

The County Attorney has advised that if this individual is not performing services concurrently as both a Jasper County Supervisor and as a voting machine repair technician, then it would be appropriate to issue a 1099 for the technician services. Furthermore, the County Attorney has advised that, in order to prevent the appearance of a conflict of interest, this individual must recuse himself altogether from any participation of any sort as a Jasper County Supervisor when: the Board reviews the existing or future contract involving his services as a voting machine repair technician, the Board reviews any claim for remuneration for services presented by this individual under the service contract or the Board reviews the budget of the Jasper County Auditor/Commissioner of Elections, etc.

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

In addition, the Supervisor should recuse himself, as advised by the County Attorney, from future discussions and actions regarding the services contract, payment of claims related to the contract or any other issues which may result in the appearance of a conflict of interest.

Response – We are in the process of purchasing new voting machines. After we have completed our purchase, we will implement a complete review of our procedures dealing with voting machine set up.

We will submit the proper tax forms to the IRS that apply to the current situation with the Supervisor in question and his service contract.

Conclusion – Response accepted.

Jasper County

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Year ended June 30, 2004

II-J-04 Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a policy to regulate the use of the credit cards.

Recommendation – The County should adopt a written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – The County Auditor’s office will make recommendations to the Board of Supervisors pertaining to a written policy regulating the use of County credit cards.

Conclusion – Response accepted.

II-K-04 Secondary Roads Department – Certain comments affecting the Secondary Roads Department were made during the fiscal year 2002 and 2003 audits. However, the County has not taken corrective action. As a result, the recommendations remain as follows:

- (a) Overtime – Non-union employees should comply with the overtime policies outlined in the Jasper County Human Resources Manual. The County Board of Supervisors should enforce the County’s policy with regard to overtime for non-union employees or document its approval, in advance, for deviations from County policy.

The County should require documentation be maintained which supports the need or purpose for overtime and the supervisor’s or department head’s (County official’s) advance approval of the overtime.

Responses –

Board of Supervisors – The Board realizes that Chapter 309.18 of the Iowa Code allows the Board to give direction to the County Engineer in regards to overtime and the documentation thereof. The Board will require that the Human Resources Director address this situation with the County Engineer to ensure that overtime documentation be maintained. The Board will inform the County Engineer that he must follow the Jasper County Human Resources Manual in regards to non-union employee overtime policies or require that deviations from the County policy must be approved, in advance by the Board of Supervisors.

County Engineer – We have addressed this issue year after year, it has been a long standing practice and we have not been directed to change. As for the documentation that supports the need or purpose for overtime, consult DOT certification requirements. A large portion of the overtime is spent on construction projects. This overtime is determined by the contractor on the job. As an inspector, you carry several certifications and are required to be on the project any time the contractor is working on any and all pay items. If you fail to do this, it can be determined that you are negligent and could be decertified by the Iowa DOT. If this is determined and DOT feels proper procedures were not followed during construction, they can and will refuse to pay for the items in question on any federal job and possibly FM (farm-to-market). There is not an hour of overtime on any time sheet that has not been directed and approved by the County Engineer or Assistant County Engineer.

Jasper County

Schedule of Findings and Questioned Costs

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Conclusions –

Board of Supervisors – Response accepted.

County Engineer – Response acknowledged. The County Engineer should comply with the personnel policies established by the Board of Supervisors for non-union employees.

The County Engineer is subject to the direction of the Board of Supervisors under Chapter 309.18 of the Code of Iowa which says “said engineers shall, in the performance of their duties, work under the directions of said board...”

- (b) Vehicle Usage – The Board of Supervisors should evaluate the cost and benefits derived and determine the necessity and public purpose served by having vehicles assigned to certain individuals within the Secondary Roads Department. In addition, if the Board of Supervisors deems this to be necessary and appropriate, documentation should be maintained to support the number of emergency calls responded to by these individuals to substantiate the necessity and cost of providing this benefit.

Responses –

Board of Supervisors – The Board of Supervisors will evaluate the cost and benefits derived and determine the necessity and the public purpose served by having vehicles assigned to certain individuals within the Secondary Roads Department. The Board will consider eliminating the use of some or all vehicles assigned to certain individuals in the Secondary Roads Department depending on documentation for need provided by the County Engineer.

County Engineer – The value to be associated with having Secondary Roads Department employees who are equipped and able to respond to an emergency situation on short notice is arguably no less than that of a County Sheriff's Deputy who has his/her car at home. During normal weather, these vehicles at home improve our response time by 10-60 minutes depending on the location of the incident. During winter weather, these vehicles improve our response time by as much as 3 hours. Those precious minutes saved when it is necessary to move or give warning for an obstruction in the roadway or to repair a “Stop” sign, could save someone's live.

The equipment housed in these vehicles is essential to our Secondary Roads Department employees being able to properly respond to an inherently dangerous situation without putting themselves at a greater risk. These items include but are not limited to tools, warning flags or signs, lights, county radio and personal protective equipment. It should also be noted that the Iowa DOT maintenance shops and most of the Secondary Roads departments in the state have personnel who are assigned vehicles to respond to emergency call out, to assess road conditions and direct snow removal operations during winter weather. The foreman get up and get out at 3:00 am on mornings when winter weather threatens. Our time sheets document the date and the purpose of the call-out by any hourly employee. Salaried employees have been told by the Human Resources Department not to do a time sheet due to wage and hour concerns. Time sheets do not indicate response time or the location of the issue. GPS would be an excellent tool for tracking the time of the response which could be compared to dispatch records if a liability issue arises. GPS would also give the exact location of any response by a County vehicle.

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The Sheriff's Office, local city police and State Patrol often respond to and arrive at road hazard calls before us to give warning to the traveling public, but they are not equipped to correct or to provide signage for the hazard. It is my understanding that the officer cannot leave the scene of the hazard until the situation is corrected or another responsible party has arrived on scene to deal with the problem. Delays in our response would result in more time spent by our county's law enforcement officers guarding downed trees and holes in the road when they likely have more pressing issues.

We are responsible for obstructions and other problems that arise in our system from the moment we are notified of their existence. If we do not respond to an issue in a reasonable and prudent manner, we can be held liable. I do not believe that the State Auditor is qualified to tell me what a reasonable and prudent response to a highway safety issue would be. Furthermore, I doubt that the State Auditor would stand with the Jasper County Board of Supervisors and the Jasper County Engineer when we are sued. Jasper County did not invent this philosophy nor are we the only department to recognize the value of an expedient response to road related emergencies. Am I to believe that the State Auditor is making similar inquiry of all other state, county and city clients that assign vehicles to be driven home?

As a County Engineer in Iowa, I am charged with the duty of using the resources provided to me in the best interest of Jasper County and for the safety of the entire traveling public. I believe that the current system is the highest and best use of our personnel and equipment in performing this duty. I also believe the cost of a human life to be potentially infinite which makes benefit/cost accounting in this situation nearly meaningless. We have many bridges in the county that have guardrail where it is not required by law and even more intersections with "Stop" signs that do not meet all required warrants for their placement. We paint white edge lines on our paved roads even though it is not required. We widen shoulders and flatten slopes whenever we have the opportunity. All of these items are expensive and law specifically requires none of them. It would be foolish for me to believe that the concern over having pickups assigned to employees to be taken home is anything more than a personal issue when no concern is shown for our other costly, non-mandated safety programs.

Conclusions –

Board of Supervisors – Response accepted.

County Engineer – Response acknowledged. In all audits, the decisions of public officials and employees, and the support for those decisions, are reviewed. When the support for those decisions is not available or is inadequately documented, recommendations are made to obtain and maintain adequate support to justify the decisions. The County Engineer should maintain adequate documentation regarding the necessity and public purpose of assigning vehicles to Department employees. This documentation should be provided to the Board of Supervisors on an annual basis in an effort to help them decide the cost versus benefits of having vehicles assigned to certain Secondary Roads Department personnel.

Jasper County

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- (c) Secondary Roads Department Procurement Activities – The Secondary Roads Department should develop a written policy to ensure consistency with other County policies for the procurement of goods and services, subject to review and approval by the Board of Supervisors. At a minimum, this policy should address the types of items/services required to be competitively bid, the methodology used for awarding contracts and/or selecting vendors and a requirement that bid documentation be maintained to demonstrate compliance with County policy. The policy could require approval by the Board of Supervisors for certain expenditures. In addition, the County should evaluate and prepare documentation to determine the cost efficiency of contracting for services to wash county vehicles and equipment.

Responses –

Board of Supervisors – The Board of Supervisors will request the County Engineer to follow the Iowa Code and devote a written policy to ensure consistency with other County policies for procurement of goods and services subject to the review and approval by the Board of Supervisors.

County Engineer – Purchases of items are covered in the Code of Iowa.

Conclusions –

Board of Supervisors – Response acknowledged. The County should also evaluate and prepare documentation to determine the cost efficiency of contracting for services to wash County vehicles and equipment. If, based on this analysis, the Board agrees to continue with this service then, at a minimum, a written contract should be in place to document an agreed upon price per type of vehicle washed and the Board's approval of the contract.

County Engineer – Response acknowledged. In the absence of an approved procurement policy for the Secondary Roads Department, the Secondary Roads Department should comply with the County's policies for procurement of goods and services.

- (d) Construction Projects – The Secondary Roads Department should maintain copies of the estimates calculated for construction projects. The estimates should identify the materials, quantities, labor, etc. that were considered in the calculation and any labor and/or materials provided by the County for the project should be included in the estimate for determining whether competitive bidding is required.

The County Board of Supervisors should approve all construction contracts and related change orders. In addition, written policies and procedures should be developed for the bidding of construction projects and approval of change orders to ensure consistency for all projects.

Jasper County

Schedule of Findings and Questioned Costs

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Responses –

Board of Supervisors – The Board of Supervisors will instruct the County Engineer to develop written policies and procedures for the bidding of construction projects and approval for change orders pursuant to Iowa Code Sections 309.40 and 309.41 and that documentation be maintained supporting such activities.

County Engineer – The only projects that do not have estimates in the folders are the small county bridges where the County supplies the material and the contractor bids labor and equipment only. Since the materials cannot be bid because the County supplies them, it wouldn't make sense to include them in an estimate you are getting from a contractor.

In all FM, STP, BROS, BRS and any other state or federal projects, the County Engineer is the designated signer for all work orders. This being the case, it has been long time standing practice in Jasper County that all local project work orders be signed also by the County Engineer. The County Engineer is responsible for the engineering on a project and is the only County official qualified to make those engineering decisions.

Conclusions –

Board of Supervisors – Response accepted.

County Engineer – Response acknowledged. All costs should be considered in the estimate when determining whether a project should be bid or not, even if only the labor portion is being let.

To strengthen internal controls and since change orders, in effect, commit additional County dollars to a project, the Board of Supervisors should review and approve all change orders regardless of all the type of construction project (FM, STP, BROS, BRS, etc.) involved.

II-L-04 Bank Reconciliation – Bank reconciliations were not prepared by the County Treasurer or reconciled to the general ledger timely. From August 2004 to February 2005, reconciliations had not been performed.

Recommendation – The bank reconciliations should be prepared and reconciled to the general ledger timely.

Response – It is one bank in question, all other financial institutions that hold County revenues are reconciled in a timely manner. In respect to the dilemma that has fallen on me with my diligence, these reconciliations will be completed.

Conclusion – Response accepted.

II-M-04 Mental Health Payments – Jasper County has a written agreement with Capstone Behavioral Healthcare, Inc. (Capstone) for the period January 1, 2004 to December 31, 2004 for authorized mental health and residential services provided to eligible residents who have legal settlement in Jasper County.

Jasper County

Schedule of Findings and Questioned Costs

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The agreement states Capstone shall bill Jasper County per-diem per-consumer for residential services and per-unit for mental health services at the rates outlined in the agreement.

In addition to the payments for mental health and residential services, Jasper County paid \$100,000 to Capstone during calendar year 2004. The County could not provide a written agreement to support these payments or any other agreement requiring such payments.

Recommendation – The County should not make payments to providers above those required for services by written agreements.

Response – The County Auditor’s office will ask Capstone for an accounting in writing of those expenditures for the period beginning January 1, 2004 to December 31, 2004 amounting to \$100,000 for services to providers above those required by written agreements. A recommendation to require a detailed substantiation of all requests for the funding of services provided by Capstone will be made to the Board of Supervisors.

Conclusion – Response accepted.

II-N-04 Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of County funds used to operate the program until the federal funds are received.

Several instances were noted where federal funds, ranging from approximately \$7,400 to \$148,300, were not drawn in a timely manner.

Recommendation - The County should develop and implement procedures to ensure federal funds are drawn in a timely manner.

Response – The auditors are claiming that all federal funds be requested for reimbursement in a timely manner. The question here is who decides how long or quick is a timely manner. Here at Jasper County, we have usually made the first claim after half of the project has been paid for and then again when 80 to 90 percent of the project has been paid and then a final after the DOT district project audit has been completed. This last year, with all the projects going on, the reimbursements were not as so, however, some counties do not claim reimbursement until the district audit is completed. There is no set time as to when the claims should be made. Normally cash flow is not a problem for our department but, with the borrowing not being done in a timely manner and our budget having to support over \$650,000 of this project, it has made the cash flow tight for our department. In the future, we plan to do as we have been: 1<sup>st</sup> claim when half the project is paid for, 2<sup>nd</sup> claim when 80 percent is complete and 3<sup>rd</sup> after the district audit is complete. If we run into a cash flow problem, we will step up the reimbursement claims as needed.

Conclusion – Sound business practices dictate the County seek reimbursement of funds owed to the County in a timely manner. Also, given the cash flow problems experienced by the Secondary Roads Department in the current year, it would be in the County’s best interest to ensure federal reimbursements are received as soon as possible.



Jasper 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 CONDITION:**

**C DFA Number: 20.205 – Highway Planning and Construction**  
**Pass-through Agency Number: STP-ES-E-C050(63)-8T-50**  
**Federal Award Year: 2004**  
**U.S. Department of Transportation**  
**Passed through the Iowa Department of Transportation**

III-A-04 Lack of Contract Monitoring – The County received a federal grant for a bike trail project and contracted with an engineering firm to oversee the project. As part of the contract, the engineering firm was responsible for determining compliance with certain federal requirements.

The County did not monitor the activities of the engineering firm to determine whether they were complying with federal requirements. A review of the activities of the engineering firm revealed they did not test contractor payrolls for compliance with Davis Bacon requirements.

In addition, the County was responsible for obtaining a stormwater pollution permit for the bike trail project. The County failed to obtain the necessary permit.

Recommendation – The County should develop procedures to ensure federal projects overseen by third parties are monitored for compliance with federal requirements. In addition, the County should take steps to ensure necessary permits are obtained.

Response and Corrective Action Planned – The Board will setup procedures to ensure that federal projects overseen by a third party are monitored for compliance with federal requirements and all necessary permits are obtained.

Conclusion – Response accepted.

Jasper County

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**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. However, disbursements in certain departments exceeded the appropriation.

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

Response – The County Auditor’s office will make the elected officials and department heads aware of Iowa Code section 331.434(6) which gives only the Board of Supervisors the authority, by resolution, to increase or decrease appropriations to an office or a department by decreasing or increasing the appropriations of another office or department as long as the function budget is not increased, but does not allow elected officials or department heads to have disbursements that exceed appropriations.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – No expenditures that 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 – No business transactions between the County and County officials or employees were noted.

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 ensure 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 – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-I-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 subsections (b)(2) and (b)(3).

Jasper County

Schedule of Findings and Questioned Costs

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IV-J-04 Sale of Real Property – During the year ended June 30, 2004, the County sold land to the Animal Rescue League. A public hearing was not held on the proposal to sell this land.

Recommendation – In disposing of an interest in real property, the County should ensure notices are published and public hearings are held on the Board’s proposals as required by Chapter 331.362(2)(a) of the Code of Iowa.

Response – The County Auditor’s office will see that the County complies with Iowa Code Section 331.361(2)(a) to hold a public hearing on the sale of land for all future land transactions.

Conclusion – Response accepted.

IV-K-04 Current Debt – The County transferred funds during the year ended June 30, 2004 from the General Fund to the Capital Projects Fund which were considered an interfund loan. The amount was repaid by the end of the year. A transfer considered an interfund loan should be approved by Board resolution per Chapter 331.477 of the Code of Iowa.

Recommendation – The County should comply with Chapter 331.477 of the Code of Iowa for current debt issuances.

Response – Adjustments to our procedures and forms dealing with transferred funds have been made and we are now in compliance with Iowa Code Section 331.477.

Conclusion – Response accepted.

IV-L-04 Emergency Projects – An emergency project was deemed necessary by the Board of Supervisors and the Board waived the advertisement and bidding process required by Chapter 309.40A of the Code of Iowa.

Chapter 309.40A states the County may contract for an emergency project if all of the following are met: (1) the emergency was caused by an unforeseen event or where immediate action is necessary to prevent further damage or loss; (2) the County solicited written bids from three or more contractors; (3) the necessary work can be done for less than \$100,000 and (4) the County notifies the appropriate Iowa highway contractor’s associations of the proposed work, if possible.

The County could not provide documentation to support that written bids were solicited from three or more contractors. Also, since the project’s cost was \$101,043, it exceeded the \$100,000 limit to be considered an emergency project.

Recommendation – The County should comply with Code of Iowa Chapter 309.40A when a project is deemed an emergency by Secondary Roads.

Response – The Board made procedural errors in the PWA 476 Daisy Ave. bridge project which was deemed an emergency project. The Board will take care to comply in the future with Iowa Code Section 309.40A when a project is deemed an emergency by Secondary Roads.

Conclusion – Response accepted.

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IV-M-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.

However, the following items were noted:

- (a) Certain invoices and supporting documentation were not marked paid to help prevent duplicate payment.
- (b) Bank reconciliations were reportedly reviewed. However, the reviews were not evidenced by the initials of the reviewer.
- (c) One individual opens the mail, collects funds, prepares the deposit and is responsible for the change fund.

Recommendation –

- (a) All invoices and supporting documents should be properly cancelled to help prevent duplicate payments.
- (b) Bank reconciliations should be reviewed each month and evidenced by the initials of the reviewer.
- (c) Duties should be segregated to ensure the individual opening the mail and collecting funds does not prepare the deposit.

Response –

- (a) This procedure has been implemented.
- (b) As of January 2005, a motion to approve the bank reconciliation is noted in the monthly minutes.
- (c) With a small staff, this is difficult. We will do the best we can to separate those duties.

Conclusion – Response accepted.

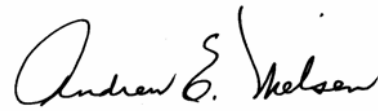
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Jasper County

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager  
Pamela L. Brandenburg, Senior Auditor  
Timothy D. Houlette, CPA, Senior Auditor  
Heather Templeton, Staff Auditor  
Andrea Pothast, Assistant Auditor  
Jennifer Edgar, Assistant Auditor  
Cheryl McNaught, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State