



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 28, 2006

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

The County had local tax revenue of \$28,678,857 for the year ended June 30, 2005, which included \$1,438,712 in tax credits from the state. The County forwarded \$23,013,620 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,665,237 of the local tax revenue to finance County operations, a 1.4% increase from the prior year. Other revenues included charges for service of \$3,365,182, operating grants, contributions and restricted interest of \$4,497,469, capital grants, contributions and restricted interest of \$821,039, local option sales tax of \$721,231, unrestricted investment earnings of \$144,280 and other general revenues of \$319,486.

Expenses for County operations totaled \$14,860,889, an 8.8% increase over the prior year. Expenses included \$5,117,356 for roads and transportation, \$2,341,752 for mental health and \$2,126,146 for public safety and legal services.

A copy of the audit report is available for review at the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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BOONE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

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Boone County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
David W. Reed	Board of Supervisors	Jan 2005
Albert G. Sorenson	Board of Supervisors	Jan 2005
Mike O'Brien	Board of Supervisors	Jan 2007
Philippe Meier	County Auditor	Jan 2005
L. Cheryl Hunter	County Treasurer	Jan 2007
Sheryl Thul	County Recorder	Jan 2007
Ronald Fehr	County Sheriff	Jan 2005
Jim Robbins	County Attorney	Jan 2007
Kathleen A. Anderson	County Assessor	Jan 2007
(After January 2005)		
Mike O'Brien	Board of Supervisors	Jan 2007
David W. Reed	Board of Supervisors	Jan 2009
Albert G. Sorenson	Board of Supervisors	Jan 2009
Philippe Meier	County Auditor	Jan 2009
L. Cheryl Hunter	County Treasurer	Jan 2007
Sheryl Thul	County Recorder	Jan 2007
Ronald Fehr	County Sheriff	Jan 2009
Jim Robbins	County Attorney	Jan 2007
Kathleen A. Anderson	County Assessor	Jan 2007

Boone County



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Independent Auditor's Report

To the Officials of Boone County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Boone County's management. Our responsibility is to express opinions on these financial statements based on our audit.

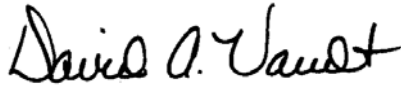
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Boone County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

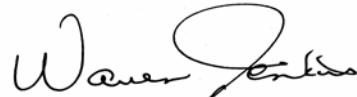
In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2005 on our consideration of Boone County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 19 and 54 through 57 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 28, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boone County provides this Management's Discussion and Analysis of the Boone County FY2005 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped that this section will assist you in understanding the events that significantly affected the financial position of Boone County as a whole.

This is the third year Boone County has been required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. This year's financial information will be compared to FY2004 information.

FISCAL YEAR 2005 FINANCIAL HIGHLIGHTS

- Boone County's governmental funds revenue increased by \$1,557,979, or 13%, compared to FY2004. Taxes levied on property and other County tax increased \$74,854, or 1.2%, from FY2004.
- Boone County's governmental funds expenditures increased \$1,829,846, or 15.2%, compared to FY2004. Capital project expenditures were \$1,198,241 more than in FY2004.
- Boone County's net assets increased approximately \$673 thousand over FY2004.

USING THIS ANNUAL REPORT

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

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

The financial statements also include notes to explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of Boone County's budget for FY2005. Other supplementary information provides detailed information about nonmajor governmental funds and agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

Boone County has three types of funds:

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

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

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

BOONE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Boone County's net assets for FY2005 totaled \$31,846,917. Net assets on June 30, 2004 were \$31,173,882. Net assets increased 2.2% as a result of FY2005 Boone County operations.

Net Assets of Boone County Activities						
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 12,010,163	11,774,213	2,804,437	2,578,280	14,814,600	14,352,493
Capital assets	26,169,535	25,639,232	2,528,286	2,610,560	28,697,821	28,249,792
Total assets	<u>38,179,698</u>	<u>37,413,445</u>	<u>5,332,723</u>	<u>5,188,840</u>	<u>43,512,421</u>	<u>42,602,285</u>
Long-term liabilities	4,058,164	4,286,961	1,376,645	1,068,491	5,434,809	5,355,452
Other liabilities	6,140,833	5,585,682	89,862	487,269	6,230,695	6,072,951
Total liabilities	<u>10,198,997</u>	<u>9,872,643</u>	<u>1,466,507</u>	<u>1,555,760</u>	<u>11,665,504</u>	<u>11,428,403</u>
Net assets:						
Invested in capital assets, net of related debt	22,375,718	21,616,468	2,348,786	2,610,560	24,724,504	24,227,028
Restricted	3,398,261	3,906,240	116,988	109,625	3,515,249	4,015,865
Unrestricted	<u>2,206,722</u>	<u>2,018,094</u>	<u>1,400,442</u>	<u>912,895</u>	<u>3,607,164</u>	<u>2,930,989</u>
Total net assets	<u>\$ 27,980,701</u>	<u>27,540,802</u>	<u>3,866,216</u>	<u>3,633,080</u>	<u>31,846,917</u>	<u>31,173,882</u>

Net assets increased by \$673,035, or 2.2%, compared to FY2004. The largest portion of Boone County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment) less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets since they are unavailable for spending. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they may be used. Unrestricted net assets – the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements – is \$3,607,164. Unrestricted net assets increased \$676,175, or 23.1%, as a result of FY2005 operations.

The following table entitled “Changes in Net Assets of Boone County Activities” compares in greater detail the changes in activity. Looking at the County as a whole, revenues decreased approximately 1.9% and expenditures increased approximately 8.8%. The reduction in capital grants is because the County did not have any IDOT Farm to Market fund activity in FY2005 compared to in excess of \$2 million in FY2004. Program expense increases include a 4.8% increase in public safety and legal services, a 16.7% increase in mental health, an 8.2% increase in roads and transportation, a 14.9% increase in County administration, and an 8.2% increase in solid waste expenditures.

	Changes in Net Assets of Boone County Activities					
	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 1,438,566	1,509,823	1,926,616	1,767,637	3,365,182	3,277,460
Operating grants, contributions and restricted interest	4,497,469	3,888,073	-	-	4,497,469	3,888,073
Capital grants, contributions and restricted interest	821,039	2,135,925	-	-	821,039	2,135,925
General revenues:						
Property tax - general purpose	5,045,407	4,908,648	-	-	5,045,407	4,908,648
Property tax - debt service	315,721	408,341	-	-	315,721	408,341
Penalty and interest on property tax	72,392	69,921	-	-	72,392	69,921
State tax credits	304,109	272,634	-	-	304,109	272,634
Local option sales tax	721,231	673,041	-	-	721,231	673,041
Grants and contributions not restricted to specific purposes	26,512	26,142	-	-	26,512	26,142
Unrestricted investment earnings	121,771	82,558	22,509	16,968	144,280	99,526
Gain on sale of capital assets	-	11,247	40,500	-	40,500	11,247
Miscellaneous	180,082	57,601	-	10,201	180,082	67,802
Total revenues	13,544,299	14,043,954	1,989,625	1,794,806	15,533,924	15,838,760
Program expenses:						
Public safety and legal services	2,126,146	2,029,006	-	-	2,126,146	2,029,006
Physical health and social services	584,149	597,127	-	-	584,149	597,127
Mental health	2,341,752	2,005,825	-	-	2,341,752	2,005,825
County environment and education	805,826	778,898	-	-	805,826	778,898
Roads and transportation	5,117,356	4,730,139	-	-	5,117,356	4,730,139
Governmental services to residents	512,157	477,316	-	-	512,157	477,316
Administration	1,432,442	1,247,211	-	-	1,432,442	1,247,211
Interest on long-term debt	184,572	173,964	-	-	184,572	173,964
Solid waste	-	-	1,756,489	1,622,644	1,756,489	1,622,644
Total expenses	13,104,400	12,039,486	1,756,489	1,622,644	14,860,889	13,662,130
Increase in net assets	439,899	2,004,468	233,136	172,162	673,035	2,176,630
Net assets beginning of year	27,540,802	25,536,334	3,633,080	3,460,918	31,173,882	28,997,252
Net assets end of year	\$ 27,980,701	27,540,802	3,866,216	3,633,080	31,846,917	31,173,882

The amounts reported for governmental activities in the Governmental Funds Balance is different than the Statement of Net Assets because:

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	
Total Governmental Fund Balances	\$ 5,735,741
Capital assets used in governmental activities are not current financial recourses and, therefore, are not reported in the funds. The cost of assets is \$45,564,294 and the accumulated depreciation is \$19,394,759.	26,169,535
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	157,171
Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in funds.	<u>(4,081,746)</u>
Net Assets of Governmental Activities	<u>\$ 27,980,701</u>

Boone County's property tax base decreased significantly in FY2005 because of a State ordered ag land taxable value reduction of 35%. County-wide taxable value declined 14% and County rural taxable value declined nearly 20%. The decline in value forced the County General Fund levy above the general basic \$3.50 levy for the first time since the mental health fund was created in the early 1990's. The total County-wide levy increase was approximately \$0.79 per \$1,000 of valuation. The total increase in dollars levied County-wide was approximately \$26,000. The majority of County-wide levy rate increase was driven by the valuation decrease.

The rural County levy rate increased by approximately \$0.55 per \$1,000 of valuation. However, the same amount of tax dollars were levied for FY2004 and FY2005.

A decrease in property tax base has the potential of putting a governmental entity in financial harm. Boone County was fortunate to be able to levy enough property tax to remain stable and maintain the essential services County residents expect and deserve. See detail on property taxes in the following table:

	Property Taxes Levied	
	FY2005	FY2004
County-wide taxable value	\$ 816,135,314	953,903,115
County-wide levy rate without debt	4.89569	4.05759
Dollars levied without debt	3,995,548	3,870,548
County-wide taxable debt service value	852,264,262	977,191,723
County debt service levy rate	0.39130	0.44254
Dollars levied for debt service	333,495	432,450
Total county-wide rate	5.28699	4.50013
Total dollars levied county-wide	4,329,043	4,302,998
Rural taxable value	483,017,176	602,819,463
Rural tax levy rate	2.73960	2.19514
Dollars levied rural area only	1,323,272	1,323,272
Total dollars levied	5,652,315	5,626,270

Governmental Activities

This is the third year Boone County is required to prepare financial statements on a full accrual basis. Management will analyze and compare revenues and expenditures detailing percentage increases or decreases and attempt to explain the reasons they occurred.

- A decrease in property tax base is an indication the economy in general may be weak. The decrease in value in Boone County is a direct result of the productivity formula used to value agricultural land. The January 1, 2003 agricultural land values certified, for property taxes collected in FY2005, were ordered by the State of Iowa to be reduced 35% in Boone County. While the taxable value of Boone County agricultural land went from approximately \$1,000 per acre to \$640 per acre, its fair market value increased from \$2,883 in November 2003 to \$3,284 in November 2004 according to the ISU land survey. This value decrease did not put the County in jeopardy as it was able to adjust property tax rates to raise the revenue needed to maintain service.
- Revenues for governmental activities were \$13,544,299 in FY2005, which is a 3.6% reduction compared to FY2004. Expenses for governmental activities amounted to \$13,104,400, an increase of 8.8% compared to FY2004. In a difficult budgeting year, Boone County did a remarkable job trimming expenses to match available revenues, noting the net increase in net assets was \$439,899 for governmental activities in FY2005.
- The local option sales tax revenue of \$721,231 contributed greatly to the increase in net assets of the governmental activities. Boone County uses 75% of the sales tax revenue to reduce property taxes in the Special Revenue, Rural Services Fund. The remaining 25% of the tax is spent for community betterment projects throughout the County. However, it is noted here the revenue received from local option sales tax increased by 7.2% compared to FY2004. The County believes the local option sales tax revenue indicates the relative economic strength of the local business economy.

Net Cost of Governmental Activities

Function	Expenses	Program Revenues			FY2005 Net Expense or (Revenue)	FY2004 Net Expense or (Revenue)
		Charges for Service	Operating and Capital Grants and Contributions			
Public safety and legal services	\$ 2,126,146	335,154	16,697	1,774,295	1,622,960	
Physical health and social services	584,149	16,619	194,350	373,180	335,231	
Mental health	2,341,752	29,849	1,452,878	859,025	959,521	
County environment and education	805,826	391,743	6,705	407,378	426,800	
Roads and transportation	5,117,356	200,483	3,646,770	1,270,103	(170,537)	
Governmental services to residents	512,157	456,575	-	55,582	(28,684)	
Administration	1,432,442	8,143	1,108	1,423,191	1,186,410	
Interest on long-term debt	184,572	-	-	184,572	173,964	
Total	\$ 13,104,400	1,438,566	5,318,508	6,347,326	4,505,665	

- The cost of all governmental activities this year was \$13,104,400, up \$1,064,914, or 8.8%, from FY2004.
- The portion of the cost financed by users of Boone County programs through charges for service was \$1,438,566, down \$71,257, or 4.7%, compared to FY2004.
- The federal and state government and private contributors subsidized certain programs with operating and capital grants and contributions totaling \$5,318,508, down 11.7% compared to FY2004. Boone County received farm to market funding of over \$2 million in FY2004 and none in FY2005.
- The net cost of governmental activities was financed with general revenues, including property tax related revenue of \$5,737,629, local option sales tax of \$721,231, unrestricted grants and contributions of \$26,512, unrestricted investment earnings of \$121,771, and other miscellaneous income of \$180,082. The total general revenues for FY2005 were \$6,787,225, up \$277,092, or 4.3%, compared to FY2004.

Business Type Activities

Function	Expenses	Program	FY2005 Net	FY2004 Net
		Revenue		
		Charges	Expense or	Expense or
		for	(Revenue)	(Revenue)
		Service		
Solid Waste	\$ 1,756,489	1,926,616	(170,127)	144,993

Revenues of the Boone County Landfill increased 10.9% to \$1,989,625 because of increased tonnage received while expenses increased 8.2% to \$1,756,489. The County landfill is Boone County's only business type activity. Revenues of the landfill include charges for service, the Iowa Department of Natural Resources Ground Water Tax (local share) and interest on investments.

- In FY2005, the Boone County Landfill continued to focus on improving its programs and services. No new landfill cells needed to be constructed. Landfill staff began closing old Area C by placing an engineered cap over the cell. Construction of the cap will be completed by summer of 2007.
- A second landfill compactor was added to benefit operations and air-space management by retaining an older machine when another unit was acquired at the end of FY2004. The landfill also hired an additional operator at the end of FY2004.
- Through its "Keep Boone County Beautiful" program, Boone County participated as a pilot county in the "Take a Stand for Your Land" program to combat illegal dumping. This program utilized print and radio ads to raise public awareness. It also sought to coordinate the enforcement activities of various agencies throughout the County. The radio ads were honored by receiving a 2005 Silver Microphone Award in the category of public service (national).

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

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

The financial performance of Boone County as a whole is reflected in its governmental funds as well. As Boone County completed the year, its governmental funds reported combined fund balances of \$5,735,741, 5% lower than last year's total of \$6,035,870.

General Fund		
	FY2005	FY2004
Beginning fund balance	\$ 1,734,181	1,481,538
Property tax related	3,016,473	3,008,068
Local option sales tax	183,244	174,293
Intergovernmental	601,739	704,466
Permits and charges for service	932,899	881,407
Interest and use of property	141,453	106,282
Miscellaneous	23,563	79,655
Total revenue	4,899,371	4,954,171
Public safety and legal services	2,102,641	1,994,648
Physical health and social services	583,588	597,127
County environment and education	492,155	481,031
Governmental services to residents	87,106	85,455
Administration	384,067	384,235
Non-program	1,202,257	1,064,871
Transfers to other funds	27,150	94,161
Total expenditures and transfers	4,878,964	4,701,528
Ending fund balance	\$ 1,754,588	1,734,181

Total dollars from property tax revenue increased .3%. The dollars levied were \$3,116,572 in both fiscal years. Local option sales tax revenue increased 5.1%, intergovernmental revenue decreased 14.6%, revenue from user fees increased 5.8%, and interest and use of property increased 33%. Total revenue decreased by 1.1%.

Total expenditures and transfers increased by 3.8%, or \$177,436, compared to FY2004. Public safety and legal services had an increase of \$107,993, or 5.4%. Non-program increased \$137,386, or 12.9% compared to FY2004.

Special Revenue Funds

Mental Health Fund		
	FY2005	FY2004
Beginning fund balance	\$ 74,139	282,414
Property tax related	832,246	749,073
Property tax relief payment	733,009	733,008
Other intergovernmental	763,966	314,547
Miscellaneous	11,974	922
Total revenue	2,341,195	1,797,550
Mental illness	156,492	258,499
Chronic mental illness	781,216	544,879
Mental retardation	1,398,728	1,194,141
Developmental disability	5,316	8,306
Total expenditures	2,341,752	2,005,825
Ending fund balance	\$ 73,582	74,139

Boone County levied \$753,946 for FY2004, which was \$125,000 less than the maximum levy established by the Mental Health Fund base year calculation. The FY2005 levy was \$878,976, which is the established County maximum levy. The FY2004 ending fund balance was 3.7% of FY2004 expenditures, which qualified the County for an additional \$449,419 of revenue supplied by the State of Iowa compared to FY2004. Boone County experienced a 16.7% increase in expenditures for service. The FY2005 ending fund balance represents 3.1% of FY2005 expenditures.

Rural Services Fund		
	FY2005	FY2004
Beginning fund balance	\$ 368,793	264,751
Property tax related	1,254,388	1,255,036
Local option sales tax	549,733	522,880
Intergovernmental	70,118	61,956
Permits and charges for service and miscellaneous	16,021	18,384
Total revenue	1,890,260	1,858,256
County environment and education	272,217	266,783
Governmental services to residents	1,120	1,180
Transfers to other funds	1,429,727	1,486,251
Total expenditures and transfers	1,703,064	1,754,214
Ending fund balance	\$ 555,989	368,793

Property tax levied for FY2005 was unchanged at \$1,323,272 compared to FY2004.

1) The local effort for secondary roads was increased from 82% to 90% because of significant drop in the County valuation.

2) Boone County expected local option sales tax revenue to decrease because of the economic forecast for the State of Iowa to \$425,000. Local option sales tax receipts increased 5.1% compared to FY2004.

Total property tax related revenue is less than the dollars transferred to Secondary Roads by \$175,339, which means local option sales tax pays for all of the services in the Rural Services Fund and part of the road expenses.

The Board of Supervisors is intentionally allowing the Rural Services Fund balance to increase so if local option sales tax revenue declines significantly; the County will still be able to meet the local match requirements for Secondary Roads. The current fund balance is 32.6% of expenditures and transfers. The fund balance percentage for FY2004 was 21%.

Secondary Roads Fund		
	FY2005	FY2004
Beginning fund balance	\$ 3,147,265	2,967,076
State fuel tax and other state revenue	3,561,835	2,757,345
Charges for services and miscellaneous	309,646	98,305
Sale of capital assets	5,300	1,400
Transfers from other funds	1,429,727	1,579,814
Total revenue and transfers	5,306,508	4,436,864
Secondary road maintenance	3,990,145	3,581,862
Secondary road construction	1,758,627	674,813
Total expenditures	5,748,772	4,256,675
Ending fund balance	\$ 2,705,001	3,147,265

Secondary Roads Fund revenue and transfers increased by 19.6% compared to FY2004. The decrease in transfers was caused by the County-wide decreased valuation and the local effort calculation was increased from 82% to 90%. Road use tax increased 29.2% compared to FY2004 as the State is now forwarding use tax monies that formerly went to small cities for extensions of farm to market roads within corporate limits. Boone County is forwarding most of these additional funds back to those cities through 28E agreements.

Secondary Roads Fund expenditures increased by \$1,492,097, or 35.1%, compared to FY2004. Expenditures for roadway construction increased \$1,083,814 due to completion of Arboretum Road and Reddish addition projects.

Total ending fund balance compared to total expenditures decreased to 47.1% in FY2005 compared to 73.9% in FY2004.

Debt Service Fund		
	FY2005	FY2004
Beginning fund balance	\$ 34,706	14,838
Property tax related	315,151	408,413
Intergovernmental	17,899	21,263
General obligation bond proceeds	-	4,880,061
Transfers from other funds	100,000	433,300
Total revenue and transfers	433,050	5,743,037
Principal	283,750	689,785
Interest	149,845	116,066
Bond refinancing costs	-	37,257
General obligation bond refunding	-	4,880,061
Total expenditures and uses	433,595	5,723,169
Ending fund balance	\$ 34,161	34,706

The Debt Service Fund accumulates resources and pays the principal and interest for the County's bonds for the jail project and a loan from the City of Boone that helped finance the renovation of the Boone County Fair Community Building in 1994. The original jail bond was refinanced August 1, 2003 using \$433,300 of remaining jail project funds. The principal balance of the refunding jail bond is \$3,793,817. The final payment for \$18,750 was made to the City of Boone in FY2005.

BUSINESS TYPE FUND HIGHLIGHTS

- FY2005 was the Boone County Landfill's 35th year of operations. As demonstrated by IDNR inspection and engineering reports, the landfill is operated well beyond the minimum standards required for regulatory compliance.
- Staff and the landfill's engineering team continue to identify methods and strategies to increase productivity and efficiency. This has resulted in maintaining tipping and processing fees at a static level.
- FY2005 was a year in which the Landfill was in a position to contain costs, resulting in a positive net financial position. This occurred even though a budgetary deficit had been projected for FY2005.
- FY2005 included continued improvement of our already extensive erosion control program; increasing the effectiveness of our solid waste and recycling education programs; and providing excellent household hazardous waste services. The availability of household hazardous waste services through the satellite facility was greatly increased through the training of three operators to assist administrative staff in managing the program.

Landfill Operations Fund:

Revenues: Landfill fees charged to its customers did not increase for FY2005. However, revenue was up 9.5% to \$1,923,320 compared to FY2004 due to increased activity.

Expenses: Operating expenses increased 8.5% compared to FY2004. Salary and benefit expenses increased by 18.4% to \$439,726. The landfill operation staffing was increased by one operator position. Fuel expenses increased by 73% and reflect the additional earth moving done by landfill staff and increased fuel costs. Depreciation expense increased 7.7% to \$343,999. There were no expansion project expenses for FY 2005 compared to \$204,255 for FY2004.

Landfill Closure/Postclosure Fund:

Revenues: Payments from the Landfill Operations Fund made annually are the funding source for the Closure/Postclosure Fund. The Operations Fund contributed \$155,000 from FY2005 operations. Interest earned is reinvested in the fund. Total assets of this fund are \$1,537,771, with the total projected liability for closure/postclosure being \$1,183,230. Current funding exceeds the estimated liability by \$354,541.

Expenses: This fund is in the midst of its "pay-in" period. No closure/postclosure costs were expended from this fund during FY2005.

The original areas of the landfill (A, B and C) are fully funded for closure/post-closure.

Ground Water Tax Fund (Local Portion of Tip Fee Surcharge):

Revenues: This fund accounts for the amount the Boone County Landfill is allowed to retain from the State tipping fee surcharge. Actual revenue for this fund is tied to the actual tonnage received by the landfill.

Expenses: Expenses included funding for:

- Recyclables processing carried out by Genesis Development and Good Connections.
- Educational materials.
- The annual updating of our financial assurance funding study.

BUDGETARY HIGHLIGHTS

On May 18, 2005, the County Board of Supervisors amended the original FY 2005 budget for the following:

- Increased intergovernmental receipts by \$411,575 for additional mental health funding from the State of Iowa that was not expected in original budget.
- Increased charges for services by \$7,793 to reflect additional receipts received in the County Recorder's Records Management and Electronic Transaction Fee Funds.
- Increased use of money and property by \$500 to reflect additional interest on funds itemized above.
- Increased proceeds from the sale of capital assets by \$164,000 to reflect the sale of County Home farm buildings and surrounding 57 acres.
- Increased mental health disbursements by \$247,000.
- Increased governmental services to residents disbursements by \$12,000 to reflect needs in the County Recorder's Records Management and Electronic Transaction Fee Funds.
- Increased debt service disbursements by \$350 to pay \$250 budgeted in FY2004 but paid in FY2005 and to pay increased electronic bond payment fees.
- Increased capital projects disbursements by \$164,000 to cover expenses of demolishing the former Boone County Home.
- Increased July 1, 2004 fund balance by \$1,723,710 to reflect actual cash balance on July 1, 2004.

CAPITAL ASSETS

Boone County concluded FY2005 with \$28,697,821 invested (net of depreciation) in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, roads and bridges. GASB 34 requires infrastructure and other capital assets to be depreciated according to a capital asset policy. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

LONG TERM DEBT

Boone County issued general obligation bonds of \$4,835,000 for the purpose of refinancing the original jail project bonds in FY2004. The County's bond rating for the refinancing issue is Aa3. The bond rating firm requires a higher ending fund balance than the County has determined necessary to receive a higher bond rating. The June 30, 2005 balance due on the refunding jail bond issue is \$3,793,817.

Boone County made the final payment on a long term loan from the City of Boone that helped finance the renovation of the Boone County Fair Community Building in 1994. This loan was paid in full at June 30, 2005. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

FACTORS BEARING ON THE FUTURE

Boone County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees that partially finance the various county services. One of those factors is the economy. Boone County's employment (number of persons working) has increased from an average of 13,500 in the mid 1990's to an average of 14,500 for calendar year 2004. The average Boone County unemployment rate for 1998 was 2.3%.

Unemployment in Boone County on June 30, 2005 was 3.7% versus 3.8% a year before. This compares with the State's unemployment rate of 4.7% for the period ended June 30, 2005.

The State of Iowa's modest financial condition and relatively flat revenue projection continue. The County has projected substantially stable revenues from the State and has asked taxpayers to fund the County budget at the same levels as FY2005. The actual dollar increase from FY2005 to FY2006 is \$8,400.

The above factors were all part of the considerations for the FY 2006 budget which certified taxes as follows: (Amount certified includes utility replacement and property tax dollars)

	Dollars Certified	Percentage Increase (Decrease)
General Fund	\$ 3,116,572	0.00%
Mental Health Fund	878,976	0.00%
Debt Service Fund	341,895	2.50%
Rural Services Fund	1,323,272	0.00%
Total	<u>\$ 5,660,715</u>	<u>0.15%</u>

No new services were added in the FY2006 budget. Levy rates (expressed in \$/\$1,000 taxable valuation) to produce the above dollars for FY 2006 are as follows:

General Basic Fund	\$ 3.50000
General Supplemental Fund	0.24358
Mental Health Fund	1.05581
Debt Service Fund	0.39510
Rural Services Basic Fund	2.68935

Boone County has been fortunate there has been continued new construction and economic growth in the community to help offset the growth in demands for county services. For FY2005, the taxable value of agricultural land was reduced by 35% according to the use formula that determines the taxable value of agricultural land. The agricultural land reduction eliminated all growth and new construction value. In fact, it reduced taxable value County-wide by about 12.8%. FY2006 Boone County taxable valuation grew by approximately \$13 million, or 1.5%, compared FY2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Boone County citizens, taxpayers, customers, investors and creditors with a general overview of Boone County's finances and to demonstrate Boone County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Boone County Auditor's Office, 201 State Street, Boone, Iowa 50036.

Boone County

Basic Financial Statements

Boone County

Boone County
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 5,403,835	1,013,670	6,417,505
Cash and pooled investments - restricted	-	1,611,138	1,611,138
Receivables:			
Property tax:			
Delinquent	26,196	-	26,196
Succeeding year	5,365,000	-	5,365,000
Interest and penalty on property tax	28,271	-	28,271
Accounts	40,502	148,095	188,597
Accrued interest	3,520	26,677	30,197
Road assessments:			
Current	18,128	-	18,128
Noncurrent	59,446	-	59,446
Due from other governments	428,747	-	428,747
Inventories	576,369	-	576,369
Prepaid insurance	60,149	4,857	65,006
Capital assets (net of accumulated depreciation)	26,169,535	2,528,286	28,697,821
Total assets	38,179,698	5,332,723	43,512,421
Liabilities			
Accounts payable	372,933	50,451	423,384
Accrued interest payable	23,582	-	23,582
Salaries and benefits payable	80,683	8,854	89,537
Due from/to other funds	(3,422)	3,422	-
Due to other governments	302,057	27,135	329,192
Deferred revenue:			
Succeeding year property tax	5,365,000	-	5,365,000
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds	275,000	-	275,000
Capital lease purchase agreement	-	179,500	179,500
Compensated absences	264,347	13,915	278,262
Portion due or payable after one year:			
General obligation bonds	3,518,817	-	3,518,817
Estimated liability for landfill closure and postclosure care	-	1,183,230	1,183,230
Total liabilities	10,198,997	1,466,507	11,665,504
Net Assets			
Invested in capital assets, net of related debt	22,375,718	2,348,786	24,724,504
Restricted for:			
Supplemental levy purposes	672	-	672
Mental health purposes	76,021	-	76,021
Secondary roads purposes	2,644,457	-	2,644,457
Debt service	11,589	-	11,589
Law enforcement	53,102	-	53,102
Other purposes	612,420	116,988	729,408
Unrestricted	2,206,722	1,400,442	3,607,164
Total net assets	\$ 27,980,701	3,866,216	31,846,917

See notes to financial statements.

Boone County
Statement of Activities
Year ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 2,126,146	335,154	16,697	-
Physical health and social services	584,149	16,619	194,350	-
Mental health	2,341,752	29,849	1,452,878	-
County environment and education	805,826	391,743	6,705	-
Roads and transportation	5,117,356	200,483	2,825,731	821,039
Governmental services to residents	512,157	456,575	-	-
Administration	1,432,442	8,143	1,108	-
Interest on long-term debt	184,572	-	-	-
Total governmental activities	13,104,400	1,438,566	4,497,469	821,039
Business type activities:				
Solid waste	1,756,489	1,926,616	-	-
Total	\$ 14,860,889	3,365,182	4,497,469	821,039

General Revenues:

Property and other county tax levied for:
 General purposes
 Debt service
 Penalty and interest on property tax
 State tax credits
 Local option sales tax
 Grants and contributions not restricted to specific purpose
 Unrestricted investment earnings
 Gain on sale of capital assets
 Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,774,295)	-	(1,774,295)
(373,180)	-	(373,180)
(859,025)	-	(859,025)
(407,378)	-	(407,378)
(1,270,103)	-	(1,270,103)
(55,582)	-	(55,582)
(1,423,191)	-	(1,423,191)
(184,572)	-	(184,572)
(6,347,326)	-	(6,347,326)
-	170,127	170,127
(6,347,326)	170,127	(6,177,199)
5,045,407	-	5,045,407
315,721	-	315,721
72,392	-	72,392
304,109	-	304,109
721,231	-	721,231
26,512	-	26,512
121,771	22,509	144,280
-	40,500	40,500
180,082	-	180,082
6,787,225	63,009	6,850,234
439,899	233,136	673,035
27,540,802	3,633,080	31,173,882
\$ 27,980,701	3,866,216	31,846,917

Boone County
Balance Sheet
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,720,172	456,240	468,425	2,112,675
Receivables:				
Property tax:				
Delinquent	15,317	4,320	4,827	-
Succeeding year	2,954,000	833,000	1,253,000	-
Interest and penalty on property tax	28,271	-	-	-
Accounts	28,325	2,465	-	6,347
Accrued interest	3,520	-	-	-
Road assessments	-	-	-	77,574
Due from other funds	10,299	-	-	4,589
Due from other governments	89,822	-	114,857	224,068
Inventories	-	-	-	576,369
Prepaid insurance	28,338	-	-	31,811
Total assets	\$ 4,878,064	1,296,025	1,841,109	3,033,433
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 67,882	94,938	4,229	205,184
Salaries and benefits payable	36,989	-	-	43,694
Due to other funds	11,695	-	-	90
Due to other governments	7,784	292,066	-	1,890
Deferred revenue:				
Succeeding year property tax	2,954,000	833,000	1,253,000	-
Other	45,126	2,439	27,891	77,574
Total liabilities	3,123,476	1,222,443	1,285,120	328,432
Fund balances:				
Reserved for:				
Supplemental levy purposes	15,202	-	-	-
Debt service	-	-	-	-
Law enforcement purposes	53,102	-	-	-
Unreserved, reported in:				
General fund	1,686,284	-	-	-
Special revenue funds	-	73,582	555,989	2,705,001
Capital projects fund	-	-	-	-
Total fund balances	1,754,588	73,582	555,989	2,705,001
Total liabilities and fund balances	\$ 4,878,064	1,296,025	1,841,109	3,033,433

See notes to financial statements.

Debt Service	Nonmajor	Total
33,439	612,884	5,403,835
1,732	-	26,196
325,000	-	5,365,000
-	-	28,271
-	3,365	40,502
-	-	3,520
-	-	77,574
-	319	15,207
-	-	428,747
-	-	576,369
-	-	60,149
<u>360,171</u>	<u>616,568</u>	<u>12,025,370</u>
-	700	372,933
-	-	80,683
-	-	11,785
-	317	302,057
325,000	-	5,365,000
1,010	3,131	157,171
<u>326,010</u>	<u>4,148</u>	<u>6,289,629</u>
-	-	15,202
34,161	-	34,161
-	-	53,102
-	-	1,686,284
-	368,720	3,703,292
-	243,700	243,700
<u>34,161</u>	<u>612,420</u>	<u>5,735,741</u>
<u>360,171</u>	<u>616,568</u>	<u>12,025,370</u>

Boone County

Boone County

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

June 30, 2005

Total governmental fund balances (page 27)	\$	5,735,741
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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 \$45,564,294 and the accumulated depreciation is \$19,394,759.		26,169,535
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.		157,171
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Long-term liabilities, including bonds payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(4,081,746)
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Net assets of governmental activities (page 23)	\$	<u>27,980,701</u>
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See notes to financial statements.

Boone County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,136,841	832,246	1,804,121	-
Interest and penalty on property tax	62,876	-	-	-
Intergovernmental	601,739	1,496,975	70,118	3,561,835
Licenses and permits	14,147	-	-	920
Charges for service	918,752	-	15,558	961
Use of money and property	141,453	-	-	-
Miscellaneous	23,563	11,974	463	307,765
Total revenues	<u>4,899,371</u>	<u>2,341,195</u>	<u>1,890,260</u>	<u>3,871,481</u>
Expenditures:				
Operating:				
Public safety and legal services	2,102,641	-	-	-
Physical health and social services	583,588	-	-	-
Mental health	-	2,341,752	-	-
County environment and education	492,155	-	272,217	-
Roads and transportation	-	-	-	3,990,145
Governmental services to residents	87,106	-	1,120	-
Administration	384,067	-	-	-
Non-program	1,202,257	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	1,758,627
Total expenditures	<u>4,851,814</u>	<u>2,341,752</u>	<u>273,337</u>	<u>5,748,772</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,557</u>	<u>(557)</u>	<u>1,616,923</u>	<u>(1,877,291)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	5,300
Operating transfers in	-	-	-	1,429,727
Operating transfers out	(27,150)	-	(1,429,727)	-
Total other financing sources (uses)	<u>(27,150)</u>	<u>-</u>	<u>(1,429,727)</u>	<u>1,435,027</u>
Net change in fund balances	20,407	(557)	187,196	(442,264)
Fund balances beginning of year	<u>1,734,181</u>	<u>74,139</u>	<u>368,793</u>	<u>3,147,265</u>
Fund balances end of year	<u>\$ 1,754,588</u>	<u>73,582</u>	<u>555,989</u>	<u>2,705,001</u>

See notes to financial statements.

Debt Service	Nonmajor	Total
315,151	-	6,088,359
-	-	62,876
17,899	9,911	5,758,477
-	-	15,067
-	7,199	942,470
-	16,646	158,099
-	197,065	540,830
<u>333,050</u>	<u>230,821</u>	<u>13,566,178</u>
-	15,344	2,117,985
-	-	583,588
-	-	2,341,752
-	22,733	787,105
-	-	3,990,145
-	37,781	126,007
-	-	384,067
-	-	1,202,257
433,595	-	433,595
-	146,479	1,905,106
<u>433,595</u>	<u>222,337</u>	<u>13,871,607</u>
<u>(100,545)</u>	<u>8,484</u>	<u>(305,429)</u>
-	-	5,300
100,000	27,150	1,556,877
-	(100,000)	(1,556,877)
<u>100,000</u>	<u>(72,850)</u>	<u>5,300</u>
(545)	(64,366)	(300,129)
<u>34,706</u>	<u>676,786</u>	<u>6,035,870</u>
<u>34,161</u>	<u>612,420</u>	<u>5,735,741</u>

Boone County

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

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 31) \$ (300,129)

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

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

Expenditures for capital assets	\$ 2,193,084	
Depreciation expense	<u>(1,656,001)</u>	537,083

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (6,780)

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	6,607	
Other	<u>(27,005)</u>	(20,398)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 247,697

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

Compensated absences	(18,900)	
Interest on long-term debt	<u>1,326</u>	<u>(17,574)</u>

Change in net assets of governmental activities (page 25) \$ 439,899

See notes to financial statements.

Boone County
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Enterprise			Total
	Landfill Operations	Landfill Closure/ Postclosure	Nonmajor Ground	
			Water Tax	
Assets				
Cash and pooled investments	\$ 1,013,670	-	-	1,013,670
Cash and pooled investments - restricted	-	1,511,094	100,044	1,611,138
Receivables:				
Accounts	148,095	-	-	148,095
Accrued interest	-	26,677	-	26,677
Due from other funds	362,605	-	18,084	380,689
Prepaid insurance	4,857	-	-	4,857
Capital assets, net of accumulated depreciation	2,528,286	-	-	2,528,286
Total assets	4,057,513	1,537,771	118,128	5,713,412
Liabilities				
Accounts payable	49,311	-	1,140	50,451
Salaries and benefits payable	8,854	-	-	8,854
Due to other funds	29,570	354,541	-	384,111
Due to other governments	27,135	-	-	27,135
Compensated absences	13,915	-	-	13,915
Capital lease purchase agreement	179,500	-	-	179,500
Estimated liability for landfill closure and postclosure care	-	1,183,230	-	1,183,230
Total liabilities	308,285	1,537,771	1,140	1,847,196
Net Assets				
Invested in capital assets, net of related debt	2,348,786	-	-	2,348,786
Restricted for ground water tax purposes	-	-	116,988	116,988
Unrestricted	1,400,442	-	-	1,400,442
Total net assets	\$ 3,749,228	-	116,988	3,866,216

See notes to financial statements.

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

Year ended June 30, 2005

	Enterprise		Total
	Landfill Operations	Nonmajor Ground Water Tax	
Operating revenues:			
Charges for service	\$ 1,594,191	-	1,594,191
Per capita fees	177,910	-	177,910
Solid waste fees	85,966	66,305	152,271
Miscellaneous	2,244	-	2,244
Total operating revenues	<u>1,860,311</u>	<u>66,305</u>	<u>1,926,616</u>
Operating expenses:			
Salaries and wages	313,674	-	313,674
Payroll tax	40,314	-	40,314
Fringe benefits	85,738	-	85,738
Fuel	104,059	-	104,059
Travel	2,036	-	2,036
Utilities	8,623	-	8,623
Insurance	21,772	-	21,772
Solid waste fees remitted to the Iowa Department of Natural Resources and Ground Water Tax Fund	165,544	-	165,544
Education and training	47,125	-	47,125
Equipment	10,691	-	10,691
Engineering services	37,713	-	37,713
Maintenance and repair	155,269	-	155,269
Operations	93,012	-	93,012
Depreciation	343,999	-	343,999
Dues and membership	2,987	-	2,987
Hauling costs	41,773	-	41,773
Accounting	14,922	-	14,922
Recycling	-	58,942	58,942
Gravel	67,352	-	67,352
Leachate hauling and treatment	38,018	-	38,018
Adjustment to estimated liability for landfill closure and postclosure care	102,926	-	102,926
Total operating expenses	<u>1,697,547</u>	<u>58,942</u>	<u>1,756,489</u>
Operating income	<u>162,764</u>	<u>7,363</u>	<u>170,127</u>
Non-operating revenues:			
Gain on sale of equipment	40,500	-	40,500
Interest income	22,509	-	22,509
Total non-operating revenues	<u>63,009</u>	<u>-</u>	<u>63,009</u>
Change in net assets	225,773	7,363	233,136
Net assets beginning of year	<u>3,523,455</u>	<u>109,625</u>	<u>3,633,080</u>
Net assets end of year	<u>\$ 3,749,228</u>	<u>116,988</u>	<u>3,866,216</u>

See notes to financial statements.

Boone County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	Enterprise			Total
	Landfill Operations	Landfill Closure/ Postclosure	Nonmajor	
			Ground Water Tax	
Cash flows from operating activities:				
Cash received from gate fees	\$ 1,589,818	-	-	1,589,818
Cash received from assessments	177,910	-	-	177,910
Cash received from other operating receipts	80,148	-	64,269	144,417
Cash paid to suppliers for goods and services	(1,200,965)	-	(60,305)	(1,261,270)
Cash paid to employees for services	(437,913)	-	-	(437,913)
Net cash provided by operating activities	208,998	-	3,964	212,962
Cash flows from capital and related financing activities:				
Purchase of capital assets	(41,724)	-	-	(41,724)
Cash flows from investing activities:				
Closure and postclosure care allocation	(155,000)	155,000	-	-
Interest received	26,606	10,492	-	37,098
Net cash provided (used) by investing activities	(128,394)	165,492	-	37,098
Net increase in cash and cash equivalents	38,880	165,492	3,964	208,336
Cash and cash equivalents beginning of year	974,790	1,345,602	96,080	2,416,472
Cash and cash equivalents end of year	\$ 1,013,670	1,511,094	100,044	2,624,808
Reconciliation of operating income to net cash provided in operating activities:				
Operating income	\$ 162,764	-	7,363	170,127
Adjustments to reconcile operating income to net cash provided in operating activities:				
Depreciation	343,999	-	-	343,999
Closure and postclosure care	155,000	-	-	155,000
Changes in assets and liabilities				
(Increase) in accounts receivable	(4,372)	-	-	(4,372)
(Increase) in due from other funds	(60,138)	-	(2,035)	(62,173)
(Increase) in prepaid items	(1,189)	-	-	(1,189)
(Decrease) in accounts payable	(397,278)	-	(1,274)	(398,552)
Increase in salaries payable	2,936	-	-	2,936
Increase in due to other funds	13,521	-	-	13,521
(Decrease) in due to other governments	(5,123)	-	(90)	(5,213)
(Decrease) in compensated absences	(1,122)	-	-	(1,122)
Total adjustments	46,234	-	(3,399)	42,835
Net cash provided by operating activities	\$ 208,998	-	3,964	212,962

Noncash capital financing activities:

Capital assets acquired through capital lease were \$220,000.

See notes to financial statements.

Boone County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,613,379
Other County officials	25,179
Receivables:	
Property tax:	
Delinquent	122,400
Succeeding year	20,934,000
Accounts	37,465
Special assessments	346,040
Due from other governments	34,220
Prepaid insurance	1,370
Total assets	<u>23,114,053</u>

Liabilities

Accounts payable	53,231
Salaries and benefits payable	1,634
Due to other governments	22,686,820
Trusts payable	347,418
Compensated absences	24,950
Total liabilities	<u>23,114,053</u>

Net assets \$ -

See notes to financial statements.

Boone County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest 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 and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The County reports the following major proprietary funds:

The Landfill Operations Fund is used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

The County also reports fiduciary funds which focus on net assets and changes in net assets. The County's fiduciary funds include the following:

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-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Funds are charges to customers for sanitary landfill services. Operating expenses for Enterprise Funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

Road Assessments Receivable – Road assessments receivable represents amounts assessed to 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. In the governmental funds, road assessments receivable represents assessments which are due and payable but have not been collected.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25-50
Land improvements	10-50
Infrastructure, road network	10-65
Equipment	3 - 20
Vehicles	3 - 15

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the capital projects function. Disbursements in certain departments exceeded the amounts appropriated before amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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.

At June 30, 2005, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$155,575 pursuant to Rule 2a-7 under

the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Secondary Roads	\$ 90
	Enterprise:	
	Landfill Operations	<u>10,209</u>
Special Revenue:		
Secondary Roads	General	3,312
	Enterprise:	
	Landfill Operations	<u>1,277</u>
		<u>4,589</u>
County Recorder's Records Management	General	<u>185</u>
County Recorder's Electronic Transaction Fee	General	<u>134</u>
Enterprise:		
Landfill Operations	General	8,064
	Enterprise:	
	Landfill Closure/Postclosure	<u>354,541</u>
		<u>362,605</u>
Ground Water Tax	Landfill Operations	<u>18,084</u>
Total		<u><u>\$ 395,896</u></u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	Special Revenue:	
	Rural Services	\$ 1,429,727
Conservation Land Acquisition	General	27,150
Debt Service	Capital Projects	<u>100,000</u>
Total		<u><u>\$ 1,556,877</u></u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 248,085	-	-	248,085
Construction in progress	292,860	1,525,881	(1,064,944)	753,797
Total capital assets not being depreciated	540,945	1,525,881	(1,064,944)	1,001,882
Capital assets being depreciated:				
Buildings	5,452,260	-	(101,009)	5,351,251
Improvements other than buildings	178,238	-	-	178,238
Equipment and vehicles	7,666,946	669,104	(99,287)	8,236,763
Infrastructure, road network	29,731,216	1,064,944	-	30,796,160
Total capital assets being depreciated	43,028,660	1,734,048	(200,296)	44,562,412
Less accumulated depreciation for:				
Buildings	759,174	128,781	(101,009)	786,946
Improvements other than buildings	13,368	4,456	-	17,824
Equipment and vehicles	6,359,775	744,045	(90,606)	7,013,214
Infrastructure, road network	10,798,056	778,719	-	11,576,775
Total accumulated depreciation	17,930,373	1,656,001	(191,615)	19,394,759
Total capital assets being depreciated, net	25,098,287	78,047	(8,681)	25,167,653
Governmental activities capital assets, net	\$ 25,639,232	1,603,928	(1,073,625)	26,169,535
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 488,499	-	-	488,499
Capital assets being depreciated:				
Buildings	443,091	-	-	443,091
Equipment and vehicles	2,740,393	261,725	(144,040)	2,858,078
Infrastructure	1,013,458	-	-	1,013,458
Total capital assets being depreciated	4,196,942	261,725	(144,040)	4,314,627
Less accumulated depreciation for:				
Buildings	73,059	11,077	-	84,136
Equipment and vehicles	1,845,361	284,842	(144,040)	1,986,163
Infrastructure	156,461	48,080	-	204,541
Total accumulated depreciation	2,074,881	343,999	(144,040)	2,274,840
Total capital assets being depreciated, net	2,122,061	(82,274)	-	2,039,787
Business type activities capital assets, net	\$ 2,610,560	(82,274)	-	2,528,286

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 69,461
County environment and education		36,747
Roads and transportation		1,344,804
Administration		204,989
		<u>204,989</u>
Total depreciation expense - governmental activities		<u>\$ 1,656,001</u>
Business type activities:		
Landfill operations		\$ 343,999
		<u>343,999</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 7,784
Special Revenue:		
Mental Health	Services	292,066
Secondary Roads	Services	1,890
Task Force	Services	317
		<u>294,273</u>
Total for governmental funds		<u>\$ 302,057</u>
Agency:		
Agricultural Extension Education	Collections	\$ 137,547
County Assessor		601,261
Schools		13,280,041
Community Colleges		551,662
Corporations		5,919,993
Townships		257,163
Auto License and Use Tax		522,519
Special Assessments		361,269
County Hospital		764,786
All other		290,579
Total for agency funds		<u>\$ 22,686,820</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Governmental Activities				Business Type Activities		
	General Obligation Bonds	Deferred Payment Contract	Compen- sated Absences	Total	Compen- sated Absences	Closure and Postclosure Care	Total
Balance beginning of year	\$ 4,022,764	18,750	245,447	4,286,961	15,037	1,053,454	1,068,491
Increases	-	-	187,904	187,904	19,030	129,776	148,806
Decreases	228,947	18,750	169,004	416,701	20,152	-	20,152
Balance end of year	\$ 3,793,817	-	264,347	4,058,164	13,915	1,183,230	1,197,145
Due within one year	\$ 275,000	-	264,347	539,347	13,915	-	13,915

General Obligation Bonds Payable

A summary of the County's June 30, 2005 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	3.25%	\$ 275,000	141,495	416,495
2007	3.40	285,000	132,557	417,557
2008	3.50	295,000	122,868	417,868
2009	3.50	310,000	112,542	422,542
2010	2.70	325,000	101,693	426,693
2011	2.95	340,000	92,917	432,917
2012	3.05	350,000	82,888	432,888
2013	3.15	360,000	72,212	432,212
2014	3.25	375,000	60,873	435,873
2015	3.40	385,000	48,685	433,685
2016	3.50	400,000	35,595	435,595
2017	3.60	420,000	21,595	441,595
2018	3.70	175,000	6,475	181,475
Total		\$ 4,295,000	1,032,395	5,327,395

During the year ended June 30, 2005, the County retired \$265,000 of general obligation bonds. The unamortized discount totaled \$501,183 at June 30, 2005.

Refunded General Obligation Bonds

During the year ended June 30, 2004, the County entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities and additional cash were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they become due. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account,

together with any interest thereon, shall be returned to the County. The transactions, balances and liabilities of the escrow account are not recorded by the County. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from long-term debt was \$4,330,000 at June 30, 2005.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$238,650, \$240,101 and \$225,716, respectively, equal to the required contributions for each year.

(9) Risk Management

Boone County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 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, 2005 were \$132,751.

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 \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(10) Deferred Payment Contract

In prior years, Boone County borrowed \$187,000 from the City of Boone for improvements to the Boone County Fairgrounds. The contract is interest free and due in ten equal annual installments, with the final payment of \$18,750 due January 1, 2005. The debt has been fully extinguished as of June 30, 2005.

(11) Capital Lease Purchase Agreement

In July 2004, Boone County entered into a purchase agreement for a Caterpillar 963 Crawler Loader for the Boone County Landfill. The purchase price of the equipment was \$220,000 to be paid through a trade-in of \$40,500 with the remaining balance of \$179,500 due on July 1, 2005. The balance paid in July 2005 was \$184,191 including interest of \$4,691.

(12) Hospital Revenue Bonds

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

(13) Closure and Postclosure Care Costs

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

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

These costs for the Boone County Landfill have been estimated at \$1,126,400 for closure and \$987,000 for postclosure, for a total of \$2,113,400 as of June 30, 2005 for the original and expansion areas combined. The portion of the liability that has been recognized is \$1,183,230. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 13 years for the expansion area and the capacity used at June 30, 2005 is 31.58%.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The County has begun accumulating resources to fund these costs and, at June 30, 2005, assets of \$1,537,771 are restricted for these purposes, of which \$777,941 is for closure and \$759,830 is for postclosure care.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded for the expansion

area, the County is required to demonstrate financial assurance for the unfunded costs. The County had adopted the dedicated fund mechanism.

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

(14) Solid Waste Tonnage Fees Retained

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

As of June 30, 2005, the unspent amounts retained by the County and restricted for the required purposes totaled \$116,988.

Boone County

Required Supplementary Information

Boone County

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

Required Supplementary Information

Year ended June 30, 2005

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,054,048	-	6,054,048
Interest and penalty on property tax	62,915	-	62,915
Intergovernmental	5,775,266	-	5,775,266
Licenses and permits	15,218	-	15,218
Charges for service	936,643	-	936,643
Use of money and property	161,942	-	161,942
Miscellaneous	366,680	19,880	346,800
Total receipts	13,372,712	19,880	13,352,832
Disbursements:			
Public safety and legal services	2,101,071	-	2,101,071
Physical health and social services	580,548	-	580,548
Mental health	2,249,961	-	2,249,961
County environment and education	790,675	22,733	767,942
Roads and transportation	3,828,447	-	3,828,447
Governmental services to residents	493,893	-	493,893
Administration	1,215,779	-	1,215,779
Debt service	433,845	-	433,845
Capital projects	1,902,893	-	1,902,893
Total disbursements	13,597,112	22,733	13,574,379
Excess (deficiency) of receipts over (under) disbursements	(224,400)	(2,853)	(221,547)
Other financing sources, net	169,440	-	169,440
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(54,960)	(2,853)	(52,107)
Balance beginning of year	5,458,795	120,420	5,338,375
Balance end of year	\$ 5,403,835	117,567	5,286,268

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
5,971,616	5,971,616	82,432
52,245	52,245	10,670
5,283,537	5,695,112	80,154
16,200	16,200	(982)
819,925	827,718	108,925
322,855	323,355	(161,413)
512,660	512,660	(165,860)
<u>12,979,038</u>	<u>13,398,906</u>	<u>(46,074)</u>
2,354,823	2,354,823	253,752
785,346	785,346	204,798
2,003,100	2,250,100	139
809,018	809,018	41,076
4,336,100	4,336,100	507,653
528,846	540,846	46,953
1,307,947	1,307,947	92,168
433,495	433,845	-
1,356,400	1,520,400	(382,493)
<u>13,915,075</u>	<u>14,338,425</u>	<u>764,046</u>
(936,037)	(939,519)	717,972
<u>2,500</u>	<u>166,500</u>	<u>2,940</u>
(933,537)	(773,019)	720,912
<u>3,482,523</u>	<u>5,206,233</u>	<u>132,142</u>
<u>2,548,986</u>	<u>4,433,214</u>	<u>853,054</u>

Boone County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,372,712	193,466	13,566,178
Expenditures	13,597,112	(274,495)	13,871,607
Net	(224,400)	(81,029)	(305,429)
Other financing sources, net	169,440	(164,140)	5,300
Beginning fund balances	5,458,795	577,075	6,035,870
Ending fund balances	\$ 5,403,835	331,906	5,735,741

See accompanying independent auditor's report.

Boone County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund 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, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$423,350. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the capital projects function. Disbursements in certain departments exceeded the amount appropriated before amendment.

Boone County

Other Supplementary Information

Boone County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
Assets				
Cash and pooled investments	\$ 28,384	16,013	117,567	45,165
Accounts receivable	-	-	-	-
Due from other funds	185	134	-	-
Total assets	\$ 28,569	16,147	117,567	45,165
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Due to other government	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Unreserved, reported in:				
Special revenue funds	28,569	16,147	117,567	45,165
Capital projects fund	-	-	-	-
Total fund equity	28,569	16,147	117,567	45,165
Total liabilities and fund equity	\$ 28,569	16,147	117,567	45,165

See accompanying independent auditor's report.

Special Revenue							
Resource							
Enhancement and Protection	Task Force	Attorney Drug Prosecution	Jail Commissary	Reserve Deputy	Capital Projects		Total
79,294	62,591	2,475	12,950	4,745	243,700		612,884
-	1,832	234	1,299	-	-		3,365
-	-	-	-	-	-		319
79,294	64,423	2,709	14,249	4,745	243,700		616,568
-	-	-	700	-	-		700
-	317	-	-	-	-		317
-	1,832	-	1,299	-	-		3,131
-	2,149	-	1,999	-	-		4,148
79,294	62,274	2,709	12,250	4,745	-		368,720
-	-	-	-	-	243,700		243,700
79,294	62,274	2,709	12,250	4,745	243,700		612,420
79,294	64,423	2,709	14,249	4,745	243,700		616,568

Boone County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Special Conservation Land Acquisition
Revenues:				
Intergovernmental	\$ -	-	-	-
Charges for service	7,199	-	-	-
Use of money and property	970	494	-	-
Miscellaneous	-	-	19,880	706
Total revenues	8,169	494	19,880	706
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	22,733	-
Governmental services to residents	16,480	21,301	-	-
Capital projects	-	-	-	-
Total expenditures	16,480	21,301	22,733	-
Excess (deficiency) of revenues over (under) expenditures	(8,311)	(20,807)	(2,853)	706
Other financing sources (uses):				
Operating transfers in	-	-	-	27,150
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	27,150
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(8,311)	(20,807)	(2,853)	27,856
Fund balances beginning of year	36,880	36,954	120,420	17,309
Fund balances end of year	\$ 28,569	16,147	117,567	45,165

See accompanying independent auditor's report.

Revenue							
Resource							
Enhancement and Protection	Task Force	Attorney Drug Prosecution	Jail Commissary	Reserve Deputy	Capital Projects		Total
6,705	3,206	-	-	-	-		9,911
-	-	-	-	-	-		7,199
1,766	-	-	10,788	-	2,628		16,646
-	3,638	3,295	-	5,406	164,140		197,065
8,471	6,844	3,295	10,788	5,406	166,768		230,821
-	5,422	928	8,333	661	-		15,344
-	-	-	-	-	-		22,733
-	-	-	-	-	-		37,781
-	-	-	-	-	146,479		146,479
-	5,422	928	8,333	661	146,479		222,337
8,471	1,422	2,367	2,455	4,745	20,289		8,484
-	-	-	-	-	-		27,150
-	-	-	-	-	(100,000)		(100,000)
-	-	-	-	-	(100,000)		(72,850)
8,471	1,422	2,367	2,455	4,745	(79,711)		(64,366)
70,823	60,852	342	9,795	-	323,411		676,786
79,294	62,274	2,709	12,250	4,745	243,700		612,420

Boone County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,849	182,604	186,548
Other county officials	25,179	-	-	-
Receivables:				
Property tax:				
Delinquent	-	698	2,260	67,493
Succeeding year	-	135,000	436,000	13,026,000
Accounts	1,851	-	1,141	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	454	-
Total assets	\$ 27,030	137,547	622,459	13,280,041
Liabilities				
Accounts payable	\$ -	-	177	-
Salaries and benefits payable	-	-	-	-
Due to other governments	18,653	137,547	601,261	13,280,041
Trusts payable	8,377	-	-	-
Compensated absences	-	-	21,021	-
Total liabilities	\$ 27,030	137,547	622,459	13,280,041

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
6,863	86,679	3,231	522,519	15,229	10,898	245,339	351,620	1,613,379
-	-	-	-	-	-	-	-	25,179
2,799	44,314	932	-	-	3,888	-	16	122,400
542,000	5,789,000	253,000	-	-	750,000	-	3,000	20,934,000
-	-	-	-	-	-	34,473	-	37,465
-	-	-	-	346,040	-	-	-	346,040
-	-	-	-	-	-	1,324	32,896	34,220
-	-	-	-	-	-	-	916	1,370
551,662	5,919,993	257,163	522,519	361,269	764,786	281,136	388,448	23,114,053
-	-	-	-	-	-	12,973	40,081	53,231
-	-	-	-	-	-	-	1,634	1,634
551,662	5,919,993	257,163	522,519	361,269	764,786	268,163	3,763	22,686,820
-	-	-	-	-	-	-	339,041	347,418
-	-	-	-	-	-	-	3,929	24,950
551,662	5,919,993	257,163	522,519	361,269	764,786	281,136	388,448	23,114,053

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

Year ended June 30, 2005

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 28,657	120,722	552,213	12,194,918	450,559
Additions:					
Property and other county tax	-	141,315	452,052	13,618,235	564,970
E911 surcharge	-	-	-	-	-
State tax credits	-	7,198	17,870	730,230	26,776
Office fees and collections	1,020,057	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	3,484	-	-
Total additions	1,020,057	148,513	473,406	14,348,465	591,746
Deductions:					
Agency remittances:					
To other funds	372,647	-	-	-	-
To other governments	218,614	131,688	403,160	13,263,342	490,643
Trusts paid out	430,423	-	-	-	-
Total deductions	1,021,684	131,688	403,160	13,263,342	490,643
Balances end of year	\$ 27,030	137,547	622,459	13,280,041	551,662

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Special Assessments	County Hospital	E911	Other	Total
5,544,114	226,308	547,606	226,130	714,193	246,120	441,387	21,292,927
6,046,448	266,454	-	-	786,455	-	3,088	21,879,017
-	-	-	-	-	156,351	-	156,351
297,404	12,511	-	-	42,436	-	178	1,134,603
-	-	-	-	-	-	10,581	1,030,638
-	-	5,778,759	-	-	-	100,259	5,879,018
-	-	-	283,616	-	-	-	283,616
-	-	-	-	-	-	365,732	365,732
-	-	-	-	-	50,604	1,643,323	1,697,411
6,343,852	278,965	5,778,759	283,616	828,891	206,955	2,123,161	32,426,386
-	-	230,239	-	-	-	100,260	703,146
5,967,973	248,110	5,573,607	148,477	778,298	171,939	5,360	27,401,211
-	-	-	-	-	-	2,070,480	2,500,903
5,967,973	248,110	5,803,846	148,477	778,298	171,939	2,176,100	30,605,260
5,919,993	257,163	522,519	361,269	764,786	281,136	388,448	23,114,053

Schedule 5

Boone County

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

For the Last Six Years

	Modified Accrual Basis					
	2005	2004	2003	2002	2001	2000
Revenues:						
Property and other county tax	\$ 6,088,359	6,013,505	5,810,864	5,504,926	4,750,472	4,246,522
Interest and penalty on property tax	62,876	66,697	64,522	67,451	60,113	44,407
Intergovernmental	5,758,477	4,640,729	4,569,465	4,840,152	4,881,308	5,035,302
Licenses and permits	15,067	60,808	14,598	10,431	7,838	7,120
Charges for service	942,470	884,787	869,192	832,023	719,700	724,327
Use of money and property	158,099	129,254	151,049	436,706	357,245	295,697
Miscellaneous	540,830	212,419	293,260	204,584	157,254	377,682
Total	\$ 13,566,178	12,008,199	11,772,950	11,896,273	10,933,930	10,731,057
Expenditures:						
Operating:						
Public safety and legal services	\$ 2,117,985	2,013,154	1,927,982	1,900,164	1,756,703	1,501,153
Physical health and social services	583,588	597,127	620,149	839,084	830,284	783,540
Mental health	2,341,752	2,005,825	2,136,380	1,859,850	1,958,823	1,898,781
County environment and education	787,105	758,079	742,442	680,163	701,680	546,285
Roads and transportation	3,990,145	3,581,862	3,602,048	3,832,568	3,572,743	3,355,470
Governmental services to residents	126,007	86,635	96,860	101,936	88,242	87,664
Administration	384,067	384,235	358,804	327,425	300,317	267,195
Non-program	1,202,257	1,064,871	998,490	867,867	852,361	898,337
Debt service	433,595	843,108	431,149	341,149	241,607	18,750
Capital projects	1,905,106	706,865	1,627,172	3,609,233	1,056,929	604,856
Total	\$ 13,871,607	12,041,761	12,541,476	14,359,439	11,359,689	9,962,031

See accompanying independent auditor's report.

Boone County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Health and Human Services: Drug-Free Communities Support Program Grant	93.276	1 H79 SP11259-01	\$ 54,205
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		13,650
U.S. Department of Justice: Iowa Department of Human Rights: Juvenile Accountability Incentive Block Grants Enforcing Underage Drinking Laws Program	16.523 16.727	07-JD02-F03 07-JD02-F03	7,626 769
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction Highway Planning and Construction Highway Planning and Construction	20.205	BROS-C008(29)-8J-08 BROS-C008(30)-8J-08 BROS-C008(35)-8J-08	136,548 222,186 218,500 577,234
Iowa Department of Public Safety: Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 05-163	10,322
U.S. Department of Homeland Security: Iowa Department of Public Defense: State Domestic Preparedness Equipment Support Program Public Assistance Grants Hazard Mitigation Grant Emergency Management Performance Grants	97.004 97.036 97.039 97.042	ODP-2003-8 FEMA DR 1518-IA F007-08-00	189 49,540 7,416 24,036
U.S. Department of Health and Human Services: Iowa Department of Human Services: Human Services Administrative Reimbursements: Temporary Assistance for Needy Families Refugee and Entrant Assistance - State Administered Programs Child Care Mandatory and Matching Funds of the Child Care and Development Fund Foster Care - Title IV-E Adoption Assistance Medical Assistance Program Social Services Block Grant Social Services Block Grant	93.558 93.566 93.596 93.658 93.659 93.778 93.667 93.667		18,157 24 3,559 9,554 2,222 19,587 11,834 94,447 106,281
Total			\$ 904,371

Boone County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

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

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Boone County:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Boone County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

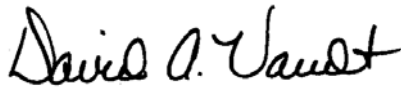
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

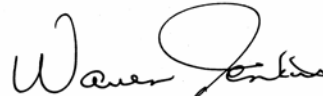
This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Boone County and other parties to whom Boone County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not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

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



DAVID A. VAUDT, CPA
Auditor of State

October 28, 2005



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
In Accordance with OMB Circular A-133**

Boone County



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Boone County:

Compliance

We have audited the compliance of Boone County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2005. Boone County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Boone County's management. Our responsibility is to express an opinion on Boone County's compliance based on our audit.

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

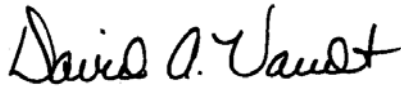
In our opinion, Boone County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

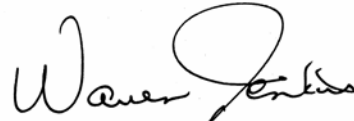
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce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

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



DAVID A. VAUDT, CPA
Auditor of State

October 28, 2005



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part I: Summary of Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Boone County did not qualify as a low-risk auditee.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Information Systems – The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

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

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

Response – While the County’s policy has not been formally reduced to writing, passwords are required to be changed every 90 days as an administrative requirement and you cannot log on unless you change your password. A password protected screen saver has been implemented by IT personnel which requires entry of a password to regain access to a terminal if no activity has happened within ten minutes on the terminal. The County feels its steps are more effective than a written policy because employees must change password every 90 days or lose access to their work station, and the password protected screen saver works every time not only when a person logs off their terminal.

Conclusion – Response accepted.

II-B-05 County Recorder – Although monthly bank reconciliations were performed, the variance between the book balance and the bank balance of \$4,560 at June 30, 2005 was not investigated and resolved.

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

Response – Our office will certainly try to closely watch and discover where the variance may be happening. We also keep what we call our “red book” which shows deposits, checks, cash and refunds for the general fund and we match this with our daily, monthly and quarterly reports.

Conclusion – Response accepted.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 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.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the capital projects function. Disbursements in certain departments exceeded the amounts appropriated before amendment.

Recommendation – The budget should have been amended as required by 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 – County acknowledges that secondary roads capital projects function should have been amended. County appropriations for the total secondary road department was not exceeded, however, the capital projects function of secondary roads was. Several road projects were completed this year that were not originally budgeted for like the Arboretum Road. The County will comply with the requirements of Iowa Code 331 with regards to budgeting and amending the budgets.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-E-05 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Description	Amount
Morris Walters, foreman at Boone County Landfill, farmer	Bales of hay	\$ 600
Corey Reutter, Sheriff's Jailer, owner of Reutter Computer Systems	Computer services	8,011
Vince Morril, Sheriff's Jailer, owner of Vince's Heating and Cooling	Plumbing supplies	2,304
Tom Foster, Conservation Department Director and Ron Fehr, Sheriff, owners Of Daniel Boone Log Homes-Land Investments, Inc.	Cabin for Don Williams Park, per bid	26,500
Sandy Fehr, wife of Sheriff	Matron fees	45
Jean Iben, mother-in-law of Sheriff and part-time cook for jail	Transport fees	294

Recommendation – In accordance with Chapter 331.342(10) of the Code of Iowa, the hay purchased, matron and transport fees do not appear to represent conflicts of interest since the total for each was less than \$1,500 during the fiscal year.

The transactions for computer services and plumbing supplies may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa. The individuals terminated their employment with the County on January 1, 2005 and April 20, 2005, respectively.

The transactions with the Conservation Department Director and the Sheriff do not appear to represent a conflict of interest since it was entered into through competitive bidding. The Conservation Board and Board of Supervisors recommended a second bid process to ensure no conflict of interest would be perceived. Land Investments, Inc. was the lowest of two bidders during the first bid process and the only bidder for the second.

IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-05 Board Minutes – No transactions were found we believe should have been approved in the Board minutes but were not.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-I-05 Resource Enhancement and Protection Certification – The County did not dedicate property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

The County produces a significant amount of revenue in its Conservation Department through camping and golf fees. This revenue is used to offset conservation expenses in lieu of property tax revenue.

IV-J-05 Financial Assurance – The Boone County Landfill has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

	Original Area		Expansion Area	
	Closure	Postclosure	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 284,400	469,500	842,000	517,500
Less: Balance of funds held in the local dedicated fund at June 30, 2004	(284,409)	(450,000)	(390,532)	(230,980)
	(9)	19,500	451,468	286,520
Divided by the number of years remaining in the pay-in period	3	3	5	5
Required payment into the local dedicated fund for the year ended June 30, 2005	(3)	6,500	90,294	57,304
Balance of funds held in the local dedicated fund at June 30, 2004	284,409	450,000	390,532	230,980
Required balance of funds to be held in the local dedicated fund at June 30, 2005	\$ 284,406	456,500	480,826	288,284
Amount County has restricted for closure and postclosure care at June 30, 2005	\$ 284,406	456,500	493,535	303,330

IV-K-05 Solid Waste Fees Retainage – During the year ended June 30, 2005, the County used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

IV-L-05 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, 2005 for the County Extension Office did not exceed the amount budgeted.

Boone County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

IV-M-05 Special Appraiser's Levy – Chapter 441.50 of the Code of Iowa states:

“The conference board shall have power to employ appraisers or other technical or expert help to assist in the valuation of property, the cost thereof to be paid in the same manner as other expenses of the assessor's office. The conference board may certify for levy annually an amount not to exceed forty and one-half cents per thousand dollars for the purpose of establishing a special appraiser's fund, to be used only for such purposes. From time to time the conference board may direct the transfer of any unexpended balance in the special appraiser's fund to the assessment expense fund.”

Pursuant to an Attorney General's letter of memorandum dated January 4, 2006, the “...salary, benefits, and other costs associated with employing appraisers and other personnel with a county assessor's office may be paid from the special appraiser's fund, as long as the employees provide “technical or expert help to assist in the valuation of property.”

The County Assessor Conference Board levies annually for the special appraiser's levy and transfers the amount received to the Assessment Expense Fund to supplement operations. Pursuant to an Attorney General's letter of memorandum dated January 4, 2006, “Given that the special appraiser's fund is a limited use fund, I do not believe that this is a reasonable interpretation of section 441.50. Nor would I advise the State Appeal Board approve special appraiser fund levy which was not based upon a good faith estimate of anticipated costs which could legitimately be paid for with this fund.”

Recommendation – The Conference Board should discontinue budgeting and levying the special appraiser's levy to supplement the Assessment Expense Fund.

The County Assessor and Conference board should consult the County Attorney to determine the proper disposition of the amounts levied for the Special Appraiser's Fund for fiscal 2006 and prior years.

Response – For 2006 and future budgets, I will follow the rules set forth in the Attorney General's letter.

Conclusion – Response accepted.

IV-N-05 E911 Service Board – The notice of public hearing for the fiscal year 2005 budget amendment was published on February 10, 2005 stating the public hearing was to be held on February 17, 2004. The hearing was held on February 24, 2005.

Recommendation – The E911 Service Board should record the proper date on the public hearing notice for the budget amendment.

Response – It appears when I filled out the public hearing notice sent to the papers I inadvertently listed the wrong date for the hearing. The publications were published during the proper time lines for the actual hearing date.

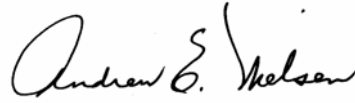
Conclusion – Response accepted.

Boone County

Staff

This audit was performed by:

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Denise A. Walter, CPA, Senior Auditor II
Julie J. Lyon, CPA, Staff Auditor
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