



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE March 2, 2005

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

The County had local tax revenue of \$22,381,922 for the year ended June 30, 2004, which included \$1,060,740 in tax credits from the state. The County forwarded \$16,969,373 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,412,549 of the local tax revenue to finance County operations, a 2 percent increase from the prior year. Other revenues included charges for service of \$1,851,385, operating grants and contributions of \$4,199,073, capital grants and contributions of \$3,514,720, local option sales tax of \$262,439, unrestricted investment earnings of \$94,083 and other general revenues of \$224,649.

Expenses for County operations totaled \$13,240,243, a 6 percent increase from the prior year. Expenses included \$4,630,581 for roads and transportation, \$2,334,691 for mental health and \$2,030,347 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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CARROLL COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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Carroll County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Del McDermott	Board of Supervisors	Jan 2005
Eugene Meiners	Board of Supervisors	Jan 2005
Neil I. Trobak	Board of Supervisors	Jan 2005
Neil Bock	Board of Supervisors	Jan 2007
Marty Danzer	Board of Supervisors	Jan 2007
Paul S. Fricke	County Auditor	Jan 2005
Peggy Weitzl	County Treasurer	Jan 2007
Marilyn Dopheide	County Recorder	Jan 2007
Douglas R. Bass	County Sheriff	Jan 2005
John Werden	County Attorney	Jan 2007
Diane S. Janning	County Assessor	Jan 2010

Carroll County



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Independent Auditor's Report

To the Officials of Carroll County:

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

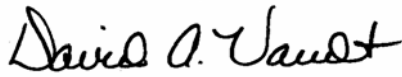
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require 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 Carroll County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

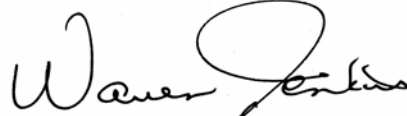
In accordance with Government Auditing Standards, we have also issued our report dated December 2, 2004 on our consideration of Carroll County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Carroll County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 2, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll 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 increased 14%, or approximately \$1,872,000 from fiscal 2003 to fiscal 2004. Property tax increased approximately \$149,000 and capital grants and contributions increased approximately \$1,510,000.
- Program expenses increased 6%, or approximately \$740,000, in fiscal 2004 from fiscal 2003. Roads and transportation expense increased approximately \$505,000.
- The County's net assets increased 9%, or approximately \$2,319,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Carroll 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 Carroll 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 Carroll 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.

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 three 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, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general 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) Proprietary funds account for the County's Internal Service, Employee Group Health Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Carroll County's combined net assets increased from a year ago, from \$25.7 million to \$28.0 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2004	2003
Current and other assets	\$ 10,319,621	11,558,771
Capital assets	23,938,887	20,521,761
Total assets	34,258,508	32,080,532
Long-term debt	494,831	564,617
Other liabilities	5,734,249	5,805,142
Total liabilities	6,229,080	6,369,759
Net assets:		
Invested in capital assets, net of related debt	23,633,348	20,154,696
Restricted	2,800,522	3,130,123
Unrestricted	1,595,558	2,425,954
Total net assets	\$ 28,029,428	25,710,773

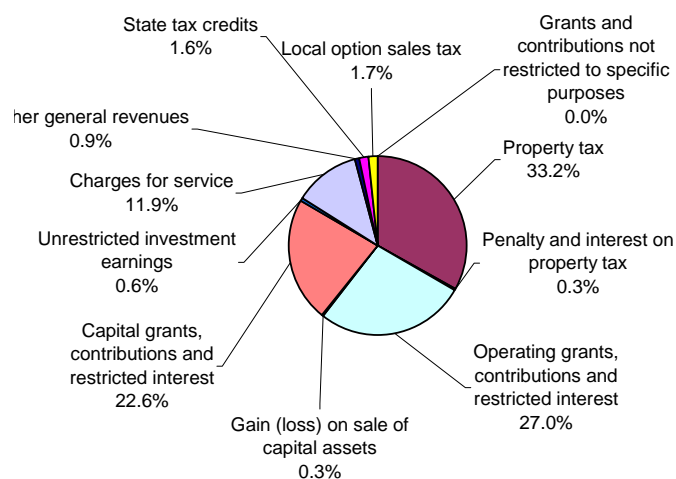
Net assets of Carroll County's governmental activities increased by 9% (from \$25.7 million to \$28.0 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$2,426,000 at June 30, 2003 to approximately \$1,596,000 at the end of this year, a decrease of 34.2%.

This reduction of approximately \$830,000 in unrestricted net assets was a result of increased expenditures for equipment and the Conservation Education Center.

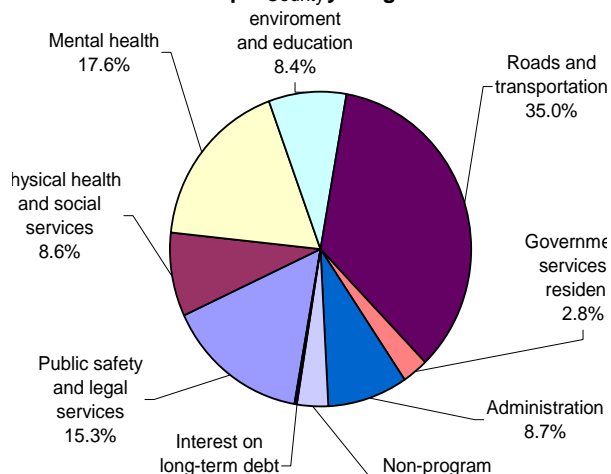
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2004	2003
Revenues:		
Program revenues:		
Charges for service	\$ 1,851,385	1,792,830
Operating grants and contributions	4,199,073	4,209,969
Capital grants and contributions	3,514,720	2,004,779
General revenues:		
Property tax	5,163,704	5,015,069
Penalty and interest on property tax	42,797	-
State tax credits	248,845	278,414
Local option sales tax	262,439	-
Grants and contributions not restricted to specific purposes	500	229,935
Unrestricted investment earnings	94,083	126,388
Gain (loss) on sale of capital assets	46,226	(39,103)
Other general revenues	135,126	68,870
Total revenues	15,558,898	13,687,151
Program expenses:		
Public safety and legal services	2,030,347	1,993,058
Physical health and social services	1,141,563	1,096,521
Mental health	2,334,691	2,521,772
County environment and education	1,109,959	866,532
Roads and transportation	4,630,581	4,125,728
Governmental services to residents	370,911	358,980
Administration	1,158,027	1,061,539
Non-program	425,747	468,524
Interest on long-term debt	38,417	7,786
Total expenses	13,240,243	12,500,440
Increase in net assets	2,318,655	1,186,711
Net assets beginning of year, as restated	25,710,773	24,524,062
Net assets end of year	\$ 28,029,428	25,710,773

Revenues



Expenses by Program



Carroll County's net assets of governmental activities increased by approximately \$2,319,000 during the year. Revenues for governmental activities increased by approximately \$1,872,000 over the prior year, with property tax revenue up from the prior year by approximately \$149,000, or 3 percent.

The County increased property tax rates for 2004 by an average of 3 percent. This increase raised the County's property tax revenue by approximately \$149,000 in 2004. Based on decreases in the total assessed valuation, property tax revenue is budgeted to decrease by \$22,000 next year.

The cost of all governmental activities this year was \$13.2 million compared to \$12.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$3.7 million because some of the cost was paid by those directly benefited from the programs (\$1,851,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,714,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from approximately \$8,008,000 to \$9,565,000, principally due to receiving donations and contributions to build the Conservation Education Center. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5,426,000 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 Carroll County completed the year, its governmental funds reported a combined fund balance of \$4.3 million, a decrease of \$940,000 below last year's total of \$5.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$464,000 from prior year primarily due to an increase in property tax revenue. Expenditures increased \$695,000 from the prior year primarily due to an increase in expenditures for the Conservation Education Center. The ending fund balance showed a decrease of \$444,000 from the prior year to \$1,056,853.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,323,000, a decrease of 8% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$240,000 from the prior year.
- There were no significant changes in revenues, expenditures, and the fund balance of the Rural Services Fund.
- Secondary Roads Fund expenditures increased by approximately \$855,000 over the prior year, due principally to an increase in County road projects. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$419,000, or 16%.
- During the year ended June 30, 2004, the County issued \$200,000 of general obligation notes to pay off an existing loan held with the Iowa Natural Heritage Foundation. The proceeds from the issue were placed in the General Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Carroll County amended its budget 3 times. The first amendment was made in September 2003 and resulted in an increase in budgeted expenditures of \$505,825 related to Conservation Education Center and equipment expenditures. The second amendment was made in December 2003. This amendment was made to increase expenditures by \$344,734 for the Conservation Education Center, grants and election expenses. The third amendment was made in May 2004. This amendment increased disbursements related to the County's energy audit, grants and jail meals by \$235,320.

With these amendments, the County did not exceed the budgeted amounts for the year ended June 30, 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Carroll County had approximately \$23.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease of approximately \$3,417,000, or 16.7 percent from last year. The primary reason for the decrease is the County increased the reportable capital assets thresholds from \$5,000 to \$25,000 for land buildings and improvements and \$5,000 to \$50,000 for infrastructure. The effect of this change was to decrease reported capital assets by \$3,021,032 at July 1, 2003, as explained in Note 13 to the financial statements.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2004	2003
Land	\$ 1,106,131	744,373
Construction in progress	2,532,949	542,186
Buildings and improvements	2,889,987	2,890,219
Equipment and vehicles	2,706,676	2,407,532
Infrastructure	14,703,144	13,937,451
Total	\$ 23,938,887	20,521,761

The County had depreciation expense of \$1,262,741 in FY04 and total accumulated depreciation of \$16,206,681 at June 30, 2004.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2004, Carroll County had approximately \$495,000 in general obligation notes and other debt outstanding compared to approximately \$565,000 at June 30, 2003, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2004	2003
General obligation notes	\$ 305,539	165,000
Iowa Natural Heritage Foundation Loan	-	202,065
Compensated absences	189,292	197,552
Total	\$ 494,831	564,617

The Iowa Natural Heritage Loan was paid off by issuing general obligation notes.

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. Carroll County's outstanding general obligation debt is significantly below its constitutional debt limit of \$41 million. Other obligations include accrued vacation pay. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Carroll County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.5 percent versus 2.3 percent a year ago. This compares with the State's unemployment rate of 4.7 percent and the national rate of 5.4 percent.

Tax revenues in fiscal year 2004 benefited after January 1, 2004 with the passage of a local option sales tax. Fifty percent went to reduce property tax in rural areas. The Board opted to reduce all property tax by appropriating \$100,000 to reduce the general supplemental tax levy in fiscal year 2005. The estimated local option sales tax revenue for fiscal year 2005 is \$640,000.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$12.5 million, a decrease of nine percent from the final 2004 budget. 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 decrease modestly 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 Carroll 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 Carroll County Auditor's Office, 114 E. 6th, Carroll Iowa, 51401.

Carroll County

Basic Financial Statements

Exhibit A

Carroll County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,013,793
Receivables:	
Property tax:	
Delinquent	7,213
Succeeding year	5,080,000
Interest and penalty on property tax	43,556
Accounts (net of allowance for doubtful accounts of \$69,988)	240,415
Accrued interest	7,566
Due from other governments	322,889
Inventories	512,874
Prepaid insurance	91,315
Capital assets (net of accumulated depreciation)	<u>23,938,887</u>
Total assets	<u>34,258,508</u>
Liabilities	
Accounts payable	391,418
Accrued interest payable	608
Salaries and benefits payable	21,868
Due to other governments	240,355
Deferred revenue:	
Succeeding year property tax	5,080,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	33,000
Compensated absences	135,457
Portion due or payable after one year:	
General obligation notes	272,539
Compensated absences	<u>53,835</u>
Total liabilities	<u>6,229,080</u>
Net Assets	
Invested in capital assets, net of related debt	23,633,348
Restricted for:	
Mental health purposes	344,813
Secondary roads purposes	2,102,738
Other purposes	352,971
Unrestricted	<u>1,595,558</u>
Total net assets	<u><u>\$ 28,029,428</u></u>

See notes to financial statements.

Carroll 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 and Contributions	Capital Grants and Contributions	
Functions / Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,030,347	700,778	92,395	-	(1,237,174)
Physical health and social services	1,141,563	221,932	407,479	-	(512,152)
Mental health	2,334,691	-	912,464	-	(1,422,227)
County environment and education	1,109,959	92,983	329,598	1,058,294	370,916
Roads and transportation	4,630,581	255,334	2,457,137	2,456,426	538,316
Governmental services to residents	370,911	317,404	-	-	(53,507)
Administration	1,158,027	80,120	-	-	(1,077,907)
Non-program	425,747	182,834	-	-	(242,913)
Interest on long-term debt	38,417	-	-	-	(38,417)
Total	\$ 13,240,243	1,851,385	4,199,073	3,514,720	(3,675,065)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,124,501
Debt service					39,203
Penalty and interest on property tax					42,797
State tax credits					248,845
Local option sales tax					262,439
Grants and contributions not restricted to specific purpose					500
Unrestricted investment earnings					94,083
Gain on sale of capital assets					46,226
Miscellaneous					135,126
Total general revenues					5,993,720
Change in net assets					2,318,655
Net assets beginning of year, as restated					25,710,773
Net assets end of year					\$ 28,029,428

See notes to financial statements.

Carroll County
Balance Sheet
Governmental Funds

June 30, 2004

		Special Revenue	
		Mental Health	Rural Services
	General		
Assets			
Cash and pooled investments	\$ 894,142	573,909	371,295
Receivables:			
Property tax:			
Delinquent	4,564	2,383	203
Succeeding year	2,660,000	1,389,000	996,000
Interest and penalty on property tax	43,556	-	-
Accounts (net of allowance for doubtful accounts \$69,988)	228,143	-	-
Accrued interest	7,566	-	-
Due from other funds	-	-	-
Due from other governments	81,745	-	29,336
Inventories	-	-	-
Prepaid insurance	91,315	-	-
Total assets	\$ 4,011,031	1,965,292	1,396,834
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 77,471	50,385	99
Salaries and benefits payable	21,868	-	-
Due to other funds	4,361	78	-
Due to other governments	66,658	170,597	-
Deferred revenue:			
Succeeding year property tax	2,660,000	1,389,000	996,000
Other	123,820	2,383	203
Total liabilities	2,954,178	1,612,443	996,302
Fund balances:			
Reserved for:			
Inventories	-	-	-
Prepaid insurance	91,315	-	-
Debt service	-	-	-
Conservation Education Center	275,000	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Unreserved, reported in:			
General fund	690,538	-	-
Special revenue funds	-	352,849	400,532
Capital projects fund	-	-	-
Total fund balances	1,056,853	352,849	400,532
Total liabilities and fund balances	\$ 4,011,031	1,965,292	1,396,834

See notes to financial statements.

Secondary Roads	Other Nonmajor Governmental	Total
1,584,918	335,484	3,759,748
-	63	7,213
-	35,000	5,080,000
-	-	43,556
8,252	4,020	240,415
-	-	7,566
4,439	-	4,439
197,140	14,668	322,889
512,874	-	512,874
-	-	91,315
2,307,623	389,235	10,070,015

123,853	656	252,464
-	-	21,868
-	-	4,439
3,100	-	240,355
-	35,000	5,080,000
-	63	126,469
126,953	35,719	5,725,595

512,874	-	512,874
-	-	91,315
-	2,787	2,787
-	-	275,000
-	104,502	104,502
-	-	690,538
1,667,796	132,416	2,553,593
-	113,811	113,811
2,180,670	353,516	4,344,420
2,307,623	389,235	10,070,015

Carroll County

Carroll County

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

June 30, 2004

Total governmental fund balances (page 19) \$ 4,344,420

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$40,145,568 and the accumulated depreciation is \$16,206,681 23,938,887

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 126,469

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 115,091

Long-term liabilities, including 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. (495,439)

Net assets of governmental activities (page 16) \$ 28,029,428

See notes to financial statements.

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

Year ended June 30, 2004

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,822,521	1,114,054	1,350,212
Interest and penalty on property tax	45,758	-	-
Intergovernmental	1,036,946	968,222	54,319
Licenses and permits	66,479	-	-
Charges for service	1,270,638	-	-
Use of money and property	182,866	-	-
Miscellaneous	92,819	333	-
Total revenues	5,518,027	2,082,609	1,404,531
Expenditures:			
Operating:			
Public safety and legal services	1,991,577	-	-
Physical health and social services	1,136,692	-	-
Mental health	-	2,323,078	-
County environment and education	1,167,908	-	119,152
Roads and transportation	-	-	14,000
Governmental services to residents	349,000	-	-
Administration	1,081,846	-	-
Non-program	308,186	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	6,035,209	2,323,078	133,152
Excess (deficiency) of revenues over (under) expenditures	(517,182)	(240,469)	1,271,379
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(126,750)	-	(1,207,750)
General obligation notes issued	200,000	-	-
Total other financing sources (uses)	73,250	-	(1,207,750)
Net change in fund balances	(443,932)	(240,469)	63,629
Fund balances beginning of year	1,500,785	593,318	336,903
Fund balances end of year	\$ 1,056,853	352,849	400,532

See notes to financial statements.

Revenue	Other	
Secondary	Nonmajor	
Roads	Governmental	Total
-	104,750	5,391,537
-	-	45,758
2,559,039	13,927	4,632,453
410	-	66,889
-	27,850	1,298,488
400	1,524	184,790
205,460	1,184,568	1,483,180
2,765,309	1,332,619	13,103,095
-	-	1,991,577
-	-	1,136,692
-	-	2,323,078
-	27,176	1,314,236
3,932,971	-	3,946,971
-	-	349,000
-	-	1,081,846
-	43,495	351,681
-	37,744	37,744
570,342	1,148,715	1,719,057
4,503,313	1,257,130	14,251,882
(1,738,004)	75,489	(1,148,787)
9,000	-	9,000
1,310,000	24,500	1,334,500
-	-	(1,334,500)
-	-	200,000
1,319,000	24,500	209,000
(419,004)	99,989	(939,787)
2,599,674	253,527	5,284,207
2,180,670	353,516	4,344,420

Carroll 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) \$ (939,787)

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

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

Expenditures for capital assets	\$ 2,194,292	
Capital assets contributed by other governments	2,448,349	
Depreciation expense	<u>(1,262,741)</u>	3,379,900

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.		37,226
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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	(5,228)	
Other	<u>(100,316)</u>	(105,544)

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 repayments exceeded issuances as follows:

Issued	(200,000)	
Repaid	<u>261,526</u>	61,526

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	8,260	
Interest on long-term debt	<u>(608)</u>	7,652

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

(122,318)

Change in net assets of governmental activities (page 17)		<u><u>\$ 2,318,655</u></u>
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See notes to financial statements.

Carroll County
Statement of Net Assets
Proprietary Fund

June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 254,045
Liabilities	
Accounts payable	<u>138,954</u>
Net Assets	
Unrestricted	<u><u>\$ 115,091</u></u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2004

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 837,803
Reimbursements from employees		<u>25,235</u>
Total operating revenues		863,038
Operating expenses:		
Medical claims	\$ 787,161	
Administrative fees	<u>200,231</u>	<u>987,392</u>
Operating loss		(124,354)
Non-operating revenues:		
Interest income		<u>2,036</u>
Net loss		(122,318)
Net assets beginning of year		<u>237,409</u>
Net assets end of year		<u><u>\$ 115,091</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 837,803
Cash received from employees and others	25,235
Cash paid to suppliers for services	<u>(964,202)</u>
Net cash used by operating activities	(101,164)
Cash flows from investing activities:	
Interest on investments	<u>2,036</u>
Net decrease in cash and cash equivalents	(99,128)
Cash and cash equivalents beginning of year	<u>353,173</u>
Cash and cash equivalents end of year	<u><u>\$ 254,045</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (124,354)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	<u>23,190</u>
Net cash used by operating activities	<u><u>\$ (101,164)</u></u>

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 906,680
Other County officials	4,575
Receivables:	
Property tax:	
Delinquent	36,231
Succeeding year	16,171,000
Accounts	28,144
Accrued interest	781
Total assets	<u>17,147,411</u>

Liabilities

Accounts payable	3,453
Due to other governments	17,137,621
Trusts payable	4,569
Compensated absences	1,768
Total liabilities	<u>17,147,411</u>

Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Carroll County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Carroll 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 Carroll County Auditor's Office.

The Carroll County Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Carroll County Conservation Board. These donations were expended to finance the Sauk Rail Trail, the Conservation Education Center and the Four Corner Park and were not included in the County's budget. The financial transactions of this component unit have been reported in the Special Revenue and Capital Projects Funds.

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: Carroll County Assessor's Conference Board, Carroll County Emergency Management Commission and 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.

In addition, the County Board of Supervisors are members of or appoint representatives to: West Central Iowa Sheltered Workshop (WESCO), Carroll Area Solid Waste Management Commission, Region XII Council of Governments, Youth Emergency Services (Y.E.S.), SYNERGY and Resource, Conservation, and Development.

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 roads construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the

current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

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

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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	30 - 50
Building improvements	30 - 50
Infrastructure	15 - 65
Equipment	2 - 40
Vehicles	4 - 10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or equally 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 did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase appropriations to several departments, the amendment changes were made after disbursements had exceeded the appropriations.

(2) Cash and Pooled Investments

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

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

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$235,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 4,361
	Special Revenue:	
	Mental Health	78
Total		<u>\$ 4,439</u>

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 102,250
	Special Revenue: Rural Services	1,207,750
Capital Projects	General	24,500
Total		<u>\$ 1,334,500</u>

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

(5) Capital Assets

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

	Balance Beginning of Year (as restated, note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 744,373	361,758	-	1,106,131
Construction in progress	542,186	3,573,166	(1,582,403)	2,532,949
Total capital assets not being depreciated	<u>1,286,559</u>	<u>3,934,924</u>	<u>(1,582,403)</u>	<u>3,639,080</u>
Capital assets being depreciated:				
Buildings	4,131,000	87,755	-	4,218,755
Equipment and vehicles	5,507,128	663,282	(203,426)	5,966,984
Infrastructure, road network	24,738,346	1,531,907	-	26,270,253
Infrastructure, other	-	50,496	-	50,496
Total capital assets being depreciated	<u>34,376,474</u>	<u>2,333,440</u>	<u>(203,426)</u>	<u>36,506,488</u>
Less accumulated depreciation for:				
Buildings	1,240,781	87,987	-	1,328,768
Equipment and vehicles	3,099,596	358,044	(197,332)	3,260,308
Infrastructure, road network	10,800,895	814,690	-	11,615,585
Infrastructure, other	-	2,020	-	2,020
Total accumulated depreciation	<u>15,141,272</u>	<u>1,262,741</u>	<u>(197,332)</u>	<u>16,206,681</u>
Total capital assets being depreciated, net	<u>19,235,202</u>	<u>1,070,699</u>	<u>(6,094)</u>	<u>20,299,807</u>
Governmental activities capital assets, net	<u>\$ 20,521,761</u>	<u>5,005,623</u>	<u>(1,588,497)</u>	<u>23,938,887</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 65,415
Physical health and social services	1,450
County environment and education	21,366
Roads and transportation	1,111,748
Governmental services to residents	13,804
Administration	48,958
	<u>48,958</u>
Total depreciation expense - governmental activities	<u>\$ 1,262,741</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 66,658
Special Revenue:		
Mental Health	Services	170,597
Secondary Roads	Services	3,100
		<u>173,697</u>
Total for governmental funds		<u>\$ 240,355</u>
Agency:		
County Assessor	Collections	\$ 308,260
Schools		9,307,157
Community Colleges		412,608
Corporations		6,075,956
Townships		196,108
Auto License and Use Tax		510,460
E911 Service Commission		173,290
All other		153,782
Total for agency funds		<u>\$ 17,137,621</u>

(7) Changes in Long-Term Liabilities

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

	General Obligation Notes	Iowa Natural Heritage Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 165,000	202,065	197,552	564,617
Increases	200,000	-	190,357	390,357
Decreases	59,461	202,065	198,617	460,143
Balance end of year	<u>\$ 305,539</u>	<u>-</u>	<u>189,292</u>	<u>494,831</u>
Due within one year	<u>\$ 33,000</u>	<u>-</u>	<u>135,457</u>	<u>168,457</u>

Notes Payable

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

Year Ending June 30,	General Obligation Notes								Total of all Issues		
	April 14, 2003				August 18, 2003						
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	Principal	Interest	Total
2005	2.74%	\$ 33,000	3,617	36,617	3.62%	\$ -	-	-	\$ 33,000	3,617	36,617
2006	2.74	33,000	2,712	35,712	3.62	26,486	6,283	32,769	59,486	8,995	68,481
2007	2.74	33,000	1,808	34,808	3.62	27,445	5,323	32,768	60,445	7,131	67,576
2008	2.74	33,000	907	33,907	3.62	28,438	4,330	32,768	61,438	5,237	66,675
2009		-	-	-	3.62	29,468	3,300	32,768	29,468	3,300	32,768
2010		-	-	-	3.62	30,535	2,234	32,769	30,535	2,234	32,769
2011		-	-	-	3.62	31,167	1,128	32,295	31,167	1,128	32,295
Total		\$ 132,000	9,044	141,044		\$ 173,539	22,598	196,137	\$ 305,539	31,642	337,181

During the year ended June 30, 2004, the County issued \$200,000 in general obligation notes and retired \$59,461 of notes.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. 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 \$228,178, \$223,998 and \$212,288, respectively, equal to the required contributions for each year.

(9) Risk Management

Carroll 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 \$101,108.

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

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

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

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

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Internal Service Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Internal Service Fund. The County's contribution for the year ended June 30, 2004 was \$837,803.

Amounts payable from the Internal Service Fund at June 30, 2004 total \$138,954, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$115,091 at June 30, 2004 and is reported as a designation of the Internal Service Fund Net Assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 115,764
Incurred claims (including claims incurred but not reported at June 30, 2004)	787,161
Payment on claims during the fiscal year	<u>763,971</u>
Unpaid claims end of year	<u><u>\$ 138,954</u></u>

(11) County Care Facility

On July 1, 1990, the management and operation of the Carroll County Care Facility was assumed by Mallard View, Inc. The agreement requires the operator to make monthly rental payments to the County and for the County to pay the operator for services rendered. This agreement was renewed for the period commencing on July 1, 2001 and ending on June 30, 2004.

(12) Hospital Revenue Bonds

On September 29, 2003, the County issued \$10,000,000 of Hospital Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of Saint Anthony Regional Hospital to renovate the existing third floor and other areas of the hospital and to construct and equip and addition. The bonds are not a general obligation of the County, but are payable solely from the net revenues of Saint Anthony Regional Hospital. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of bonds.

(13) Restatement

Governmental activities net assets has been restated as follows:

Net assets June 30, 2003, as previously reported	\$ 28,731,805
Adjustment to decrease capital assets because the County increased the reportable capital asset thresholds from \$5,000 to \$25,000 for land, buildings and improvements and \$5,000 to \$50,000 for infrastructure.	<u>(3,021,032)</u>
Net assets July 1, 2003, as restated	<u><u>\$ 25,710,773</u></u>

(14) Subsequent Events

On July 29, 2004, the County issued \$1,247,141 of Revenue Bonds in accordance with Chapter 419 of the Code of Iowa on behalf of the Manning Heritage Foundation to construct a convention center, hotel and restaurant. The bonds are not a general obligation of the County, but are payable solely from the net revenues of the Manning Heritage Foundation. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of bonds.

In July, 2004, fire destroyed a Secondary Roads shed. The damage to buildings and equipment was approximately \$335,000. The damage was covered by the County's insurance policy and the County has received partial payment for damages and continues to receive payment for damages as equipment is replaced.

Carroll County

Required Supplementary Information

Carroll 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
Receipts:			
Property and other county tax	\$ 5,332,899	-	5,332,899
Interest and penalty on property tax	45,790	-	45,790
Intergovernmental	4,851,196	-	4,851,196
Licenses and permits	63,589	-	63,589
Charges for service	1,317,635	-	1,317,635
Use of money and property	190,666	683	189,983
Miscellaneous	1,488,798	1,177,163	311,635
Total receipts	13,290,573	1,177,846	12,112,727
Disbursements:			
Public safety and legal services	1,993,257	-	1,993,257
Physical health and social services	1,142,335	-	1,142,335
Mental health	2,361,491	-	2,361,491
County environment and education	2,369,103	1,077,446	1,291,657
Roads and transportation	3,417,110	-	3,417,110
Governmental services to residents	349,143	-	349,143
Administration	1,078,872	-	1,078,872
Non-program	467,543	44,752	422,791
Debt service	37,745	-	37,745
Capital projects	624,130	-	624,130
Total disbursements	13,840,729	1,122,198	12,718,531
Excess (deficiency) of receipts over (under) disbursements	(550,156)	55,648	(605,804)
Other financing sources, net	209,000	-	209,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(341,156)	55,648	(396,804)
Balance beginning of year	4,100,904	136,455	3,964,449
Balance end of year	\$ 3,759,748	192,103	3,567,645

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
5,151,961	5,151,961	180,938
5,350	5,350	40,440
4,575,968	4,744,968	106,228
67,925	67,925	(4,336)
1,208,300	1,297,300	20,335
267,349	267,349	(77,366)
199,000	816,620	(504,985)
11,475,853	12,351,473	(238,746)
2,074,897	2,101,397	108,140
1,229,376	1,273,096	130,761
2,718,822	2,718,822	357,331
884,722	1,308,156	16,499
3,500,200	3,621,200	204,090
354,491	360,591	11,448
1,104,375	1,121,675	42,803
120,000	500,000	77,209
162,060	162,060	124,315
760,600	828,425	204,295
12,909,543	13,995,422	1,276,891
(1,433,690)	(1,643,949)	1,038,145
-	-	209,000
(1,433,690)	(1,643,949)	1,247,145
3,508,270	3,508,270	456,179
2,074,580	1,864,321	1,703,324

Carroll 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	\$ 13,290,573	(187,478)	13,103,095
Expenditures	13,840,729	411,153	14,251,882
Net	(550,156)	(598,631)	(1,148,787)
Other financing sources, net	209,000	-	209,000
Beginning fund balances	4,100,904	1,183,303	5,284,207
Ending fund balances	<u>\$ 3,759,748</u>	<u>584,672</u>	<u>4,344,420</u>

See accompanying independent auditor's report.

Carroll 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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,085,879. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase appropriations to several departments, the amendment changes were made after disbursements had exceeded the appropriations.

Carroll County

Other Supplementary Information

Carroll County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

			Special Revenue
	Resource Enhance- ment and Protection	County Recorder's Record Management	County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments:			
County Treasurer	\$ 12,025	10,709	22,736
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Due from other governments	-	-	-
Total assets	\$ 12,025	10,709	22,736
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred revenue			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved for:			
Drainage warrants/drainage improvement certificates	-	-	-
Debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	12,025	10,709	22,736
Capital projects fund	-	-	-
Total fund equity	12,025	10,709	22,736
Total liabilities and fund equity	\$ 12,025	10,709	22,736

See accompanying independent auditor's report.

Drainage Districts	Conservation Foundation	Debt Service	Capital Projects	Total
105,158	-	2,787	95,123	248,538
-	86,946	-	-	86,946
-	-	63	-	63
-	-	35,000	-	35,000
-	-	-	4,020	4,020
-	-	-	14,668	14,668
105,158	86,946	37,850	113,811	389,235
656	-	-	-	656
-	-	35,000	-	35,000
-	-	63	-	63
656	-	35,063	-	35,719
104,502	-	-	-	104,502
-	-	2,787	-	2,787
-	86,946	-	-	132,416
-	-	-	113,811	113,811
104,502	86,946	2,787	113,811	353,516
105,158	86,946	37,850	113,811	389,235

Carroll County

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

Year ended June 30, 2004

			Special Revenue
	Resource	County	County
	Enhance- ment and Protection	Recorder's Record Management	Recorder's Electronic Transaction Fee
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	11,577	-	-
Charges for service	-	5,125	22,725
Use of money and property	18	39	11
Miscellaneous	-	-	-
Total revenues	11,595	5,164	22,736
Expenditures:			
Operating:			
County environment and education	9,600	-	-
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	9,600	-	-
Excess (deficiency) of revenues over (under) expenditures	1,995	5,164	22,736
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,995	5,164	22,736
Fund balances beginning of year	10,030	5,545	-
Fund balances end of year	\$ 12,025	10,709	22,736

See accompanying independent auditor's report.

Drainage Districts	Conservation Foundation	Debt Service	Capital Projects	Total
-	-	39,140	65,610	104,750
-	-	1,391	959	13,927
-	-	-	-	27,850
-	1,456	-	-	1,524
118,097	1,058,294	-	8,177	1,184,568
118,097	1,059,750	40,531	74,746	1,332,619
-	17,576	-	-	27,176
43,495	-	-	-	43,495
-	-	37,744	-	37,744
-	1,063,587	-	85,128	1,148,715
43,495	1,081,163	37,744	85,128	1,257,130
74,602	(21,413)	2,787	(10,382)	75,489
-	-	-	24,500	24,500
74,602	(21,413)	2,787	14,118	99,989
29,900	108,359	-	99,693	253,527
104,502	86,946	2,787	113,811	353,516

Carroll County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	907	82,764	81,805	3,898
Other County officials	4,575	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	194	390	16,352	710
Succeeding year	-	113,000	227,000	9,209,000	408,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Total assets	\$ 4,575	114,101	310,154	9,307,157	412,608
Liabilities					
Accounts payable	\$ -	-	126	-	-
Due to other governments	6	114,101	308,260	9,307,157	412,608
Trusts payable	4,569	-	-	-	-
Compensated absences	-	-	1,768	-	-
Total liabilities	\$ 4,575	114,101	310,154	9,307,157	412,608

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Service Commission	Other	Total
40,430	2,053	510,460	147,692	36,671	906,680
-	-	-	-	-	4,575
18,526	55	-	-	4	36,231
6,017,000	194,000	-	-	3,000	16,171,000
-	-	-	28,144	-	28,144
-	-	-	781	-	781
6,075,956	196,108	510,460	176,617	39,675	17,147,411
-	-	-	3,327	-	3,453
6,075,956	196,108	510,460	173,290	39,675	17,137,621
-	-	-	-	-	4,569
-	-	-	-	-	1,768
6,075,956	196,108	510,460	176,617	39,675	17,147,411

Carroll 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
Assets and Liabilities				
Balances beginning of year	\$ 6,161	107,157	307,760	9,841,011
Additions:				
Property and other county tax	-	113,436	227,792	9,220,807
E911 surcharge	-	-	-	-
State tax credits	-	5,330	10,906	483,698
Office fees and collections	371,640	-	-	-
Electronic transaction fee	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	252,619	-	-	-
Miscellaneous	-	-	267	-
Total additions	624,259	118,766	238,965	9,704,505
Deductions:				
Agency remittances:				
To other funds	323,790	-	-	-
To other governments	152,460	111,822	236,571	10,238,359
Trusts paid out	149,595	-	-	-
Total deductions	625,845	111,822	236,571	10,238,359
Balances end of year	\$ 4,575	114,101	310,154	9,307,157

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	E911 Service Commission	Other	Total
460,943	6,103,408	219,559	391,466	265,009	57,163	17,759,637
408,937	5,989,946	193,415	-	-	3,145	16,157,478
-	-	-	-	141,273	-	141,273
22,895	278,735	10,174	-	-	157	811,895
-	-	-	-	-	-	371,640
-	-	-	-	-	25,271	25,271
-	-	-	5,314,842	-	-	5,314,842
-	-	-	-	-	84,581	84,581
-	-	-	-	-	-	252,619
-	-	-	-	-	152,704	152,971
431,832	6,268,681	203,589	5,314,842	141,273	265,858	23,312,570
-	-	-	137,556	-	-	461,346
480,167	6,296,133	227,040	5,058,292	229,665	283,346	23,313,855
-	-	-	-	-	-	149,595
480,167	6,296,133	227,040	5,195,848	229,665	283,346	23,924,796
412,608	6,075,956	196,108	510,460	176,617	39,675	17,147,411

Carroll County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 5,391,537	4,996,273	4,830,123	4,073,671
Interest and penalty on property tax	45,758	35,207	36,890	29,438
Intergovernmental	4,632,453	5,011,828	5,074,363	4,819,102
Licenses and permits	66,889	77,990	75,044	72,346
Charges for service	1,298,488	1,233,218	1,248,698	1,321,427
Use of money and property	184,790	212,256	289,378	439,429
Fines, forfeitures and defaults	-	-	756	1,350
Miscellaneous	1,483,180	462,391	360,357	508,858
Total	<u>\$ 13,103,095</u>	<u>12,029,163</u>	<u>11,915,609</u>	<u>11,265,621</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,991,577	1,978,593	1,920,854	1,760,342
Physical health and social services	1,136,692	1,099,460	1,194,390	1,073,429
Mental health	2,323,078	2,522,514	2,525,443	2,529,302
County environment and education	1,314,236	785,261	701,166	704,023
Roads and transportation	3,946,971	3,096,413	3,679,075	3,037,346
Governmental services to residents	349,000	384,115	345,484	314,477
Administration	1,081,846	1,032,052	921,885	871,573
Non-program	351,681	273,593	156,320	169,368
Debt service	37,744	525,732	118,698	119,018
Capital projects	1,719,057	1,147,195	790,600	821,543
Total	<u>\$ 14,251,882</u>	<u>12,844,928</u>	<u>12,353,915</u>	<u>11,400,421</u>

See accompanying independent auditor's report.

Carroll County

Carroll County



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

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Auditor of State

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

To the Officials of Carroll County:

We have audited the financial statements of Carroll County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 2, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (2) and (13).

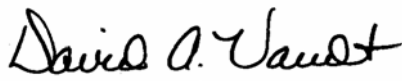
Internal Control Over Financial Reporting

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

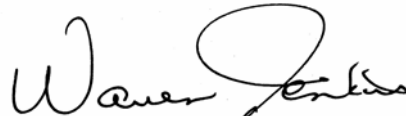
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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

December 2, 2004

Carroll County
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Jail Commissary – Profits from the jail commissary are deposited and disbursed from the jail commissary bank account.

Recommendation – A separate fund should be established and profits from the jail commissary should be deposited with the County Treasurer. All expenditures should be paid by claims approved by the Board of Supervisors and reflected in the County's accounting system, County budget and annual financial statements.

Response – Why burden the taxpayers with supporting the prisoners while they are in jail? The taxpayers didn't put them in jail so why should they support them if they want candy or other items - they can buy it.

Conclusion – Response acknowledged. Profits from the jail commissary account spent for other than commissary items should be deposited with the County Treasurer to make sure those expenditures go through the budgetary process and approval by the Board of Supervisors.

- (B) Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Log-off procedures for computer(s) left unattended or to deny access to the computer system if an individual incorrectly enters a password a specified number of times.

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

Response –

- The password change policy will not be changed at this time.

Carroll County

Schedule of Findings

Year ended June 30, 2004

- The following policies have been incorporated into our Information Services Policies and computers configured accordingly.

Login accounts on computers accessing the Courthouse CMS Service or the Community Services CCCM server will be disabled after three unsuccessful attempts to log in using the wrong password. Accounts will need to be reset by the network administrator.

CMS server or the Community Services CCCM server will be set to require password protected screen savers that engage after thirty minutes of inactivity.

Conclusion – Response acknowledged. The County should require employees to change their passwords periodically to help prevent unauthorized persons from gaining access to the County's computer system.

- (C) Board of Health – One individual has custody of receipts and performs all record keeping.

Also, billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Also, procedures should be established to reconcile billings, collections and delinquencies for each billing period. The Board of Health or a Board of Health designated independent person should review the reconciliations and monitor delinquencies.

Response – Will advise the Board of Health members to spot check revenues and disbursements monthly.

Conclusion – Response acknowledged. Procedures should be established to reconcile billings, collections and delinquencies for each billing period.

- (D) Carroll County Ambulance Department – A policy for an allowance for doubtful accounts has not been adopted.

Recommendation – The County should adopt a policy for an allowance for doubtful accounts.

Response – The Medicare/Medicaid fee schedule phase in is currently in year 5 of a 5 year implementation. When full fee schedule is in effect, billing software will automatically adjust "required write-off" adjustments. Other doubtful accounts can be adjusted by a percentage off. A new policy will be presented and adopted at the January 2005 Ambulance Board meeting.

Conclusion – Response accepted.

Carroll County

Schedule of Findings

Year ended June 30, 2004

- (E) Contract Change Orders – Change orders for Secondary Road construction projects were not approved by the Board of Supervisors.

Recommendation – All change orders should be approved by the Board of Supervisors.

Response – The Board will move on all change orders in the future.

Conclusion – Response accepted.

Carroll County

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

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

Although the Board of Supervisors acted to increase appropriations to several departments, the amendment changes were made after disbursements had exceeded the appropriations.

Recommendation – The appropriations should have been amended in accordance with Chapter 331.434(6) of the Code of Iowa before disbursements were allowed to exceed the appropriation.

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

Response – We plan to monitor this more closely as I did not feel we were over the budget amount. This area handles grants and pass throughs and there are times when we need to pass funds on before we can amend.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Carroll County

Schedule of Findings

Year ended June 30, 2004

- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- (10) 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.

- (11) Emergency Management Services Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted.

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

Response – We will in the future be more attentive of this and will also put this in our bylaws of our Commission.

Conclusion – Response accepted.

- (12) E911 Budget – The E911 Service Board adopted a fiscal year 2004 budget of \$233,240 which exceeded the “notice of public hearing proposed budget” of \$195,293 published in the newspaper. Actual expenditures were \$229,665.

Recommendation – The adopted budget should not exceed the “notice of public hearing proposed budget” published in the newspaper. If the Board determines the proposed budget needs to be increased, another “notice of public hearing proposed budget” should be published in the newspaper 10 to 20 days before the public hearing.

Response – In the future, the board will adopt the budget that has been published.

Conclusion – Response accepted.

- (13) Separately Maintained Account – The Carroll County paramedics have a separately maintained checking account. Deposit slips, cancelled checks, invoices and other support are not maintained to document activity of the account.

Carroll County
Schedule of Findings
Year ended June 30, 2004

Information obtained from the bank is summarized below:

Total deposits made during the year		\$ 12,049
Source of deposits:		
Interest		9
		<hr/>
Deposits for which source cannot be determined		\$ 12,040
		<hr/> <hr/>
Total disbursements that cleared the bank during the year		\$ 12,089
Purpose of disbursements:		
Donations	\$ 267	
Storage charges	220	
Memberships/classes	6,379	
Payments to community colleges for EMT and paramedic certifications	684	
Insurance	269	
Check charges	25	
Gifts	477	
Carpet and painting charges	1,527	9,848
		<hr/>
Disbursements for which the purpose/propriety cannot be determined, including cash withdrawals of \$1,402		\$ 2,241
		<hr/> <hr/>

Without the necessary documentation, the purpose and propriety of the disbursements can not be determined.

Recommendation – Adequate accounting records should be maintained to identify the purpose/source of receipts and the purpose/propriety of disbursements. The County should include this account in the County's financials statements. Also, the County should investigate and determine the purpose/source of the remaining deposits and the purpose/propriety of the remaining disbursements.

Response – "Money 2005" software program is now being used to track specific information and complete records are now available.

Conclusion – Response accepted.

- (14) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County Treasurer, Recorder and Sheriff retain cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required. In addition, the County Sheriff does not receive cancelled checks or images of cancelled checks for the Jail Commissary account.

Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required. In addition, the County Sheriff should obtain and retain cancelled checks or images of cancelled checks for the Jail Commissary account.

Carroll County

Schedule of Findings

Year ended June 30, 2004

County Treasurer Response – It was my understanding when this was brought to my attention that it was requested to only have copies of the front and back of warrants. I have been in contact with all of the banks that we write checks on and they are going to furnish us with a copy of the front and back immediately.

County Recorder Response – I spoke with a bank representative and advised them I will need copies of both the front and back of all cancelled checks. This will start with my next statement.

County Sheriff Response – The Sheriff's Department will be contacting the banks that we have business (accounts with) and have them send us the front and back of the cancelled checks.

Conclusion – Response accepted.

- (15) Non-current Debt – During the year ended June 30, 2004, the County entered into debt for the purpose of refinancing the Iowa Natural Heritage loan. This debt was not entered into in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Chapter 331.478 of the Code of Iowa allows a County to authorize, by resolution, non-current debt payable from resources accruing after the end of the fiscal year in which the debt is incurred, in accordance with Chapter 331.479. Chapter 331.479 requires, before the Board may institute proceedings for the incurrence of non-current debt, a notice of proposed action, including a statement of the amount, purposes and form of the debt, the proposed time of its liquidation, and the time and place of the meeting at which the Board proposes to take action to authorize the debt, shall be published. At the meeting, the Board shall receive oral and written objections before action is taken to authorize the debt or abandon the proposal.

Recommendation – The County should ensure non-current debt is authorized as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Response – We will make every effort from here on to comply with the proper notices and public hearings. The issue in question was done by the Conservation Board and we were unaware that notices and public hearings did not happen. This was refinance of an existing debt with Iowa Natural Heritage Foundation and carried a high interest rate. A local bank offered to reduce the interest cost which would permit additional principal to be paid.

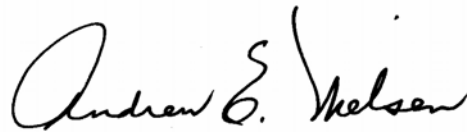
Conclusion – Response accepted.

Carroll County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Kathleen S. Caggiano, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
Sheila M. Jenson, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive, flowing style.

Andrew E. Nielsen, CPA
Deputy Auditor of State