



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

March 21, 2005

Contact: Andy Nielsen  
515/281-5834

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

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

The County had local tax revenue of \$13,574,689 for the year ended June 30, 2004, which included \$767,328 in tax credits from the state. The County forwarded \$10,069,357 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,505,332 of the local tax revenue to finance County operations, a 62 percent increase over the prior year. Other revenues included charges for service of \$1,573,650, operating grants, contributions and restricted interest of \$3,527,863, capital grants, contributions and restricted interest of \$1,438,798, unrestricted investment earnings of \$156,791 and other general revenues of \$140,974.

Expenses for County operations totaled \$8,662,269. Expenses included \$2,830,148 for roads and transportation, \$1,189,033 for mental health and \$965,223 for physical health and social services.

The significant increase in local tax revenue retained is due to a higher property tax levy, increased tax increment financing and local option sales tax. The decrease in expenses is due primarily to completion of the tall corn ethanol capital project in the prior year.

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

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**Guthrie County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerome Caraher	Board of Supervisors	Jan 2005
Lonnie Bench	Board of Supervisors	Jan 2005
Larry Laughery	Board of Supervisors	Jan 2007
Jim Petersen	Board of Supervisors	Jan 2007
Kevin Wirt	Board of Supervisors	Jan 2007
Janet Dickson	County Auditor	Jan 2005
Marcia Kindred	County Treasurer	Jan 2007
Jacki Sloss	County Recorder	Jan 2007
Stuart Stringham	County Sheriff	Jan 2005
Mary Benton	County Attorney	(Resigned 1/04)
Leanne Striegel (Appointed 4/04)	County Attorney	Jan 2007
Barry Stetzel	County Assessor	Jan 2010

**Guthrie County**



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Independent Auditor's Report

To the Officials of Guthrie County:

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

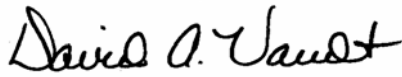
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie County at June 30, 2004, and the respective changes in financial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

As described in Note 17 to the financial statements, during the year ended June 30, 2004, Guthrie County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statements No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2004 on our consideration of Guthrie 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 48 through 51 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 Guthrie 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

November 5, 2004

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

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Guthrie 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.

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

### **2004 FINANCIAL HIGHLIGHTS**

- The County's governmental fund revenues increased \$1.755 million from fiscal year 2003 to fiscal year 2004. Property tax and other county tax increased \$1.285 million.
- The County's governmental fund expenditures decreased by approximately \$589,000 in fiscal year 2004. Roads and transportation expenditures decreased by approximately \$76,000 and capital projects expenditures decreased approximately \$527,000.
- The County's net assets increased 31%, or approximately \$2.4 million, 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 Guthrie 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 Guthrie 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 Guthrie 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 funds 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, and 3) 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 and Prescription 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. Guthrie County's combined net assets increased by 31% from a year ago, increasing from \$7.9 million to \$10.4 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 11,382,874
Capital assets	6,008,550
Total assets	<u>17,391,424</u>
Long-term liabilities	3,032,122
Other liabilities	3,994,520
Total liabilities	<u>7,026,642</u>
Net assets:	
Invested in capital assets	6,008,550
Restricted	4,398,446
Unrestricted	<u>(42,214)</u>
Total net assets	<u>\$ 10,364,782</u>

Net assets of Guthrie County's governmental activities increased by \$2.4 million (\$7.9 million compared to \$10.4 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are currently a deficit of approximately \$42,000 at June 30, 2004. The negative unrestricted net asset balance is primarily attributed to the County's issuance of debt for which the related offsetting assets are not the County's.

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Changes in Net Assets of Governmental Activities

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	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 1,573,650
Operating grants, contributions and restricted interest	3,527,863
Capital grants, contributions and restricted interest	1,438,798
General revenues:	
Property tax	2,921,029
Penalty and interest on property tax	44,880
State tax credits	168,692
Tax increment financing	290,331
Local option sales tax	125,280
Grants and contributions not restricted to specific purposes	15,027
Unrestricted investment earnings	156,791
Gain on disposal of capital assets	38,644
Other general revenues	42,423
Total revenues	10,343,408
Program expenses:	
Public safety and legal services	781,700
Physical health and social services	965,223
Mental health	1,189,033
County environment and education	824,255
Roads and transportation	2,830,148
Governmental services to residents	302,542
Administration	698,211
Non-program	172,312
Interest on long-term debt	145,322
Total expenses	7,908,746
Change in net assets	2,434,662
Net assets beginning of year	7,930,120
Net assets end of year	\$ 10,364,782

The County increased property tax rates for 2004 by an average of 30%. As a result, Guthrie County's property tax levied increased by over \$950,000.

For 2005, total assessed valuation will decrease approximately \$44 million. To offset this, the Board of Supervisors has raised the overall tax rate by 5%. These changes will result in approximately \$100,000 in decreased property tax revenue for the year to come.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Guthrie County completed the year, its governmental funds reported a combined fund balance of \$6.9 million, an increase of approximately \$284,000 over last year's total of \$6.6 million. The increase in fund balance is primarily attributable to an increase in revenues and a decrease in expenditures. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased and expenditures decreased compared to the prior year. The ending fund balance showed a decrease of \$252,000 from the prior year to \$2.27 million.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,188,000, an increase of 3% from the prior year. The Mental Health Fund balance at year ended increased by approximately \$24,000 over the prior year. However, the fund still has a deficit balance of \$114,517.
- The Rural Services Fund increased from \$675,868 to \$827,446. This increase is due primarily to an increase in revenues of local option sales tax, which was instituted to provide property tax relief.
- Secondary Roads Fund expenditures increased by approximately \$331,000 over the prior year, due principally to an increase in construction projects, specifically bridge replacements. Despite the increase in expenditures, the ending balance of the Secondary Roads Fund increased approximately \$300,000, or 9%.
- At June 30, 2004, the County owed \$2,475,000 in tax increment urban renewal revenue bonds related to capital improvements in the Tall Corn Ethanol urban renewal area. This was a decrease of \$160,000 from the prior year's balance of \$2,635,000 as the County has started collecting tax increment financing revenue from the area.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Guthrie County amended its budget once. The amendment was made in May 2004 and resulted in an increase in budgeted disbursements related to capital projects.

Even with these amendments, the County exceeded the budgeted amounts in the roads and transportation, governmental services to residents, non-program and debt service functions for the year ended June 30, 2004.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, Guthrie County had approximately \$6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1.68 million, or 39%, over last year.

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Capital Assets of Governmental Activities at Year End	
	<u>June 30, 2004</u>
Land	\$ 1,216,275
Construction in progress	233,153
Buildings and improvements	1,165,886
Improvements other than buildings	7,161
Equipment and vehicles	2,840,627
Infrastructure	<u>545,448</u>
Total	<u><u>\$ 6,008,550</u></u>

The County had depreciation expense of \$433,235 in FY04 and total accumulated depreciation of \$4,350,512 at June 30, 2004.

More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

### **Long-Term Debt**

At June 30, 2004, Guthrie County had \$2,475,000 of TIF bonds outstanding compared to \$2,635,000 at June 30, 2003.

Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

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

Guthrie County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various County activities. One of those factors is the economy.

These factors were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$10.1 million, a decrease of 7.9% from the final 2004 budget.

When setting tax rates, the Board of Supervisors took into account a 9% valuation decrease from the previous year. To offset this valuation decrease, the Board raised overall tax rates by 5%. Accounting for these adjustments, Guthrie County is projecting approximately \$100,000 in increased property tax revenue.

If 2004-2005 budget estimates are realized, the County's budgetary operating balance is expected to significantly decrease by the close of 2005. The Board of Supervisors has elected to allow this reduction in fund reserves.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Guthrie 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 Guthrie County Auditor's Office, 200 North 5<sup>th</sup> Street, Guthrie Center, Iowa 50115.

**Guthrie County**

## **Basic Financial Statements**



**Exhibit A**

Guthrie County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments:	
County Treasurer	\$ 6,211,530
Held by component unit treasurers	413,401
Receivables:	
Property tax:	
Delinquent	46,365
Succeeding year	3,231,000
Interest and penalty on property tax	64,296
Operating reserve due from Country View Estates, Inc.	219,347
Accounts	77,028
Accrued interest	4,408
Due from other governments	467,343
Inventories	569,519
Prepaid insurance	78,637
Capital assets (net of accumulated depreciation)	6,008,550
	<u>17,391,424</u>
<b>Total assets</b>	
<b>Liabilities</b>	
Accounts payable	290,599
Accrued interest payable	9,470
Salaries and benefits payable	133,434
Due to other governments	110,670
Deferred revenue:	
Succeeding year property tax	3,231,000
Other	219,347
Long-term liabilities:	
Portion due or payable within one year:	
Tax increment urban renewal revenue bonds	189,000
Compensated absences	112,341
Portion due or payable after one year:	
Tax increment urban renewal revenue bonds	2,286,000
Compensated absences	60,322
Estimated liability for landfill closure and postclosure care	384,459
	<u>7,026,642</u>
<b>Total liabilities</b>	
<b>Net Assets</b>	
Invested in capital assets	6,008,550
Restricted for:	
Supplemental levy purposes	126,405
Secondary roads purposes	3,606,017
Debt service	9,538
Other purposes	656,486
Unrestricted	(42,214)
	<u>\$ 10,364,782</u>
<b>Total net assets</b>	

See notes to financial statements.

Guthrie County  
Statement of Activities  
Year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions / Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 781,700	47,464	30,512	-	(703,724)
Physical health and social services	965,223	544,164	301,773	-	(119,286)
Mental health	1,189,033	35,571	603,681	-	(549,781)
County environment and education	824,255	399,003	55,690	-	(369,562)
Roads and transportation	2,830,148	32,754	2,527,400	1,438,798	1,168,804
Governmental services to residents	302,542	266,431	114	-	(35,997)
Administration	698,211	59,535	3,354	-	(635,322)
Non-program	172,312	188,728	5,339	-	21,755
Interest on long-term debt	145,322	-	-	-	(145,322)
<b>Total</b>	<b>\$ 7,908,746</b>	<b>1,573,650</b>	<b>3,527,863</b>	<b>1,438,798</b>	<b>(1,368,435)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					2,921,029
Penalty and interest on property tax					44,880
State tax credits					168,692
Tax increment financing					290,331
Local option sales tax					125,280
Grants and contributions not restricted to specific purpose					15,027
Unrestricted investment earnings					156,791
Gain on disposal of capital assets					38,644
Miscellaneous					42,423
<b>Total general revenues</b>					<b>3,803,097</b>
Change in net assets					2,434,662
Net assets beginning of year, as restated					7,930,120
Net assets end of year					<b>\$ 10,364,782</b>

See notes to financial statements.

Guthrie County  
Balance Sheet  
Governmental Funds

June 30, 2004

	General	Mental Health	Special Rural Services
<b>Assets</b>			
Cash and pooled investments			
County Treasurer	\$ 1,957,284	3,253	767,878
Held by component unit treasurers	-	-	-
Receivables:			
Property tax:			
Delinquent	21,202	8,773	16,390
Succeeding year	1,646,000	514,000	675,000
Interest and penalty on property tax	64,296	-	-
Accounts	29,969	-	46,826
Accrued interest	4,352	-	-
Operating reserve due from Country View Estates, Inc.	219,347	-	-
Due from other funds	-	-	-
Due from other governments	91,365	7,295	66,624
Inventories	-	-	-
Prepaid insurance	41,202	-	3,770
Advances to other funds	270,965	-	-
<b>Total assets</b>	<b>\$ 4,345,982</b>	<b>533,321</b>	<b>1,576,488</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 36,549	46,193	16,659
Salaries and benefits payable	57,458	1,780	3,705
Due to other funds	13,118	-	-
Due to other governments	3,521	77,119	28,497
Deferred revenue:			
Succeeding year property tax	1,646,000	514,000	675,000
Other	315,587	8,746	25,181
Advances from other funds	-	-	-
<b>Total liabilities</b>	<b>2,072,233</b>	<b>647,838</b>	<b>749,042</b>
Fund balances:			
Reserved for:			
Supplemental levy purposes	126,405	-	-
Advances to other funds	270,965	-	-
Debt service	-	-	-
Conservation purposes	-	-	-
Unreserved:			
Designated for closure and postclosure care	-	-	-
Undesignated, reported in:			
General fund	1,876,379	-	-
Special revenue funds	-	(114,517)	827,446
<b>Total fund balances</b>	<b>2,273,749</b>	<b>(114,517)</b>	<b>827,446</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,345,982</b>	<b>533,321</b>	<b>1,576,488</b>

See notes to financial statements.

Revenue			
Secondary Roads	Urban Renewal Revenue	Nonmajor Governmental	Total
2,898,712	19,729	214,923	5,861,779
-	-	413,401	413,401
-	-	-	46,365
-	396,000	-	3,231,000
-	-	-	64,296
233	-	-	77,028
-	-	51	4,403
-	-	-	219,347
1,375	-	11,743	13,118
276,412	-	25,647	467,343
569,519	-	-	569,519
33,665	-	-	78,637
-	-	-	270,965
<b>3,779,916</b>	<b>415,729</b>	<b>665,765</b>	<b>11,317,201</b>
126,279	-	-	225,680
70,491	-	-	133,434
-	-	-	13,118
1,533	-	-	110,670
-	396,000	-	3,231,000
70,904	-	-	420,418
-	270,965	-	270,965
<b>269,207</b>	<b>666,965</b>	<b>-</b>	<b>4,405,285</b>
-	-	-	126,405
-	-	-	270,965
-	19,008	-	19,008
-	-	478,171	478,171
-	-	10,000	10,000
-	-	-	1,876,379
3,510,709	(270,244)	177,594	4,130,988
3,510,709	(251,236)	665,765	6,911,916
<b>3,779,916</b>	<b>415,729</b>	<b>665,765</b>	<b>11,317,201</b>

**Guthrie County**

Guthrie County

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

June 30, 2004

**Total governmental fund balances (page 19)** \$ 6,911,916

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$10,359,062 and the accumulated depreciation is \$4,350,512. 6,008,550

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 201,071

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance and prescription 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. 284,837

Long-term liabilities, including tax increment urban renewal revenue bonds payable, compensated absences payable, accrued interest payable and the estimated liability for landfill closure and postclosure care, are not due and payable in the current period and, therefore, are not reported in the funds. (3,041,592)

**Net assets of governmental activities (page 16)** \$ 10,364,782

See notes to financial statements.

Guthrie County

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

Year ended June 30, 2004

	Special		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 1,305,089	540,028	1,173,110
Interest and penalty on property tax	47,257	-	-
Intergovernmental	850,616	665,947	181,834
Licenses and permits	32,665	-	-
Charges for service	378,469	3,910	221,504
Use of money and property	171,272	-	-
Miscellaneous	104,356	2,222	541
Total revenues	<u>2,889,724</u>	<u>1,212,107</u>	<u>1,576,989</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	809,809	-	-
Physical health and social services	972,204	-	-
Mental health	-	1,188,315	-
County environment and education	271,728	-	578,342
Roads and transportation	-	-	48,058
Governmental services to residents	306,508	-	-
Administration	697,703	-	-
Non-program	10,164	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>3,068,116</u>	<u>1,188,315</u>	<u>626,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(178,392)</u>	<u>23,792</u>	<u>950,589</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	976	-	6,000
Operating transfers in	-	-	-
Operating transfers out	(74,639)	-	(805,011)
Total other financing sources (uses)	<u>(73,663)</u>	<u>-</u>	<u>(799,011)</u>
Net change in fund balances	(252,055)	23,792	151,578
Fund balances beginning of year, as restated	<u>2,525,804</u>	<u>(138,309)</u>	<u>675,868</u>
Fund balances end of year	<u>\$ 2,273,749</u>	<u>(114,517)</u>	<u>827,446</u>

See notes to financial statements.

Revenue			
Secondary Roads	Urban Renewal Revenue	Nonmajor Governmental	Total
-	290,331	-	3,308,558
-	-	-	47,257
2,798,073	103	9,454	4,506,027
395	-	-	33,060
10	-	41,475	645,368
837	5,374	12,604	190,087
53,766	-	38,394	199,279
<u>2,853,081</u>	<u>295,808</u>	<u>101,927</u>	<u>8,929,636</u>
-	-	3,579	813,388
-	-	-	972,204
-	-	-	1,188,315
-	-	38,606	888,676
2,911,422	-	-	2,959,480
-	-	6,698	313,206
-	-	-	697,703
-	-	-	10,164
-	304,272	-	304,272
502,278	12,583	-	514,861
<u>3,413,700</u>	<u>316,855</u>	<u>48,883</u>	<u>8,662,269</u>
<u>(560,619)</u>	<u>(21,047)</u>	<u>53,044</u>	<u>267,367</u>
10,007	-	-	16,983
850,650	98,645	29,000	978,295
-	-	(98,645)	(978,295)
<u>860,657</u>	<u>98,645</u>	<u>(69,645)</u>	<u>16,983</u>
300,038	77,598	(16,601)	284,350
3,210,671	(328,834)	682,366	6,627,566
<u>3,510,709</u>	<u>(251,236)</u>	<u>665,765</u>	<u>6,911,916</u>



Guthrie 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)** \$ 284,350

**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	\$ 999,858	
Capital assets contributed by the Iowa Department of Transportation	1,082,369	
Depreciation expense	<u>(433,235)</u>	1,648,992

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. 28,644

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	25,705	
Other	<u>67,028</u>	92,733

Repayment of long-term liabilities is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 160,000

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:

Adjustment to estimated costs for closure and postclosure care	21,651	
Compensated absences	13,162	
Interest on long-term debt	<u>(1,050)</u>	33,763

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance and prescription benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 186,180

**Change in net assets of governmental activities (page 17)** \$ 2,434,662

See notes to financial statements.

Guthrie County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2004

	Internal Service - Employee Group Health and Prescription
<b>Assets</b>	
Cash and cash equivalents	\$ 349,751
Accrued interest receivable	5
<b>Total assets</b>	349,756
<b>Liabilities</b>	
Accounts payable	64,919
<b>Net Assets</b>	
Unrestricted	\$ 284,837

See notes to financial statements.

## Guthrie County

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

Year ended June 30, 2004

		<u>Internal Service - Employee Group Health and Prescription</u>
Operating revenues:		
Reimbursements from operating funds		\$ 730,040
Reimbursements from employees		85,481
Insurance reimbursements		70,238
Total operating revenues		<u>885,759</u>
Operating expenses:		
Medical and health services	\$ 563,217	
Health plan administration and stop loss insurance	141,386	<u>704,603</u>
Operating income		<u>181,156</u>
Non-operating revenues:		
Interest income		<u>5,024</u>
Net income		<u>186,180</u>
Net assets beginning of year		<u>98,657</u>
Net assets end of year		<u><u>\$ 284,837</u></u>

See notes to financial statements.

Guthrie County

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

	Internal Service - Employee Group Health and Prescription
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 730,040
Cash received from employees and others	155,719
Cash paid for health claims	(591,198)
Cash paid for administrative services and stop loss insurance	(141,386)
Net cash provided by operating activities	153,175
Cash flows from investing activities:	
Interest on investments	5,019
Net increase in cash and cash equivalents	158,194
Cash and cash equivalents beginning of year	191,557
Cash and cash equivalents end of year	\$ 349,751
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 181,156
Adjustment to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	(27,981)
Net cash provided by operating activities	\$ 153,175

See notes to financial statements.

## Guthrie County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2004

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 486,324
Other County officials	9,711
Receivables:	
Property tax:	
Delinquent	145,784
Succeeding year	10,037,000
Accounts	7,587
Special assessments:	
Delinquent	15,514
Succeeding year	129,043
Drainage assessments	20,074
Due from other funds	2,265
Due from other governments	9,494
<b>Total assets</b>	<u>10,862,796</u>

**Liabilities**

Accounts payable	303
Salaries and benefits payable	5,048
Due to other funds	2,265
Due to other governments	10,843,101
Compensated absences	12,079
<b>Total liabilities</b>	<u>10,862,796</u>

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

Guthrie County  
Notes to Financial Statements  
June 30, 2004

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

Guthrie 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, Guthrie 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 Guthrie 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.

Ten 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 Guthrie County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Guthrie County Auditor's office.

The Prairie Woodland Conservation Foundation (formerly the Guthrie County Conservation Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of environmental education and conservation projects which are not included in the County's budget.

The Guthrie County Historical Village Foundation (formerly the Turn of the Century Museum Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of museum projects and activities which are not included in the County's budget.

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: Guthrie County Assessor's Conference Board and Guthrie County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in several jointly governed organizations for which the County is not financially accountable or that the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Area XII Alcoholism and Drug Treatment Unit, Community Opportunities, Inc., South Central Youth and Family Services Commission, Area XII Council of Governments, Western Iowa Tourism, South Central Iowa Regional E-911 Service Board and the Guthrie County Regional Airport Authority.

#### B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Urban Renewal Revenue Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal districts and used to pay the principal and interest on the tax increment urban renewal revenue notes and other indebtedness incurred for urban renewal projects.



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 financial statements:

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 in non-negotiable certificates of deposit 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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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

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

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

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

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

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

Advances to/from Other Funds – Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

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 amounts due from County View Estates, Inc., unspent grant proceeds, 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 and amounts due from County View Estates, Inc.

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

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

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

Unrestricted Net Assets – The unrestricted net assets of the Internal Service Fund are designated for future catastrophic losses of the County.

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 exceeded the amounts budgeted in the roads and transportation, governmental services to residents, non-program and debt service functions. Also, disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

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

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

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

**(3) County Care Facility**

On July 1, 1999, the County entered into a lease agreement with Country View Estates, Inc. for the management and operation of the Guthrie County Care Facility and farm. The renewable lease, through June 30, 2004, is cancelable upon notice by either party. Annually, the County will provide certain financial support for the operation of the care facility.

Under the terms of the agreement, Country View Estates, Inc. (operator) may keep reserve funds up to \$300,000 for operating expenses. Funds in excess of \$300,000 are to be used to adjust the current per diem rate charged to the County. In the event the contract is terminated, all assets, including the reserve funds, are to revert to the County. At June 30, 2004, a receivable titled operating reserve due from Country View Estates, Inc. for \$219,347, the amount of unrestricted cash reported in the financial statements of Country View Estates, Inc. at June 30, 2004, has been recorded in the County's financial statements, with a corresponding amount recorded as deferred revenue.

**(4) 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	\$ 1,375
Fairgrounds Amphitheater Trust	General	<u>11,743</u>
Total		<u>\$ 13,118</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.

**(5) 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	\$ 55,639
	Special Revenue: Rural Services	<u>795,011</u>
Landfill Transfer Station Closure	Special Revenue: Rural Services	10,000
Conservation Land Acquisition	General	7,257
Fairgrounds Amphitheater Trust	General	11,743
Urban Renewal Revenue	Capital Projects	<u>98,645</u>
Total		<u>\$ 978,295</u>

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

**(6) Capital Assets**

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

	Balance Beginning of Year (as restated, note 17)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 456,387	759,888	-	1,216,275
Construction in progress	-	233,153	-	233,153
Total capital assets not being depreciated	<u>456,387</u>	<u>993,041</u>	<u>-</u>	<u>1,449,428</u>
Capital assets being depreciated:				
Buildings	2,087,411	25,335	-	2,112,746
Improvements other than buildings	8,525	-	-	8,525
Equipment and vehicles	5,858,166	560,986	(190,387)	6,228,765
Infrastructure, road network	-	534,865	-	534,865
Infrastructure, other	24,733	-	-	24,733
Total capital assets being depreciated	<u>7,978,835</u>	<u>1,121,186</u>	<u>(190,387)</u>	<u>8,909,634</u>
Less accumulated depreciation for:				
Buildings	899,259	47,601	-	946,860
Improvements other than buildings	1,023	341	-	1,364
Equipment and vehicles	3,194,133	381,036	(187,031)	3,388,138
Infrastructure, road network	-	3,268	-	3,268
Infrastructure, other	9,893	989	-	10,882
Total accumulated depreciation	<u>4,104,308</u>	<u>433,235</u>	<u>(187,031)</u>	<u>4,350,512</u>
Total capital assets being depreciated, net	<u>3,874,527</u>	<u>687,951</u>	<u>(3,356)</u>	<u>4,559,122</u>
Governmental activities capital assets, net	<u>\$ 4,330,914</u>	<u>1,680,992</u>	<u>(3,356)</u>	<u>6,008,550</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 42,887
Physical health and social services	26,634
County environment and education	38,416
Roads and transportation	302,760
Governmental services to residents	1,446
Administration	<u>21,092</u>
Total depreciation expense - governmental activities	<u>\$ 433,235</u>

**(7) 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	\$ 3,521
Special Revenue:		
Mental Health	Services	77,119
Rural Services	Services	28,497
Secondary Roads	Services	1,533
		<u>107,149</u>
Total for governmental funds		<u>\$ 110,670</u>
Agency:		
County Assessor	Collections	\$ 354,728
County Hospital		777,311
Schools		5,881,374
Community Colleges		543,187
Corporations		2,488,226
Townships		236,848
Auto License and Use Tax		222,117
All other		339,310
Total for agency funds		<u>\$ 10,843,101</u>

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

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

	Tax Increment Urban Renewal Revenue Bonds	Compensated Absences	Estimated Liability for Landfill Closure and Postclosure Care	Total
Balance beginning of year, as restated, note 17	\$ 2,635,000	185,825	406,110	3,226,935
Additions	-	194,601	5,423	200,024
Reductions	160,000	207,763	27,074	394,837
Balance end of year	<u>\$ 2,475,000</u>	<u>172,663</u>	<u>384,459</u>	<u>3,032,122</u>
Due within one year	<u>\$ 189,000</u>	<u>112,341</u>	-	<u>301,341</u>



Tax Increment Urban Renewal Revenue Bonds

The County sold \$1,735,000 of tax increment urban renewal revenue bonds dated November 27, 2001 to provide an economic development incentive to the Tall Corn Ethanol Cooperative and for capital improvements in the Tall Corn Ethanol Urban Renewal Area. The County sold an additional \$900,000 of tax increment urban renewal revenue bonds dated June 12, 2003 to provide capital improvements in the Tall Corn Ethanol Urban Renewal Area. The bonds are payable from the income and proceeds from a separate account within the Special Revenue, Urban Renewal Revenue Fund, which has not yet been established, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

Interest on the bonds shall be adjusted to a rate per annum equal to the yield at "constant maturity" of the five-year U.S. Treasury Notes, plus 90 basis points, on December 1, 2006, December 1, 2011, December 1, 2016 and December 1, 2021. However, the interest rate may not be more than 2% higher or lower than the preceding rate and the adjusted rate may not exceed 8% per annum or be less than 4% per annum. On December 1, 2004, and on each June 1 and December 1 as long as any of the principal of the bonds remain outstanding, to the extent there are proceeds remaining in the separate account within the Special Revenue, Urban Renewal Revenue Fund following each required payment of interest, such proceeds shall be applied to the payment of principal on the bonds. Since the interest rate and annual collections are variable, an amortization schedule is not included. Repayments of \$289,109, including principal and interest, were made during the year.

**(9) Advances to/from Other Funds**

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Urban Renewal Revenue	<u>\$ 270,965</u>

During the year ended June 30, 2002, the County authorized a \$417,301 advance from the General Fund to a separate account within the Special Revenue, Urban Renewal Revenue Fund to reimburse the Special Revenue, Secondary Roads Fund for expenses incurred on behalf of the urban renewal area. The advance will be repaid from tax increment financing collected in the separate account within the Special Revenue, Urban Renewal Revenue Fund and will include interest at 6% per annum. Repayments of \$123,000, including principal and interest, were made during the year.

**(10) 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 \$157,164, \$153,476 and \$153,956, respectively, equal to the required contributions for each year.

**(11) Contingent Liabilities**

General Obligation Sewer Improvement Notes

On June 1, 1989, the County issued \$300,000 of general obligation sewer improvement notes for the South Panorama Sanitary District. In November 1998, the County issued \$200,000 of general obligation sewer improvement notes to refund the remaining \$190,000 of the original issue.

The County is contingently liable on general obligation sewer improvement note indebtedness of \$55,000 outstanding at June 30, 2004. Since the interest and note principal are currently paid out of South Panorama Sanitary District revenues, this liability has not been recorded in the Statement of Net Assets. However, since the notes are a general obligation of the County, if the revenues of the sanitary district in future years are not adequate, a tax may be levied on all taxable property in the County. The transactions for this sewer improvement note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2004 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.30%	\$ 25,000	2,380	27,380
2006	4.35	30,000	1,305	31,305
Total		\$ 55,000	3,685	58,685

South Central Iowa Regional E-911 Service Board General Obligation E-911 Notes

On April 15, 1999, the County entered into an agreement with the South Central Iowa Regional E-911 Service Board to assist in financing the repayment of debt and specific improvements and upgrades of the E-911 service system. The agreement provided for Guthrie County to sell general obligation E-911 notes on behalf of the Service Board for the purpose outlined above. The notes are to be repaid exclusively from E-911 service surcharge revenue.

The County is contingently liable on \$650,000 of the general obligation E-911 note indebtedness outstanding at June 30, 2004. Since the interest and note principal is currently paid out of South Central Iowa Regional E-911 Service Board revenues, this liability has not been recorded in the Statement of Net Assets. However, since the notes are a general obligation of the County, if the revenues of the Service Board are not adequate, a tax may be levied on all taxable property in the County.

The Service Board is required to make semi-annual payments on each June 1 and December 1 through June 1, 2012. The transactions for this E-911 note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2004 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.30%	\$ 70,000	29,425	99,425
2006	4.35	75,000	26,415	101,415
2007	4.40	75,000	23,152	98,152
2008	4.45	80,000	19,853	99,853
2009	4.55	80,000	16,293	96,293
2010 – 2012	4.60 – 4.75	270,000	25,908	295,908
Total		\$ 650,000	141,046	791,046

**(12) Community Economic Betterment Account (CEBA) Loan**

Guthrie County entered into a loan agreement dated July 22, 1999 with the Iowa Department of Economic Development for \$75,000. The proceeds were received during the year ended June 30, 2000 and loaned to a local business to assist with economic development. The loan consists of a \$37,500 forgivable loan and a \$37,500 conventional loan with an interest rate of 3% per annum. Repayment of the conventional loan is to be made in 84 equal monthly payments of \$496 with the first payment due on February 1, 2000. The installments due July 1, 2003 through June 30, 2004 have been paid, leaving a balance on the conventional loan at June 30, 2004 of \$14,844. At the project completion date, \$1,500 will be forgiven for each new job created and the balance will be amortized over the remaining two years in equal monthly payments with 6% per annum interest. The County's liability for repayment of these loans is limited to the amounts the County receives as repayments from the local business. Because the loans are to be paid from other than County resources, the loans do not constitute a liability of the County and are not reported in the financial statements.

**(13) Risk Management**

Guthrie 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 \$158,538.

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.

**(14) Employee Group Health and Prescription Plan**

The Internal Service, Employee Group Health and Prescription Fund was established to account for the partial self funding of the County’s health insurance and prescription benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$32,500. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health and Prescription 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 Employee Group Services from the Employee Group Health and Prescription Fund. The County records the plan assets and related liabilities of the Employee Group Health and Prescription Fund as an Internal Service Fund. The County’s contribution to the fund for the year ended June 30, 2004 was \$730,040.

Amounts payable from the Employee Group Health and Prescription Fund at June 30, 2004 total \$64,919, 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. The reserve was \$284,837 at June 30, 2004 and is reported as a designation of the Internal Service, Employee Group Health and Prescription Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 92,900
Incurred claims (including claims incurred but not reported at June 30, 2004)	563,217
Payment on claims during the fiscal year	<u>(591,198)</u>
Unpaid claims end of year	<u>\$ 64,919</u>

**(15) Closure and Postclosure Care**

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

Governmental Accounting Standards Board Statement No. 18, effective for periods beginning after June 15, 1993, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for Guthrie County have been estimated at \$379,036 as of June 30, 2004, and that amount of liability has been recognized. This liability represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the landfill. The County has reserved \$460,428 of its debt capacity to cover these costs.

Guthrie County operates a transfer station where the waste is transferred for disposal under a 28E agreement to a local area landfill. The total costs for Guthrie County have been estimated at \$5,423 as of June 30, 2004, and that amount of liability has been recognized. The County has dedicated \$10,000 in a closure account to cover these costs.

**(16) Deficit Balances**

The Special Revenue, Mental Health Fund had a deficit balance of \$114,517 at June 30, 2004. The County is investigating options for eliminating the deficit.

**(17) Accounting Change and Restatements**

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

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

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

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

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 6,590,313
GASB Interpretation 6 adjustments	<u>37,253</u>
Net assets July 1, 2003, as restated for governmental funds	6,627,566
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$4,104,308	4,330,914
Internal Service Fund	98,657
Long-term liabilities	(3,235,355)
Deferral of long-term assets	<u>108,338</u>
Net assets July 1, 2003, as restated	<u>\$ 7,930,120</u>

**Required Supplementary Information**



Guthrie County

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

Required Supplementary Information

Year ended June 30, 2004

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 3,261,909	-
Interest and penalty on property tax	47,251	-
Intergovernmental	4,478,480	-
Licenses and permits	32,183	-
Charges for service	417,503	-
Use of money and property	179,554	11,462
Miscellaneous	392,928	34,415
Total receipts	<u>8,809,808</u>	<u>45,877</u>
Disbursements:		
Public safety and legal services	803,002	-
Physical health and social services	970,707	-
Mental health	1,217,341	-
County environment and education	865,699	38,606
Roads and transportation	3,071,680	-
Governmental services to residents	312,132	-
Administration	691,607	-
Non-program	10,164	-
Debt service	405,109	-
Capital projects	446,286	-
Total disbursements	<u>8,793,727</u>	<u>38,606</u>
Excess (deficiency) of receipts over (under) disbursements	16,081	7,271
Other financing sources, net	<u>126,878</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	142,959	7,271
Balance beginning of year	<u>6,132,221</u>	<u>415,044</u>
Balance end of year	<u>\$ 6,275,180</u>	<u>422,315</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
3,261,909	3,323,400	2,106,107	1,155,802
47,251	-	-	47,251
4,478,480	4,459,490	4,734,024	(255,544)
32,183	15,550	26,376	5,807
417,503	502,372	746,730	(329,227)
168,092	166,340	269,745	(101,653)
358,513	110,980	501,641	(143,128)
8,763,931	8,578,132	8,384,623	379,308
803,002	860,094	839,903	36,901
970,707	1,044,329	1,029,833	59,126
1,217,341	1,215,200	1,267,714	50,373
827,093	1,025,801	1,448,994	621,901
3,071,680	3,580,300	2,583,964	(487,716)
312,132	326,108	287,159	(24,973)
691,607	854,996	1,005,233	313,626
10,164	940	1,000	(9,164)
405,109	491,000	300,000	(105,109)
446,286	1,137,000	2,153,798	1,707,512
8,755,121	10,535,768	10,917,598	2,162,477
8,810	(1,957,636)	(2,532,975)	2,541,785
126,878	2,720	1,788,443	(1,661,565)
135,688	(1,954,916)	(744,532)	880,220
5,717,177	4,421,396	7,515,475	(1,798,298)
5,852,865	2,466,480	6,770,943	(918,078)

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,809,808	119,828	8,929,636
Expenditures	8,793,727	(131,458)	8,662,269
Net	16,081	251,286	267,367
Other financing sources, net	126,878	(109,895)	16,983
Beginning fund balances	6,132,221	495,345	6,627,566
Ending fund balances	\$ 6,275,180	636,736	6,911,916

See accompanying independent auditor's report.

Guthrie County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$381,830. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Assessor's Conference Board and for the E-911 System by the Joint E-911 Service Board.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the roads and transportation, governmental services to residents, non-program and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

**Guthrie County**

**Other Supplementary Information**

Guthrie County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2004

	Special						
	Emergency Management Services	Flood and Erosion	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Work Release Program	Sheriff Investi- gation
<b>Assets</b>							
Cash and pooled investments:							
County Treasurer	\$ 180	34,545	64,723	13,674	11,306	1,486	11,456
Held by component							
unit treasurers	-	-	-	-	-	-	-
Receivables:							
Accrued interest	-	-	-	3	-	-	1
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	25,587	60	-
<b>Total assets</b>	<b>\$ 180</b>	<b>34,545</b>	<b>64,723</b>	<b>13,677</b>	<b>36,893</b>	<b>1,546</b>	<b>11,457</b>
<b>Liabilities and Fund Equity</b>							
Fund equity:							
Fund balances:							
Reserved for:							
Conservation purposes	-	-	64,723	-	-	-	-
Unreserved:							
Designated for closure and postclosure care	-	-	-	-	-	-	-
Undesignated	180	34,545	-	13,677	36,893	1,546	11,457
Total fund equity	180	34,545	64,723	13,677	36,893	1,546	11,457
<b>Total liabilities and fund equity</b>	<b>\$ 180</b>	<b>34,545</b>	<b>64,723</b>	<b>13,677</b>	<b>36,893</b>	<b>1,546</b>	<b>11,457</b>

See accompanying independent auditor's report.

Revenue								
Attorney Seized Property	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Drainage Districts	Healthy Activity/Well Connect	Landfill Transfer Station Closure	Conservation Land Acquisition	Fairgrounds Amphitheater Trust	Total
1,231	-	-	8,914	2,272	10,000	15,655	39,481	214,923
-	380,203	33,198	-	-	-	-	-	413,401
-	47	-	-	-	-	-	-	51
-	-	-	-	-	-	-	11,743	11,743
-	-	-	-	-	-	-	-	25,647
1,231	380,250	33,198	8,914	2,272	10,000	15,655	51,224	665,765
-	380,250	33,198	-	-	-	-	-	478,171
-	-	-	-	-	10,000	-	-	10,000
1,231	-	-	8,914	2,272	-	15,655	51,224	177,594
1,231	380,250	33,198	8,914	2,272	10,000	15,655	51,224	665,765
1,231	380,250	33,198	8,914	2,272	10,000	15,655	51,224	665,765



Guthrie County

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

Year ended June 30, 2004

							Special
	Emergency Management Services	Flood and Erosion	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Work Release Program	Sheriff Investi- gation
Revenues:							
Intergovernmental	\$ -	-	9,264	-	-	190	-
Charges for service	-	-	-	4,590	36,885	-	-
Use of money and property	-	-	883	106	8	-	95
Miscellaneous	-	-	-	-	-	-	1,548
Total revenues	-	-	10,147	4,696	36,893	190	1,643
Expenditures:							
Operating:							
Public safety and legal services	-	-	-	-	-	-	1,799
County environment and education	-	-	-	-	-	-	-
Governmental services to residents	-	-	-	6,698	-	-	-
Total expenditures	-	-	-	6,698	-	-	1,799
Excess (deficiency) of revenues over (under) expenditures	-	-	10,147	(2,002)	36,893	190	(156)
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	10,147	(2,002)	36,893	190	(156)
Fund balances beginning of year	180	34,545	54,576	15,679	-	1,356	11,613
Fund balances end of year	\$ 180	34,545	64,723	13,677	36,893	1,546	11,457

See accompanying independent auditor's report.

Revenue									
Attorney Seized Property	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Drainage Districts	Healthy Activity/Well Connect	Landfill Transfer Station Closure	Conservation Land Acquisition	Fairgrounds Amphitheater Trust	Capital Projects	Total
-	-	-	-	-	-	-	-	-	9,454
-	-	-	-	-	-	-	-	-	41,475
-	10,948	561	-	3	-	-	-	-	12,604
162	33,034	1,381	-	2,269	-	-	-	-	38,394
162	43,982	1,942	-	2,272	-	-	-	-	101,927
1,780	-	-	-	-	-	-	-	-	3,579
-	37,640	966	-	-	-	-	-	-	38,606
-	-	-	-	-	-	-	-	-	6,698
1,780	37,640	966	-	-	-	-	-	-	48,883
(1,618)	6,342	976	-	2,272	-	-	-	-	53,044
-	-	-	-	-	10,000	7,257	11,743	-	29,000
-	-	-	-	-	-	-	-	(98,645)	(98,645)
-	-	-	-	-	10,000	7,257	11,743	(98,645)	(69,645)
(1,618)	6,342	976	-	2,272	10,000	7,257	11,743	(98,645)	(16,601)
2,849	373,908	32,222	8,914	-	-	8,398	39,481	98,645	682,366
1,231	380,250	33,198	8,914	2,272	10,000	15,655	51,224	-	665,765

Guthrie County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	2,371	70,655	13,748
Other county officials	9,711	-	-	-
Receivables:				
Property tax:				
Delinquent	-	2,096	4,356	12,157
Succeeding year	-	119,000	297,000	751,000
Accounts	256	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Drainage assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	59	147	406
<b>Total assets</b>	<b>\$ 9,967</b>	<b>123,526</b>	<b>372,158</b>	<b>777,311</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	303	-
Salaries and benefits payable	-	-	5,048	-
Due to other funds	2,265	-	-	-
Due to other governments	7,702	123,526	354,728	777,311
Compensated absences	-	-	12,079	-
<b>Total liabilities</b>	<b>\$ 9,967</b>	<b>123,526</b>	<b>372,158</b>	<b>777,311</b>

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
105,652	4,811	32,832	14,360	3,987	222,117	15,791	486,324
-	-	-	-	-	-	-	9,711
92,871	4,254	25,378	4,274	-	-	398	145,784
5,680,000	534,000	2,428,000	218,000	-	-	10,000	10,037,000
-	-	-	-	-	-	7,331	7,587
-	-	-	-	15,514	-	-	15,514
-	-	-	-	129,043	-	-	129,043
-	-	-	-	-	-	20,074	20,074
-	-	-	-	-	-	2,265	2,265
2,851	122	2,016	214	-	-	3,679	9,494
<b>5,881,374</b>	<b>543,187</b>	<b>2,488,226</b>	<b>236,848</b>	<b>148,544</b>	<b>222,117</b>	<b>59,538</b>	<b>10,862,796</b>
-	-	-	-	-	-	-	303
-	-	-	-	-	-	-	5,048
-	-	-	-	-	-	-	2,265
5,881,374	543,187	2,488,226	236,848	148,544	222,117	59,538	10,843,101
-	-	-	-	-	-	-	12,079
<b>5,881,374</b>	<b>543,187</b>	<b>2,488,226</b>	<b>236,848</b>	<b>148,544</b>	<b>222,117</b>	<b>59,538</b>	<b>10,862,796</b>

Guthrie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	County Hospital
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 18,263	134,058	293,709	824,490
Additions:				
Property and other county tax	-	119,167	291,934	702,516
State tax credits	-	7,828	16,292	45,461
Office fees and collections	287,904	-	1,028	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	32,961	-	-	-
Miscellaneous	-	53	340	307
Total additions	320,865	127,048	309,594	748,284
Deductions:				
Agency remittances:				
To other funds	182,396	-	-	-
To other governments	113,804	137,580	231,145	795,463
Trusts paid out	32,961	-	-	-
Total deductions	329,161	137,580	231,145	795,463
Balances end of year	\$ 9,967	123,526	372,158	777,311

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	Special Assessments	Auto License and Use Tax	Other	Total
5,925,509	542,486	3,139,079	235,689	152,587	222,897	53,080	11,541,847
5,807,206	263,403	996,302	1,277,899	-	-	12,294	9,470,721
349,244	15,888	133,443	30,109	-	-	371	598,636
-	-	-	-	-	-	184,510	473,442
-	-	-	-	-	2,708,159	-	2,708,159
-	-	-	-	33,348	-	27,306	60,654
-	-	-	-	-	-	6	32,967
2,370	108	2,731	26	-	-	127,448	133,383
6,158,820	279,399	1,132,476	1,308,034	33,348	2,708,159	351,935	13,477,962
-	-	-	-	-	103,227	-	285,623
6,202,955	278,698	1,783,329	1,306,875	37,391	2,605,712	345,477	13,838,429
-	-	-	-	-	-	-	32,961
6,202,955	278,698	1,783,329	1,306,875	37,391	2,708,939	345,477	14,157,013
5,881,374	543,187	2,488,226	236,848	148,544	222,117	59,538	10,862,796

**Schedule 5**

## Guthrie County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 3,308,558	2,023,158	2,056,844	2,316,548
Interest and penalty on property tax	47,257	36,371	57,327	43,333
Intergovernmental	4,506,027	4,103,546	5,020,284	6,640,217
Licenses and permits	33,060	27,877	26,736	20,515
Charges for service	645,368	579,604	493,553	470,165
Use of money and property	190,087	171,266	229,775	465,944
Fines, forfeitures and defaults	-	7,491	11,108	16,108
Miscellaneous	199,279	225,244	577,836	190,931
Total	\$ 8,929,636	7,174,557	8,473,463	10,163,761
Expenditures:				
Operating:				
Public safety and legal services	\$ 813,388	858,199	834,772	772,779
Physical health and social services	972,204	1,037,535	988,770	937,552
Mental health	1,188,315	1,155,757	1,235,295	1,101,745
County environment and education	894,099	838,822	2,874,990	3,461,949
Roads and transportation	2,959,480	3,035,064	2,612,826	3,252,908
Governmental services to residents	313,206	308,926	291,620	267,188
Administration	697,703	873,594	978,609	620,709
Non-program	10,164	-	1,000	-
Debt service	304,272	106,220	63,770	-
Capital projects	514,861	1,042,239	193,735	532,422
Total	\$ 8,667,692	9,256,356	10,075,387	10,947,252

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Guthrie County:

We have audited the financial statements of Guthrie County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 5, 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 Guthrie 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 (1), (2), (5) and (11).

Internal Control Over Financial Reporting

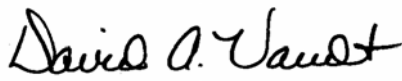
In planning and performing our audit, we considered Guthrie County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 Guthrie 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 (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (C).

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 5, 2004

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

	Applicable Offices
(1) Receipts - listing of mail receipts, collecting, depositing, posting and daily reconciling	Treasurer, Sheriff, Recorder and Transfer Station/Landfill
(2) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash	Treasurer, Sheriff, and Recorder
(3) Investments - The person responsible for the detailed record keeping of investments is also the custodian of the investments.	Treasurer
(3) Disbursements - processing of vouchers, check or warrant writing, signing, posting and reconciling.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Treasurer – I felt that the auditors were very thorough and very helpful and patient in answering all my questions. I also feel that their recommendations were fair; but with limited staff sometimes its difficult for everyone to trade off jobs. I will try and follow auditor’s recommendations.

Guthrie County

Schedule of Findings

Year ended June 30, 2004

County Sheriff – Because of our small office this works out best for us and we have not had any problems with this procedure.

Recorder – We're a small office with budget restraints so I can't hire additional staff. Will continue to analyze to see if duties can be segregated.

Transfer Station/Landfill – Obviously, with only one employee in the Transfer Station office it is difficult to have much segregation of duties. The Treasurer's Office does return on deposit records to my office for review before I return them to the Station. This does provide some level of oversight.

Conclusion – Responses acknowledged. For those offices with limited staff, other County personnel could be used to provide additional control through review of financial transactions. Also, the reviews performed by an independent person should be evidenced by initials or signature of the reviewer and the date of review.

- (B) Information System – The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Procedures to ensure critical files which reside on individual computer hard drives are backed up on a regular basis.
- A written disaster recovery plan.

Recommendation – The County should review its control activities and policies in its information system to determine appropriate controls or policies are implemented for each item presented above.

Response – The County will review its policies and update as necessary.

Conclusion – Response accepted.

- (C) Transfer Station/Landfill – Accounts receivable are not consistently reconciled against load tickets and payments made. Also, the change fund is not properly reconciled back to its established balance when deposits are made.

Recommendation – Accounts receivable should be consistently tracked and reconciled to load tickets and payments made. To safeguard cash and increase funds available for investment, the change fund should be reconciled to its established balance when deposits are made.

Response – We realize this has been an on-going problem. We now have a Quicken program for the office. This should be fully implemented by the end of the year. These things take time with only one person in the office and little spare time. With the new Auditor in after January, who can help us set this up, we should be able to get her the proper training on procedures to improve on this.

Conclusion – Response accepted.

Guthrie 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, except as follows:

Office	Depository	Maximum Authorized Deposit
County Sheriff	Guthrie County State Bank	\$15,000

Recommendation – A new resolution in an amount sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – The state grant will go through the treasurer’s office from this point on.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the roads and transportation, governmental services to residents, non-program and debt service functions. Disbursements in two departments exceeded the amount appropriated and one other department exceeded the amount appropriated prior to the amendment on May 25, 2004.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Response – The Board of Supervisors will do better next year.

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.

Guthrie County

Schedule of Findings

Year ended June 30, 2004

- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Charles Cleveland, employee	Matron duty	\$ 20 (a)
Jeremy Bennett, employee	Mowing for County	195 (a)
Rick Kness, employee	Mowing for County	60 (a)
Jerry Cook, employee	Mowing for County	330 (a)
Larry Long, employee	Mowing for County	210 (a)
Kenneth Burns, employee	Mowing for County	250 (a)
Brock Robson, employee	Mowing for County	140 (a)
John Wallace, employee	Mowing for County	75 (a)
Mike Brooks, employee	Mowing for County	300 (a)
Kurt Sperry, employee	Tool rent	580 (a)
Roger Baird, employee, wife is Marie Baird	Matron duty	35 (a)
Lillian Gilson, employee, son is owner of Gilson Construction	Snow removal	610 (a)
Larry Laughery, supervisor, brother is owner of Laughery Auctions	Auction of Landfill equipment	140 (a)
Cheryl Jensen, employee, spouse is owner of Jensen Sanitation	Conservation garbage/sewer	1,210 (a)
Betty Hansen, employee	Matron duty	9,243 (b)
Stephan Eischeid, employee, father of Austin Eischeid	Roadside mowing	5,718 (b)
Amy Badger, employee, husband is owner of Badger Sanitation	Garbage pickup	2,090 (b)

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

The transactions designated with a (b) may represent a conflict of interest since the total transactions exceeded \$1,500 during the fiscal year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Legal counsel will review these transactions.

Conclusion – Response accepted.

- (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 the coverage is adequate for current operations.

Guthrie County

Schedule of Findings

Year ended June 30, 2004

- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on November 13, 2003. The minutes record did not site the specific Code exemption allowing a closed session as required by Chapter 21 of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – The minutes will reflect the code section next time.

Conclusion – Response accepted.

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsection (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) Deficit Fund Balance – The Mental Health Fund had a deficit fund balance of \$114,517 at June 30, 2004.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The County is currently addressing the deficit. We increased the mental health levy for fiscal year 2005 and will levy 100% of the maximum amount for fiscal years 2006 and 2007. As part of our plan, we expect to have established a positive fund balance by the end of fiscal year 2006.

Conclusion – Response accepted.

- (12) Economic Development – During the year ended June 30, 2004, the County paid \$9,611 to the West Central I-80 Development Corporation which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

Guthrie County

Schedule of Findings

Year ended June 30, 2004

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – The County currently funds various economic development projects. In the future, we will document the reasoning behind this funding more thoroughly in the Board minutes.

Conclusion – Response accepted.

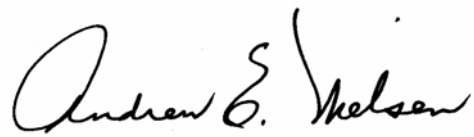
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Guthrie County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Brian R. Brustkern, CPA, Senior Auditor II  
Mary Crystal A. Berg, CPA, Staff Auditor  
Scott P. Boisen, Assistant Auditor  
Scott D. Trauger, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State