

BENTON COUNTY
VINTON, IOWA

FINANCIAL STATEMENTS
JUNE 30, 2004

BENTON COUNTY

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BENTON COUNTY

BENTON COUNTY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Vermedahl	Board of Supervisors	December 2004
Ron Buch	Board of Supervisors	December 2004
Jason Sanders	Board of Supervisors	December 2006
Jill Marlow	County Auditor	December 2004
Kelly Rae Geater	County Treasurer	December 2006
Betty Wright	County Recorder	December 2006
Kenneth Popenhagen	County Sheriff	December 2004
David C. Thompson	County Attorney	December 2006
Larry Andreesen	County Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Officials of Benton County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Benton County. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2004, on our consideration of Benton 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.

The management's discussion and analysis and budgetary comparison information, listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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. However, 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 the basic financial statements of Benton County. We previously audited, in accordance with the standards and provisions referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 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.

Erin Bailly LLP

Dubuque, Iowa
October 21, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Revenue for the County's governmental funds decreased 2.8%, or approximately \$353,000, from 2003 to 2004.

Property taxes levied increased less than ½ of 1% from \$5.109 million in 2003 to \$5.119 million in 2004. Net property taxes remained relatively the same increasing approximately .002% or \$7,390. Net property taxes are levied taxes less credits.

Intergovernmental revenues including, grants and contributions, decreased approximately \$390,000 from \$5.928 million in 2003 to \$5.538 million in 2004, approximately 6.6%.

County program expenses were approximately \$83,800 less in 2004 than in 2003. Roads and transportation expense decreased approximately \$247,000 and Mental Health expense decreased \$69,000.

Benton County finalized construction on a new facility for our transportation department, which also included storage and garage space for the sheriff's department and began preparation for the construction of a communications tower.

The County's net assets decreased less than 1%, or approximately \$50,000, at June 30, 2004.

USING THIS ANNUAL REPORT

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The *Government-wide Financial Statements* consist of a statement of net assets and a statement of activities. These provide information about the activities of Benton County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Benton County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Benton County acts solely as an agent or custodian for the benefit of those outside of the government.
- The financial statements also include *notes* that 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 the County's budget for the year.
- *Supplementary Information* provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include:
 - a. The General Fund
 - b. The Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads,
 - c. The Debt Service Fund,
 - d. The Capital Projects Fund.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs

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

- 2) Proprietary funds account for the County's employee group health insurance, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include, but are not limited to, agency funds that account for:

- E-911 services
- Empowerment
- Emergency management services
- The County Assessor

The required financial statements for the fiduciary funds include a statement of fiduciary assets and liabilities.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

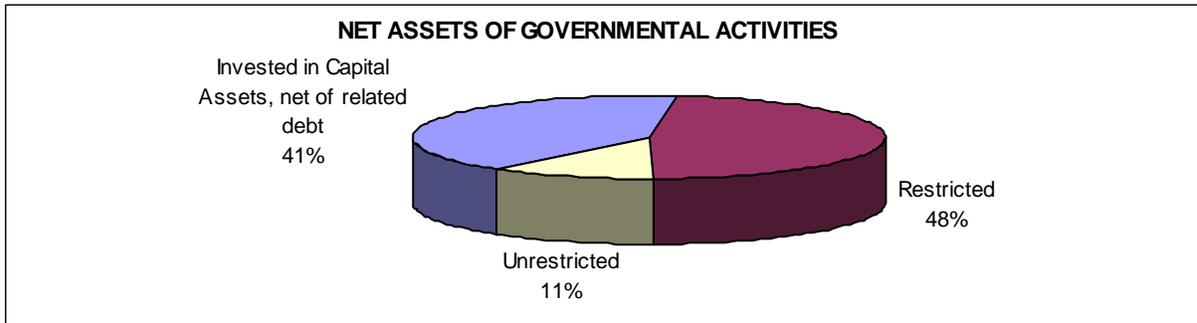
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position.

The County's combined net assets decreased slightly from \$14.717 million in 2003 to \$14.666 million in 2004. Our analysis below focuses on the net assets and changes in net assets of the County's governmental activities.

NET ASSETS OF GOVERNMENTAL ACTIVITIES
(as shown in the Statement of Net Assets)

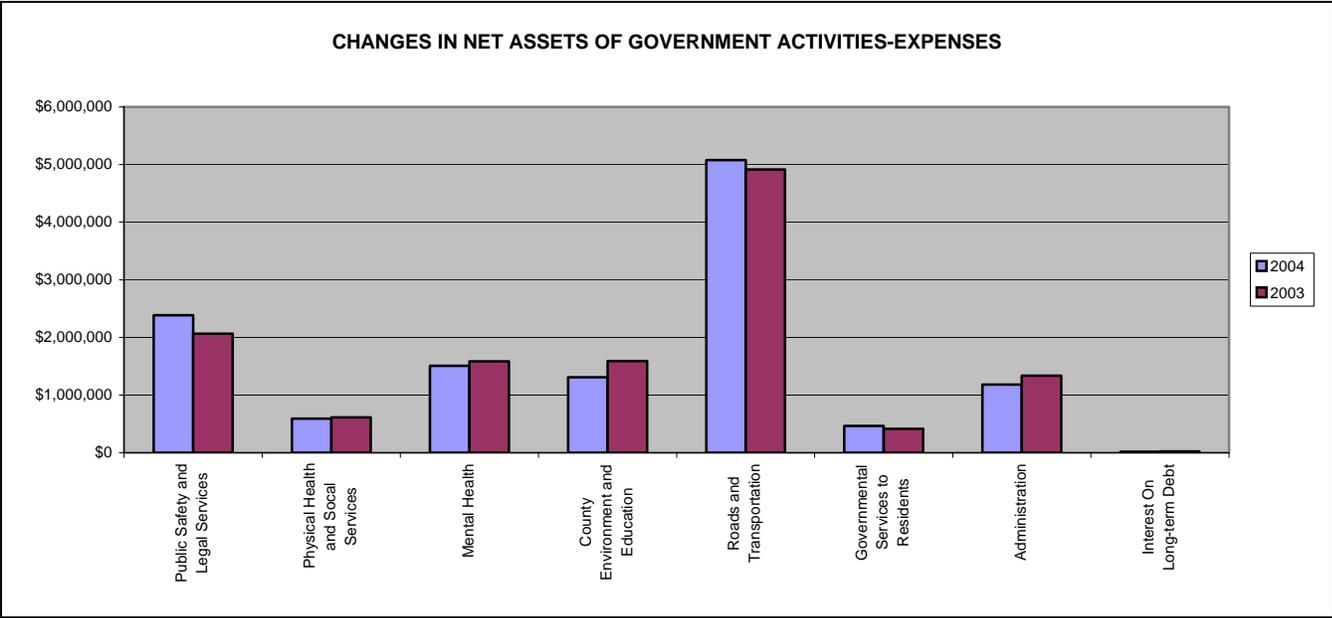
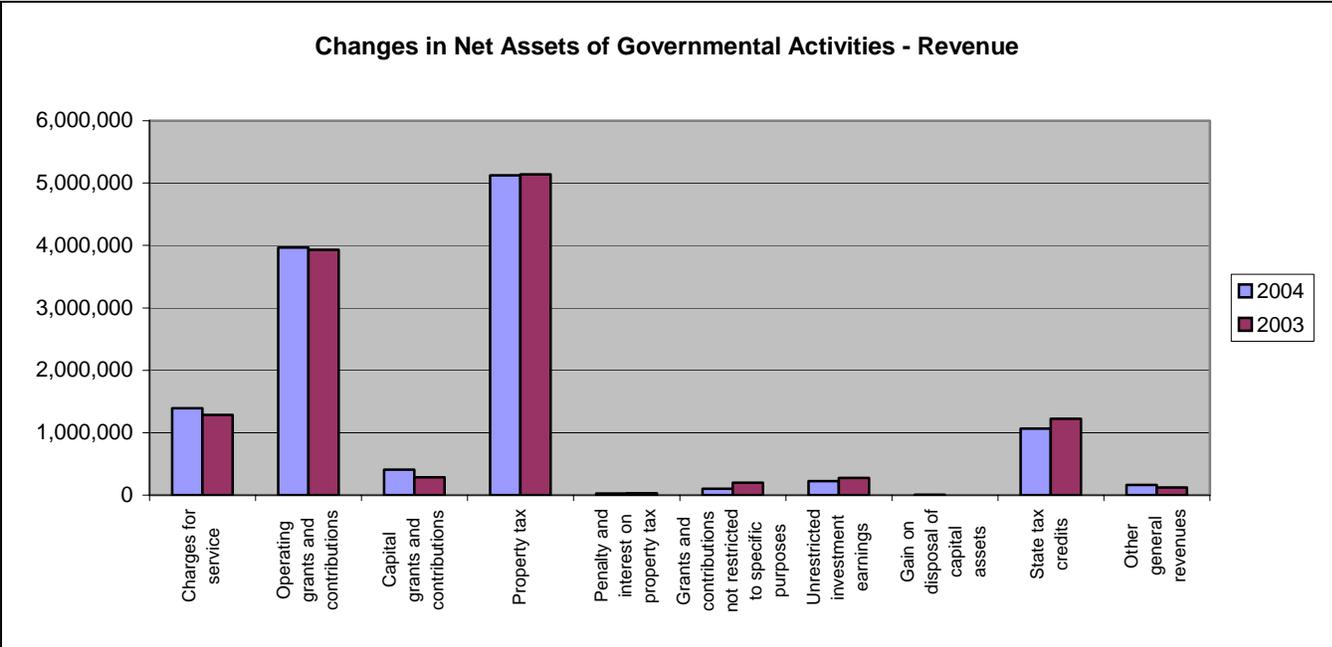
	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 16,400,303	\$ 17,002,641
Capital assets	<u>5,993,491</u>	<u>5,789,016</u>
Total assets	<u>22,393,794</u>	<u>22,791,657</u>
Long-term debt outstanding	1,598,852	1,792,721
Other liabilities	<u>6,128,725</u>	<u>6,282,368</u>
Total liabilities	<u>7,727,577</u>	<u>8,075,089</u>
Net assets:		
Invested in capital assets, net of related debt	5,993,491	5,789,017
Restricted	6,992,197	6,915,031
Unrestricted	<u>1,680,529</u>	<u>2,012,520</u>
Total net assets	<u>\$ 14,666,217</u>	<u>\$ 14,716,568</u> (restated)



*Net assets of the County's governmental activities decreased by less than one percent (\$14,666,217 compared to \$14,716,568). **The largest portion of the County's net assets is restricted for or by supplemental levy purposes, mental health purposes, secondary road purposes and landfill closure and postclosure.** Currently, the County has no related debt to capital assets. The County's debt is related to infrastructure that was constructed by Benton County and subsequently sold to the City of Urbana. Unrestricted net assets are that part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.*

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
(as shown in the Statement of Activities)

	2004	2003
Revenues:		
Program Revenues		
Charges for service	\$ 1,389,979	\$ 1,283,659
Operating grants and contributions	3,967,264	3,931,167
Capital grants and contributions	407,822	457,031
General Revenues		
Property tax	5,122,913	5,138,166
Penalty and interest on property tax	27,478	29,079
Grants and contributions not restricted to specific purposes	104,181	199,740
Unrestricted investment earnings	226,131	272,914
Gain on disposal of capital assets	3,385	-
State tax credits	1,063,087	1,225,522
Other general revenues	164,203	120,437
Total revenues	12,476,443	12,657,715
Program Expenses:		
Public safety and legal services	2,382,928	2,066,333
Physical health and social services	588,649	614,132
Mental health	1,508,439	1,584,940
County environment and education	1,307,276	1,588,080
Roads and transportation	5,078,657	4,917,105
Governmental services to residents	463,709	413,011
Administration	1,181,105	1,333,725
Interest on long-term debt	16,031	19,602
Total expenses	12,526,794	12,536,928
Change in net assets	(50,351)	120,787
Net assets beginning of year, as restated	14,716,568	14,595,781
Net assets end of year	\$ 14,666,217	\$ 14,716,568
		(restated)



Benton County's total revenues and total cost of all programs and services remained relatively unchanged from 2003 to 2004 with no new programs added this year. The County relied on fund reserves to cover the difference between revenues and expenses.

Governmental Activities

The results of governmental activities for the year resulted in Benton County's net assets decreasing by approximately \$50,000. Revenues for governmental activities decreased by approximately \$180,000 over the prior year, with property tax decreasing from the prior year by approximately \$15,000, or less than 1%.

The County's property tax rates in 2004 remained virtually unchanged from 2003. This is primarily due to growth in the total assessed property valuation.

	<u>FY2004</u>	<u>FY2003</u>
Countywide taxable value	\$ 927,771,510	\$ 923,725,436
Countywide levy rate less debt	3.76903	3.74759
Dollars levied less debt	3,496,795	3,461,745
Countywide taxable debt service value	979,439,131	976,277,313
Countywide debt service levy rate	.07284	.09192
Dollars levied for debt service	71,340	89,735
Total countywide levy rate	3.84187	3.83951
Total dollars levied countywide	3,568,135	3,551,480
Rural taxable value	647,223,253	641,238,249
Rural tax levy rate	2.72903	2.75451
Dollars levied for rural area only	1,766,294	1,766,294
Total dollars levied	5,334,429	5,317,774

The cost of all governmental activities this year was \$12.527 million compared to \$12.534 million last year. However, as shown in the Statement of Activities on Page 15, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5.084 million because some of the cost was paid by those directly benefiting from the programs (\$1.390 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.479 million). The County paid for the remaining "public benefit" portion of governmental activities with approximately \$66,350 in taxes (which could only be used for debt service) and with other revenues, such as interest and general entitlements.

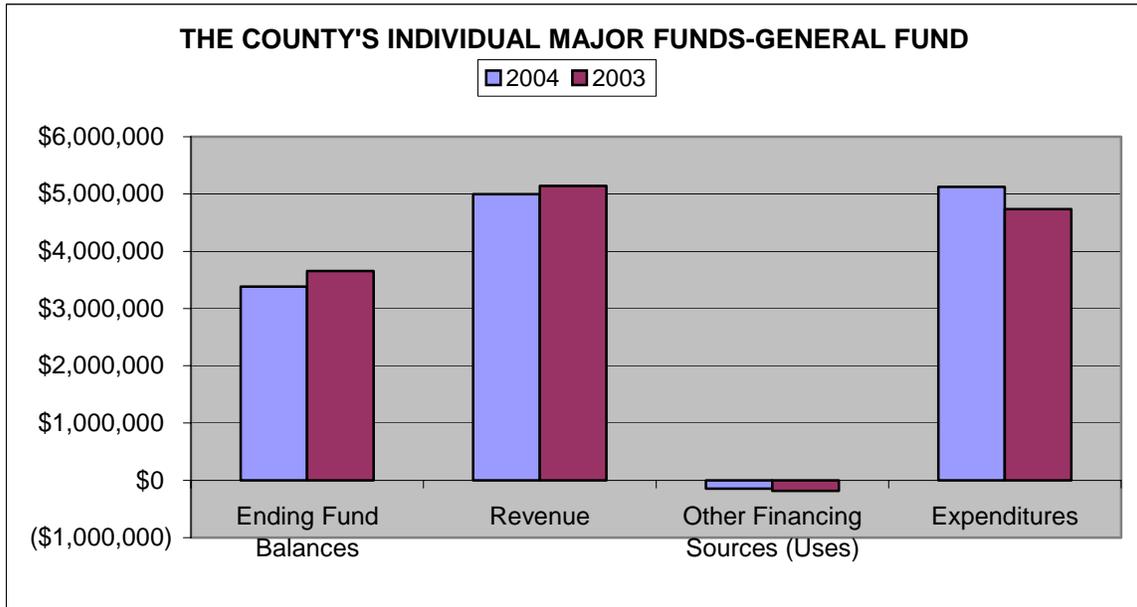
THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$9,931,171, which is virtually unchanged from last year's total of \$10,347,951. The County funds expended approximately \$416,780 more than we received in operating revenues for the year. The following are the major reasons for the changes in fund balances from the prior year.

General Fund

General Fund revenues decreased \$142,704 while expenditures increased \$387,255 when compared to the prior year. The ending fund balance decreased from the prior year by \$273,657. The County plans to construct and equip a radio communications tower in FY05 with a portion of the expenses coming from the General Fund. The County has designated a portion of the ending fund balance to acquire election equipment that is compliant with the *Help America Vote Act* and to address any hazardous material incident in Benton County.

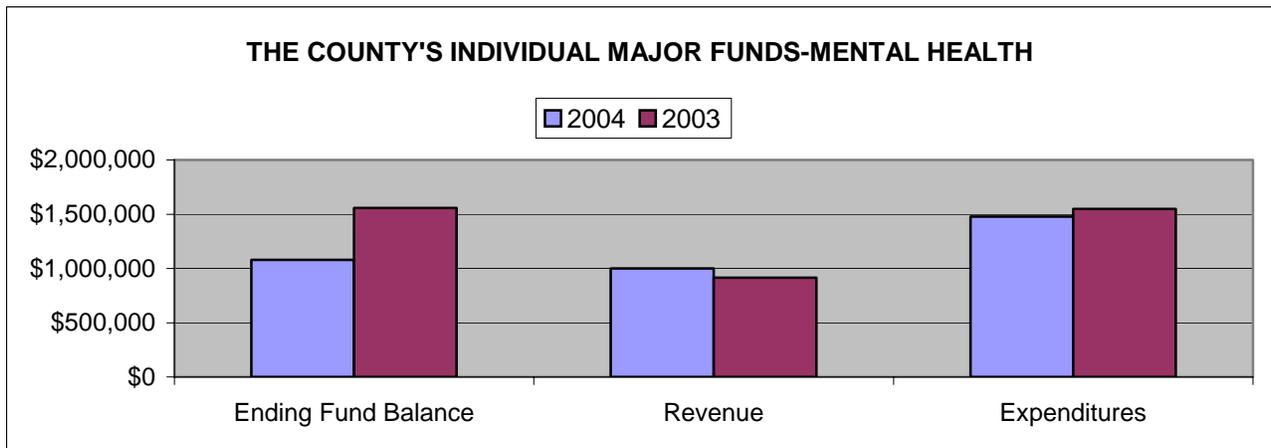
	2004	2003
Ending Fund Balances	\$ 3,382,790	\$ 3,656,447
Revenue	4,995,964	5,138,668
Other Financing Sources (Uses)	(146,283)	(185,058)
Expenditures	5,122,893	4,735,638



Mental Health

The County continues to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1.478 million, a decrease of approximately 4.5% from the prior year. The County's intention is to maintain a reserve that is equal to approximately 25% of the annual operating costs in the Mental Health Fund. The Mental Health Fund balance at year end decreased by approximately \$477,650 from the prior year, a direct result of the County's desire to reach that 25% level.

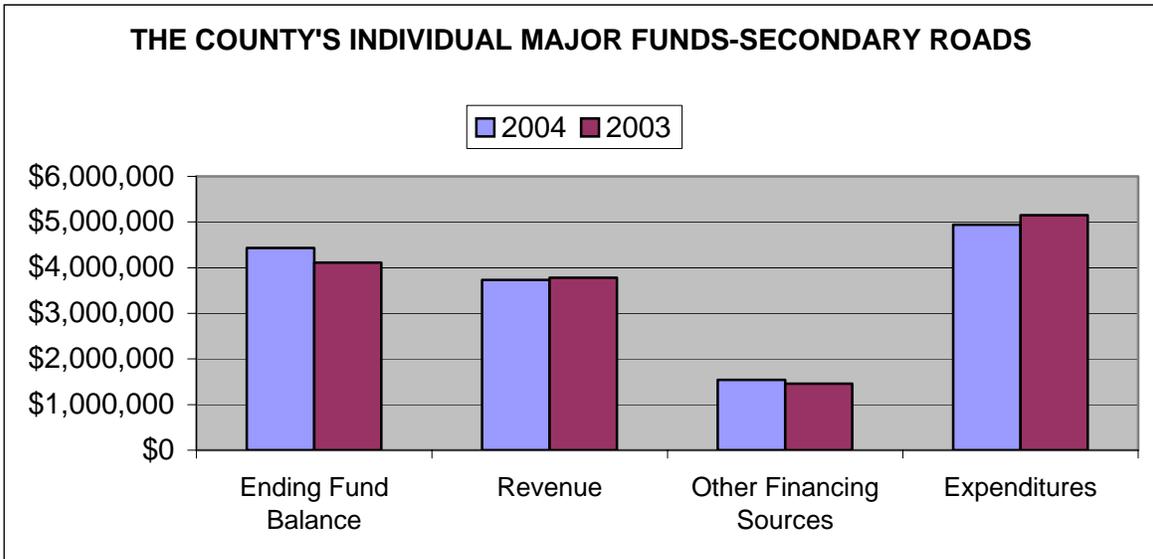
	2004	2003
Ending Fund Balance	\$ 1,078,906	\$ 1,556,559
Revenue	1,000,697	914,954
Expenditures	1,478,350	1,546,983



Secondary Roads

Roads and transportation expenditures of the Secondary Roads Fund decreased by approximately \$235,900 over the prior year, due principally to differences in new equipment purchases. In FY03, Secondary Roads purchased more new equipment than in FY04. This has resulted in an increase in the Secondary Roads Fund ending fund balance of \$315,666 or 7.7%. The County continues to plan for a major road construction project known as the Oak Grove Road project with a tentative start scheduled in late FY05. The project will take several years to complete. The County believes that adequate funds have been set aside for completion of the project based on current estimates.

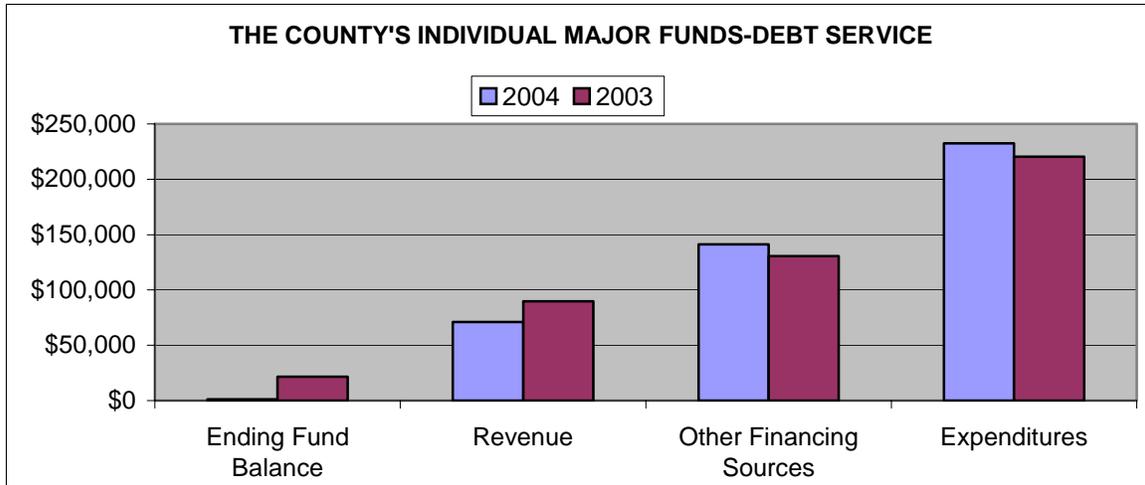
	<u>2004</u>	<u>2003</u>
Ending Fund Balance	\$ 4,427,025	\$ 4,111,359
Revenue	3,734,932	3,779,558
Other Financing Sources	1,538,463	1,459,711
Expenditures	4,937,839	5,147,160



Debt Service

Debt Service Fund expenditures increased by approximately \$12,000 over the prior year. This increase is directly related to increased revenue being received from the County's tax increment finance district resulting in additional expenditures towards retirement of outstanding obligations.

	<u>2004</u>	<u>2003</u>
Ending Fund Balance	\$ 1,050	\$ 21,442
Revenue	70,948	89,754
Other Financing Sources	141,122	130,589
Expenditures	232,462	220,474



BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except internal service and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level (service area), not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Benton County did amend its operating budget one time during the fiscal year. The amendment provided for additional budget authority for election equipment, costs of unanticipated special elections, and the construction of a communications tower.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY04, Benton County had approximately \$5.993 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. More detailed information about the County's capital assets is presented in **Note 6** to the financial statements.

Debt

At year-end, the County had approximately \$412,820 in general obligation bonds and tax increment financed debt compared to approximately \$629,000 in 2003, as shown below.

General Obligation Bonds:	\$240,000 principal outstanding
Tax Increment Financed Debt:	\$172,818 principal outstanding

The County's current general obligation debt and tax increment financed debt is for infrastructure (water and sewer) constructed in Benton Commerce Village. Benton County did not issue any additional general obligation bonds in FY04. The County will begin to repay a general fund loan upon retirement of the above debt, payable from tax increment revenue. It is anticipated that repayment to the general fund will begin in FY06.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$72.756 million limit.

100% Assessed Values
for Calculating Debt Capacity

2004	2003	2002
\$ 1,455,120,596	\$ 1,421,832,554	\$ 1,365,192,883

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in **Note 7** to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Benton County's elected and appointed officials and citizens considered many factors when setting the 2005 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Unemployment in the County currently (December 2004) stands at 6.7 percent compared with the State's unemployment rate of 4.7 percent and the national rate of 5.4 percent.

Inflation in the State continues to be somewhat lower than the increase in the national Consumer Price Index. The Midwest's CPI increase was 2.7 percent for the fiscal year ending June 30, 2004 compared with the national rate of 2.9 percent.

These indicators were taken into account when adopting the General Fund budget for 2005. The County continued its commitment to moderating the growth in property taxes as demonstrated by a slight increase in tax revenue in the general fund in FY04. Benton County will use fund reserves to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$1.236 million. Increases in wages and in roadway construction and maintenance, represent the largest increments. The County has added the construction of a radio communications tower and the purchase of HAVA complying election equipment to the 2005 budget. The County also continues to budget expenditures towards the Oak Grove Road project.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Benton County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Benton County, P.O. Box 549, 111 E. 4th Street, Vinton, Iowa, 52349.

BASIC FINANCIAL STATEMENTS

BENTON COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 9,954,378
Receivables:	
Property tax:	
Delinquent	132,143
Succeeding year	5,632,681
Interest and penalty on property tax	2,318
Accounts	37,150
Accrued interest	45,844
Due from other governments	369,643
Inventories	226,146
Land and construction in progress	856,937
Buildings and equipment (net of accumulated depreciation)	<u>5,136,554</u>
Total assets	<u>22,393,794</u>
LIABILITIES	
Accounts payable	256,675
Salaries and benefits payable	56,035
Due to other governments	182,307
Deferred revenue:	
Succeeding year property tax	5,632,681
Accrued interest payable	1,027
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	132,606
Compensated absences	251,553
Portion due or payable after one year:	
Notes payable	280,212
Landfill closure and postclosure care	<u>934,481</u>
Total liabilities	<u>7,727,577</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,993,491
Restricted for or by:	
Supplemental levy purposes	619,092
Mental health purposes	1,078,906
Secondary roads purposes	4,427,025
Landfill closure and postclosure care	559,827
Debt service	23
State statute	5,144
Other purposes	302,180
Unrestricted	<u>1,680,529</u>
Total net assets	<u>\$ 14,666,217</u>

See notes to financial statements.

BENTON COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	<u>Expenses</u>	<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 2,382,928	\$ 305,984
Physical health and social services	588,649	38,597
Mental health	1,508,439	7,922
County environment and education	1,307,276	246,068
Roads and transportation	5,078,657	247,673
Governmental services to residents	463,709	497,145
Administration	1,181,105	46,590
Interest on long-term debt	<u>16,031</u>	<u>-</u>
 Total	 <u>\$ 12,526,794</u>	 <u>\$ 1,389,979</u>

General Revenues:

Property and other County tax levied for:
General purposes
Debt service
Penalty and interest on property tax
State tax credits
Grants and contributions not restricted to specific purposes
Unrestricted investment earnings
Gain on disposal of capital assets
Miscellaneous
 Total general revenues
 Change in net assets
 Net assets beginning of year, as restated
 Net assets end of year

See notes to financial statements.

<u>Program Revenues</u>		Net (Expense)
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
\$ 5,243	\$ 31,280	\$ (2,040,421)
168,443	-	(381,609)
78,500	-	(1,422,017)
270,847	42,265	(748,096)
3,442,416	329,261	(1,059,307)
-	-	33,436
1,815	5,016	(1,127,684)
-	-	(16,031)
<u>\$ 3,967,264</u>	<u>\$ 407,822</u>	<u>(6,761,729)</u>

5,056,561
66,352
27,478
1,063,087
104,181
226,131
3,385
<u>164,203</u>
<u>6,711,378</u>
(50,351)
<u>14,716,568</u>
<u>\$ 14,666,217</u>

**BENTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	<u>General</u>	<u>Rural Services</u>
ASSETS		
Cash and pooled investments	\$ 3,347,344	\$ 177,137
Receivables:		
Property tax:		
Delinquent	131,882	212
Succeeding year	3,285,310	1,685,844
Interest and penalty on property tax	2,318	-
Accounts	12,743	-
Accrued interest	45,370	-
Due from other funds	-	-
Due from other governments	78,327	-
Inventories	<u>3,377</u>	<u>-</u>
Total assets	<u>\$ 6,906,671</u>	<u>\$ 1,863,193</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 65,723	\$ 185
Salaries and benefits payable	31,204	2,017
Due to other funds	3,275	898
Due to other governments	4,953	-
Deferred revenue:		
Succeeding year property tax	3,285,310	1,685,844
Other	<u>133,416</u>	<u>-</u>
Total liabilities	<u>3,523,881</u>	<u>1,688,944</u>
Fund balances:		
Reserved for or by:		
Landfill closure and postclosure care	-	-
Inventories	3,377	-
Debt service	-	-
State statute	-	-
Unreserved, reported in:		
General fund:		
Designated for election equipment	150,000	-
Designated for emergency response	50,000	-
Undesignated	3,179,413	-
Special revenue funds	<u>-</u>	<u>174,249</u>
Total fund balances	<u>3,382,790</u>	<u>174,249</u>
Total liabilities and fund balances	<u>\$ 6,906,671</u>	<u>\$ 1,863,193</u>

See notes to financial statements.

<u>Special Revenue</u>		<u>Nonmajor</u>	
<u>Secondary</u>	<u>Mental</u>	<u>Governmental</u>	<u>Total</u>
<u>Roads</u>	<u>Health</u>	<u>Funds</u>	
\$ 4,035,569	\$ 1,320,644	\$ 865,752	\$ 9,746,446
-	39	10	132,143
-	348,778	312,749	5,632,681
-	-	-	2,318
18,704	-	5,617	37,064
-	-	473	45,843
4,560	-	-	4,560
281,043	-	10,273	369,643
<u>222,769</u>	<u>-</u>	<u>-</u>	<u>226,146</u>
<u>\$ 4,562,645</u>	<u>\$ 1,669,461</u>	<u>\$ 1,194,874</u>	<u>\$ 16,196,844</u>
\$ 107,204	\$ 73,355	\$ 10,207	\$ 256,674
19,181	736	2,897	56,035
-	-	387	4,560
9,235	167,686	433	182,307
-	348,778	312,749	5,632,681
-	-	-	133,416
<u>135,620</u>	<u>590,555</u>	<u>326,673</u>	<u>6,265,673</u>
-	-	559,827	559,827
222,769	-	-	226,146
-	-	1,050	1,050
-	-	5,144	5,144
-	-	-	150,000
-	-	-	50,000
-	-	-	3,179,413
<u>4,204,256</u>	<u>1,078,906</u>	<u>302,180</u>	<u>5,759,591</u>
<u>4,427,025</u>	<u>1,078,906</u>	<u>868,201</u>	<u>9,931,171</u>
<u>\$ 4,562,645</u>	<u>\$ 1,669,461</u>	<u>\$ 1,194,874</u>	<u>\$ 16,196,844</u>

BENTON COUNTY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit D

Total fund balances for governmental funds	\$ 9,931,171
Total net assets 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.	5,993,491
Other assets, such as County taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.	133,416
The Internal Service Fund is used by the County to charge costs of health insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	208,018
Long-term liabilities, including notes payable, accrued interest payable, compensated absences, and landfill closure and postclosure care are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest on notes	\$ (1,027)
Notes payable	(412,818)
Compensated absences	(251,553)
Landfill closure and postclosure care	<u>(934,481)</u>
	<u>(1,599,879)</u>
Total net assets of governmental activities	<u>\$ 14,666,217</u>

BENTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Rural Services</u>
Revenues:		
Property and other County tax	\$ 3,061,498	\$ 1,642,367
Interest and penalty on property tax	59,856	-
Intergovernmental	879,330	113,207
Licenses and permits	22,609	-
Charges for service	605,641	13,875
Use of money and property	233,852	-
Miscellaneous	133,178	-
Total revenues	<u>4,995,964</u>	<u>1,769,449</u>
Expenditures:		
Operating:		
Public safety and legal services	2,315,684	4,084
Physical health and social services	584,571	-
Mental health	-	-
County environment and education	554,478	171,246
Roads and transportation	-	79,245
Governmental services to residents	450,719	3,484
Administration	1,214,513	1,275
Debt service	-	-
Capital projects	2,928	-
Total expenditures	<u>5,122,893</u>	<u>259,334</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,929)</u>	<u>1,510,115</u>
Other financing sources (uses):		
Sale of capital assets	4,256	-
Transfers in	12,716	-
Transfers out	<u>(163,255)</u>	<u>(1,568,108)</u>
Total other financing sources (uses)	<u>(146,283)</u>	<u>(1,568,108)</u>
Net change in fund balances	(273,212)	(57,993)
Fund balances beginning of year	3,656,447	232,242
Decrease in reserve for inventories	<u>(445)</u>	<u>-</u>
Fund balances end of year	<u>\$ 3,382,790</u>	<u>\$ 174,249</u>

See notes to financial statements.

Special Revenue		Nonmajor	
Secondary Roads	Mental Health	Governmental Funds	Total
\$ -	\$ 185,741	\$ 230,745	\$ 5,120,351
-	-	-	59,856
3,449,668	803,312	292,488	5,538,005
2,095	-	-	24,704
84	7,922	123,610	751,132
-	-	20,137	253,989
283,085	3,722	5,592	425,577
<u>3,734,932</u>	<u>1,000,697</u>	<u>672,572</u>	<u>12,173,614</u>
-	-	-	2,319,768
-	-	2,644	587,215
-	1,478,350	-	1,478,350
-	-	481,209	1,206,933
4,650,900	-	-	4,730,145
-	-	-	454,203
-	-	157	1,215,945
-	-	232,462	232,462
286,939	-	59,427	349,294
<u>4,937,839</u>	<u>1,478,350</u>	<u>775,899</u>	<u>12,574,315</u>
<u>(1,202,907)</u>	<u>(477,653)</u>	<u>(103,327)</u>	<u>(400,701)</u>
-	-	-	4,256
1,538,463	-	406,022	1,957,201
-	-	(225,838)	(1,957,201)
<u>1,538,463</u>	<u>-</u>	<u>180,184</u>	<u>4,256</u>
335,556	(477,653)	76,857	(396,445)
4,111,359	1,556,559	791,344	10,347,951
(19,890)	-	-	(20,335)
<u>\$ 4,427,025</u>	<u>\$ 1,078,906</u>	<u>\$ 868,201</u>	<u>\$ 9,931,171</u>

BENTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Exhibit F

Net change in fund balances - Total governmental funds \$ (396,445)

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

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

Expenditures for capital assets	\$ 580,835	
Capital assets contributed by the Iowa Department of Transportation	329,261	
Depreciation expense	<u>(704,747)</u>	205,349

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (871)

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. (29,815)

Bond proceeds provide current financial resources to governmental funds, and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. 216,122

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 the governmental funds, as follows:

Change in compensated absences	(29,930)	
Change in accrued interest on long-term debt	307	
Change in landfill closure/postclosure liability	<u>7,677</u>	(21,946)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. (20,335)

The Internal Service Fund is used by the County to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (2,410)

Change in net assets of governmental activities. \$ (50,351)

BENTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

Exhibit G

	<u>Internal Service- Benton County Co-Insurance</u>
ASSETS	
Cash and pooled investments	\$ 207,932
Accounts receivable	<u>86</u>
Total assets	<u>208,018</u>
NET ASSETS	
Unrestricted	<u>\$ 208,018</u>

BENTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

Exhibit H

	<u>Internal Service - Benton County Co-Insurance</u>
Operating revenues:	
Co-insurance receipts	\$ 1,069,486
Miscellaneous	<u>7,196</u>
Total operating revenues	1,076,682
Operating expenses:	
Claims and administrative expenses	<u>1,079,092</u>
Change in net assets	(2,410)
Net assets beginning of year	<u>210,428</u>
Net assets end of year	<u>\$ 208,018</u>

BENTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

Exhibit I

	<u>Internal Service - Benton County Co-Insurance</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 1,076,596
Cash paid for administrative fees and supplies	(19,677)
Cash paid for insurance claims/premiums	<u>(1,064,492)</u>
Net cash used for operating activities	(7,573)
Cash and pooled investments at beginning of year	<u>215,505</u>
Cash and pooled investments at end of year	<u>\$ 207,932</u>
Reconciliation of change in net assets to net cash used for operating activities:	
Change in net assets	\$ (2,410)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Increase in accounts receivable	(86)
Decrease in accounts payable	<u>(5,077)</u>
Net cash used for operating activities	<u>\$ (7,573)</u>

BENTON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2004

Exhibit J

ASSETS

Cash and pooled investments	\$ 1,871,907
Receivables:	
Property tax:	
Delinquent	2,136
Succeeding year	18,362,617
Accounts	25,952
Accrued interest	264
Special assessments	268,371
Interest on special assessments	14,657
Due from other governments	<u>8,067</u>
 Total assets	 <u>20,553,971</u>

LIABILITIES

Accounts payable	24,159
Salaries and benefits payable	2,381
Due to other governments	20,511,313
Trusts payable	<u>16,118</u>
 Total liabilities	 <u>20,553,971</u>

NET ASSETS

\$ -

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Benton 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.

Based on the above criteria, the County has determined that there are no potential component units which must be included in the County's financial statements as of and for the year ended June 30, 2004.

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

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. 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.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

Special Revenue:

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 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.

Additionally, the County reports the following fund types:

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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.

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

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

Special Assessments Receivable - Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty 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. Assessments receivable represents assessments which are due and payable but have not been collected.

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 General Fund and Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenses – Prepaid expenses represent certain payments to vendors that reflect costs applicable to future accounting periods.

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 County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of \$500 and estimated useful lives in excess of two years.

The County was required to record infrastructure for the year ended June 30, 2003. The County will retroactively record infrastructure in a future year.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	30 – 50
Buildings	10 – 40
Equipment	2 – 30

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

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

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 benefits payable to employees. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads, and Sanitary Disposal 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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

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

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

The County held no investments at June 30, 2004.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS

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

Receivable Fund	Payable Fund	Amount
Secondary Roads	General	\$ 3,275
	Rural Services	898
	Nonmajor Governmental	<u>387</u>
Total		<u>\$ 4,560</u>

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

NOTE 4 – INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
General	Nonmajor Governmental	\$ 12,716
Secondary Roads	General	133,075
	Rural Services	1,405,388
Nonmajor Governmental	General	30,180
	Rural Services	162,720
	Nonmajor Governmental	<u>213,122</u>
Total		<u>\$ 1,957,201</u>

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 – DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The agency funds also include accruals of property tax for the succeeding year. 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	\$ 4,953
Secondary Roads	Services	9,235
Mental Health		167,686
Nonmajor Governmental		433
Total for governmental funds		<u>182,307</u>
Agency:		
County Recorder	Collections	21,462
County Sheriff		18
Agricultural Extension Education		144,982
County Assessor		862,925
Schools		12,463,045
Community Colleges		655,608
Corporations		4,838,784
Townships		256,487
Auto License and Use Tax		465,727
Brucellosis and Tuberculosis Eradication		5,354
Fire Districts		89,560
E911 Surcharge		298,305
Joint Disaster Services		49,139
City Special Assessments		284,216
Empowerment Board		<u>75,701</u>
Total for agency funds		<u>20,511,313</u>
Total		<u>\$ 20,693,620</u>

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 – CAPITAL ASSETS

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

	Balance Beginning of Year <u>(as restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 648,820	\$ -	\$ -	\$ 648,820
Construction in progress	<u>-</u>	<u>208,117</u>	<u>-</u>	<u>208,117</u>
Total capital assets not being depreciated	<u>648,820</u>	<u>208,117</u>	<u>-</u>	<u>856,937</u>
Capital assets being depreciated:				
Buildings	3,863,060	-	-	3,863,060
Equipment	8,001,389	462,217	(190,847)	8,272,759
Infrastructure	<u>171,348</u>	<u>239,758</u>	<u>-</u>	<u>411,106</u>
Total capital assets being depreciated	<u>12,035,797</u>	<u>701,975</u>	<u>(190,847)</u>	<u>12,546,925</u>
Less accumulated depreciation for:				
Buildings	1,399,331	87,224	-	1,486,555
Equipment	5,493,634	611,197	(189,976)	5,914,855
Infrastructure	<u>2,635</u>	<u>6,326</u>	<u>-</u>	<u>8,961</u>
Total accumulated depreciation	<u>6,895,600</u>	<u>704,747</u>	<u>(189,976)</u>	<u>7,410,371</u>
Total capital assets being depreciated, net	<u>5,140,197</u>	<u>(2,772)</u>	<u>(871)</u>	<u>5,136,554</u>
Governmental activities capital assets, net	<u>\$ 5,789,017</u>	<u>\$ 205,345</u>	<u>\$ (871)</u>	<u>\$ 5,993,491</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 157,606
Physical health and social services	867
Mental health	33,776
County environment and education	65,398
Roads and transportation	314,125
Governmental services to residents	10,784
Administration	<u>122,191</u>
Total depreciation expense – governmental activities	<u>\$ 704,747</u>

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 7 – NOTES PAYABLE

Notes payable have been issued to provide funds for improvements to buildings that have subsequently been transferred to the City of Urbana and are no longer on the County's books. At June 30, 2004, there are notes payable outstanding as follows:

<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
October 12, 1996	6/1/04—6/1/07	5.05 – 5.20%	\$ <u>655,000</u>	\$ <u>240,000</u>

The notes mature in varying amounts as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 75,000	\$ 12,328	\$ 87,328
2006	80,000	8,540	88,540
2007	<u>85,000</u>	<u>4,420</u>	<u>89,420</u>
	\$ <u>240,000</u>	\$ <u>25,288</u>	\$ <u>265,288</u>

NOTE 8 – TAX-INCREMENT FINANCING NOTES

The County issues tax-increment financing notes to provide funds for urban renewal projects. The County pledges property tax revenues from the tax-increment financing districts to pay debt service. Tax-increment financing notes outstanding at June 30, 2004, are as follows:

<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
4/16/96	6/1/05-6/1/07	\$ 480,000	\$ 121,980
4/16/96	6/1/05-6/1/07	<u>200,000</u>	<u>50,838</u>
		\$ <u>680,000</u>	\$ <u>172,818</u>

The above notes are interest free providing payments are made on time. Principal payments not paid when due shall draw default interest at a rate of ten percent (10%) per annum.

Annual principal payments to maturity for tax-increment financing notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2005	\$ 57,606
2006	57,606
2007	<u>57,606</u>
	\$ <u>172,818</u>

(continued on next page)

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

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

	Notes Payable	Tax- Increment Financing Notes	Compensated Absences	Liability for Landfill Closure and Postclosure Care	Total
Balance beginning of year	\$ 315,000	\$ 313,940	\$ 221,623	\$ 942,158	\$ 1,792,721
Additions	-	-	251,553	-	251,553
Reductions	<u>75,000</u>	<u>141,122</u>	<u>221,623</u>	<u>7,677</u>	<u>445,422</u>
Balance end of year	<u>\$ 240,000</u>	<u>\$ 172,818</u>	<u>\$ 251,553</u>	<u>\$ 934,481</u>	<u>\$ 1,598,852</u>
Due within one year	<u>\$ 75,000</u>	<u>\$ 57,606</u>	<u>\$ 251,553</u>	<u>\$ -</u>	<u>\$ 384,159</u>

NOTE 10 – PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary, and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004, are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$257,256, \$243,278, and \$228,279, respectively, equal to the required contributions for each year.

NOTE 11 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Benton County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The pool was formed July 1, 1987, to provide workers' compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the pool. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Each member County is responsible for the payment of member contributions to the risk pool on an annual basis. Member contributions to the risk pool are recorded as expenditures from the operating funds at the time of payment to the risk pool. In the event of payment of any loss by the risk pool, the risk pool is subrogated to the extent of such payment to all the rights of the member County against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The risk pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the risk pool; and to pay all reasonable and necessary expenses for administering the risk pool.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2004, which covers exposures of specific losses in excess of \$500,000 per occurrence up to the statutory limits for workers' compensation, including the retention of the pool, and in excess of \$350,000 per occurrence up to a maximum of \$7,000,000 per occurrence, including the retention of the pool, for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the costs of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported. The estimates are based on the experience of similar organizations as determined by Arthur J. Gallagher and Co. – Kansas City, the pool's service agent. At June 30, 2004, 2003, and 2002, the risk pool fund reported a surplus of pool assets over liabilities.

Member counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member county in addition to the premium contributions. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member county may withdraw at the end of the third fiscal year of any three-year term, with a minimum of ninety (90) days written notice to the Chairman of the Board of Trustees. The initial membership period for the County commenced July 1, 1987. The County extended their membership for a five-year period, commencing July 1, 2000, until July 1, 2005. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with boiler/machinery. The Public Officials Bond and crime coverage is purchased through a local broker. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require Benton County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an increase in the general long-term debt account group in each period based on landfill capacity used as of each balance sheet date. The \$934,481 reported as landfill closure and postclosure care liability at June 30, 2004, represents the cumulative amount reported to date based on the use of 77 percent of the estimated capacity. Total estimated closure and postclosure costs are \$223,400 and \$1,083,350, respectively. The County will recognize the remaining estimated cost of closure and postclosure care of \$372,269 as the remaining estimated capacity is used.

These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. The County expects to close the entire landfill in the year 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

No expenditures for landfill closure and postclosure care were made during the year ended June 30, 2004. The liability in the statement of net assets for closure and postclosure care decreased by \$7,677 for the year. This was due to a decrease in estimated closure and postclosure costs.

The County has begun to accumulate resources to fund these costs in accordance with state and federal requirements. At June 30, 2000, a fund dedicated to closure and postclosure costs was established to demonstrate financial assurance. The County transferred \$72,000 to the fund during the fiscal year and the balance of this fund at June 30, 2004, is \$559,420. The County has demonstrated financial assurance for the landfill by using the Local Government Financial Test in combination with Local Government Dedicated Fund.

NOTE 13 – RESTATEMENT OF BEGINNING BALANCE

During the fiscal year, it was discovered that a bridge was omitted from the capital asset listing. The net effect of the omission was to increase beginning capital assets by \$168,713.

Net assets at June 30, 2003, as previously reported	\$ 14,547,855
Cost of bridge	171,348
Accumulated depreciation on bridge	<u>(2,635)</u>
Net assets at June 30, 2003, as restated	<u>\$ 14,716,568</u>

NOTE 14 – DEFICIT FUND EQUITY

The Community Development Block Grant (CDBG) Fund had a deficit fund balance of \$219 as of June 30, 2004.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 15 – PROSPECTIVE ACCOUNTING PRONCEMENTS

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by Benton County. The statements, which might impact Benton County, are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures*, issued March 2003, will be effective for the County for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the County for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the County for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued May 2004, will be effective for the County for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the County for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The County's management has not yet determined the effect these statements will have on the County's financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Governmental		
	Fund Types	Budgeted Amounts	
	Actual	Original	Final
Receipts:			
Property and other County tax	\$ 5,119,803	\$ 5,202,266	\$ 5,202,266
Interest and penalty on property tax	59,502	42,400	42,400
Intergovernmental	5,665,990	6,398,328	6,398,328
Licenses and permits	25,302	16,050	16,050
Charges for service	824,945	549,720	549,720
Use of money and property	265,520	211,359	211,359
Miscellaneous	422,073	312,605	312,605
Total receipts	<u>12,383,135</u>	<u>12,732,728</u>	<u>12,732,728</u>
Disbursements:			
Public safety and legal services	2,321,959	2,558,408	2,597,408
Physical health and social services	589,122	849,950	852,950
Mental health	1,424,727	1,950,553	1,950,553
County environment and education	1,455,817	1,927,862	1,923,481
Roads and transportation	4,760,378	5,157,463	5,257,463
Governmental services to residents	461,376	469,557	698,557
Administration	1,230,953	1,369,215	1,369,215
Debt service	232,462	291,340	291,340
Capital projects	354,453	1,924,000	2,074,000
Total disbursements	<u>12,831,247</u>	<u>16,498,348</u>	<u>17,014,967</u>
Deficiency of receipts under disbursements	(448,112)	(3,765,620)	(4,282,239)
Other financing sources, net	<u>4,359</u>	<u>19,500</u>	<u>19,500</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(443,753)	(3,746,120)	(4,262,739)
Balance beginning of year	<u>10,091,850</u>	<u>10,091,850</u>	<u>10,091,850</u>
Balance end of year	<u>\$ 9,648,097</u>	<u>\$ 6,345,730</u>	<u>\$ 5,829,111</u>

Variance- Over (Under) Budget	Actual as % of Final Budget
\$ (82,463)	98%
17,102	140
(732,338)	89
9,252	158
275,225	150
54,161	126
109,468	135
<u>(349,593)</u>	<u>97</u>

(275,449)	89%
(263,828)	69
(525,826)	73
(467,664)	76
(497,085)	91
(237,181)	66
(138,262)	90
(58,878)	80
(1,719,547)	17
<u>(4,183,720)</u>	<u>75</u>

3,834,127

(15,141)

3,818,986

-

\$ 3,818,986

BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,383,135	\$ (209,521)	\$ 12,173,614
Expenditures	<u>12,831,247</u>	<u>(256,932)</u>	<u>12,574,315</u>
Net	(448,112)	47,411	(400,701)
Other financing sources, net	4,359	(103)	4,256
Beginning fund balances	10,091,850	256,101	10,347,951
Decrease in reserve for:			
Inventories	<u>-</u>	<u>(20,335)</u>	<u>(20,335)</u>
Ending fund balances	<u>\$ 9,648,097</u>	<u>\$ 283,074</u>	<u>\$ 9,931,171</u>

BENTON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING JUNE 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Internal Service 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 ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year a budget amendment increased budgeted disbursements by approximately \$500,000. 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.

OTHER SUPPLEMENTARY INFORMATION

BENTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue				
	Resource Enhancement and Protection	Sanitary Disposal	Ground Water	Emergency Food and Shelter Program	County Recorder's Records Management
ASSETS					
Cash and pooled investments	\$ 32,864	\$ 637,116	\$ 3,721	\$ 2,995	\$ 22,785
Receivables:					
Property tax:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Accounts	-	1,199	4,418	-	-
Accrued interest	20	407	-	2	13
Due from other governments	-	10,273	-	-	-
Total assets	<u>\$ 32,884</u>	<u>\$ 648,995</u>	<u>\$ 8,139</u>	<u>\$ 2,997</u>	<u>\$ 22,798</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 879	\$ 7,221	\$ 831	\$ 1,276	\$ -
Salaries and benefits payable	-	2,897	-	-	-
Due to other funds	-	387	-	-	-
Due to other governments	-	69	-	139	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Total liabilities	<u>879</u>	<u>10,574</u>	<u>831</u>	<u>1,415</u>	<u>-</u>
Fund balances:					
Reserved for or by:					
Landfill closure and postclosure care	-	559,827	-	-	-
Debt service	-	-	-	-	-
State statute	-	5,144	-	-	-
Unreserved, reported in:					
Special revenue funds	<u>32,005</u>	<u>73,450</u>	<u>7,308</u>	<u>1,582</u>	<u>22,798</u>
Total fund balances	<u>32,005</u>	<u>638,421</u>	<u>7,308</u>	<u>1,582</u>	<u>22,798</u>
Total liabilities and fund balances	<u>\$ 32,884</u>	<u>\$ 648,995</u>	<u>\$ 8,139</u>	<u>\$ 2,997</u>	<u>\$ 22,798</u>

Funds							Total
Environmental Projects	Urbana TIF	CDBG	Conservation Land Acquisition Trust Fund	County Recorder's Electronic Transaction	Debt Service		
\$ 26,451	\$ 28,965	\$ 6	\$ 87,073	\$ 22,736	\$ 1,040		\$ 865,752
-	-	-	-	-	10		10
-	225,416	-	-	-	87,333		312,749
-	-	-	-	-	-		5,617
17	-	-	-	14	-		473
-	-	-	-	-	-		10,273
<u>\$ 26,468</u>	<u>\$ 254,381</u>	<u>\$ 6</u>	<u>\$ 87,073</u>	<u>\$ 22,750</u>	<u>\$ 88,383</u>		<u>\$ 1,194,874</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 10,207
-	-	-	-	-	-		2,897
-	-	-	-	-	-		387
-	-	225	-	-	-		433
-	225,416	-	-	-	87,333		312,749
<u>-</u>	<u>225,416</u>	<u>225</u>	<u>-</u>	<u>-</u>	<u>87,333</u>		<u>326,673</u>
-	-	-	-	-	-		559,827
-	-	-	-	-	1,050		1,050
-	-	-	-	-	-		5,144
<u>26,468</u>	<u>28,965</u>	<u>(219)</u>	<u>87,073</u>	<u>22,750</u>	<u>-</u>		<u>302,180</u>
<u>26,468</u>	<u>28,965</u>	<u>(219)</u>	<u>87,073</u>	<u>22,750</u>	<u>1,050</u>		<u>868,201</u>
<u>\$ 26,468</u>	<u>\$ 254,381</u>	<u>\$ 6</u>	<u>\$ 87,073</u>	<u>\$ 22,750</u>	<u>\$ 88,383</u>		<u>\$ 1,194,874</u>

BENTON COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Special Revenue				
	Resource Enhancement and Protection	Sanitary Disposal	Ground Water	Emergency Food and Shelter Program	County Recorder's Records Management
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12,812	237,912	19,977	4,683	-
Charges for service	-	92,574	-	-	8,347
Use of money and property	188	19,562	-	7	124
Miscellaneous	-	5,292	-	-	-
Total revenues	13,000	355,340	19,977	4,690	8,471
Expenditures:					
Operating:					
Physical health and social services	-	-	-	2,644	-
County environment and education	4,752	454,963	21,179	-	-
Administration	-	157	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	4,752	455,120	21,179	2,644	-
Excess (deficiency) of revenues over (under) expenditures	8,248	(99,780)	(1,202)	2,046	8,471
Other financing sources (uses):					
Transfers in	-	234,720	-	-	-
Transfers out	-	(72,000)	-	-	-
Total other financing sources (uses)	-	162,720	-	-	-
Net change in fund balances	8,248	62,940	(1,202)	2,046	8,471
Fund balances beginning of year	23,757	575,481	8,510	(464)	14,327
Fund balances end of year	\$ 32,005	\$ 638,421	\$ 7,308	\$ 1,582	\$ 22,798

Funds

<u>Environmental Projects</u>	<u>Urbana TIF</u>	<u>CDBG</u>	<u>Conservation Land Acquisition Trust Fund</u>	<u>County Recorder's Electronic Transaction</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 164,392	\$ -	\$ -	\$ -	\$ 66,353	\$ -	\$ 230,745
-	-	-	12,509	-	4,595	-	292,488
-	-	-	-	22,689	-	-	123,610
195	-	-	-	61	-	-	20,137
-	-	-	300	-	-	-	5,592
<u>195</u>	<u>164,392</u>	<u>-</u>	<u>12,809</u>	<u>22,750</u>	<u>70,948</u>	<u>-</u>	<u>672,572</u>
-	-	-	-	-	-	-	2,644
-	-	315	-	-	-	-	481,209
-	-	-	-	-	-	-	157
-	-	-	-	-	232,462	-	232,462
-	-	-	59,427	-	-	-	59,427
-	-	315	59,427	-	232,462	-	775,899
<u>195</u>	<u>164,392</u>	<u>(315)</u>	<u>(46,618)</u>	<u>22,750</u>	<u>(161,514)</u>	<u>-</u>	<u>(103,327)</u>
-	-	180	30,000	-	141,122	-	406,022
-	(141,122)	(10,170)	-	-	-	(2,546)	(225,838)
-	(141,122)	(9,990)	30,000	-	141,122	(2,546)	180,184
195	23,270	(10,305)	(16,618)	22,750	(20,392)	(2,546)	76,857
<u>26,273</u>	<u>5,695</u>	<u>10,086</u>	<u>103,691</u>	<u>-</u>	<u>21,442</u>	<u>2,546</u>	<u>791,344</u>
<u>\$ 26,468</u>	<u>\$ 28,965</u>	<u>\$ (219)</u>	<u>\$ 87,073</u>	<u>\$ 22,750</u>	<u>\$ 1,050</u>	<u>\$ -</u>	<u>\$ 868,201</u>

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 3

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
COUNTY AUDITOR				
ASSETS:				
Cash and pooled investments	\$ 494	\$ 2,520	\$ 2,520	\$ 494
LIABILITIES:				
Trusts payable	\$ 494	\$ 2,520	\$ 2,520	\$ 494
COUNTY RECORDER				
ASSETS:				
Cash and pooled investments	\$ 19,790	\$ 426,414	\$ 424,742	\$ 21,462
Accounts receivable	54	-	54	-
Total assets	\$ 19,844	\$ 426,414	\$ 424,796	\$ 21,462
LIABILITIES:				
Due to other governments	\$ 19,844	\$ 426,414	\$ 424,796	\$ 21,462
COUNTY RECORDER'S ELECTRONIC FEE				
ASSETS:				
Cash and pooled investments	\$ -	\$ 38,045	\$ 38,045	\$ -
LIABILITIES:				
Due to other governments	\$ -	\$ 38,045	\$ 38,045	\$ -
COUNTY SHERIFF				
ASSETS:				
Cash and pooled investments	\$ -	\$ 216,160	\$ 216,160	\$ -
Accounts receivable	363	849	363	849
Total assets	\$ 363	\$ 217,009	\$ 216,523	\$ 849
LIABILITIES:				
Due to other governments	\$ 13	\$ 66,418	\$ 66,413	\$ 18
Trusts payable	350	21,594	21,113	831
Total liabilities	\$ 363	\$ 88,012	\$ 87,526	\$ 849

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 3
(continued)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
AGRICULTURAL EXTENSION EDUCATION FUND				
ASSETS:				
Cash and pooled investments	\$ 2,550	\$ 138,196	\$ 138,278	\$ 2,468
Property tax receivable:				
Delinquent	2	16	2	16
Succeeding year	138,095	142,498	138,095	142,498
Total assets	<u>\$ 140,647</u>	<u>\$ 280,710</u>	<u>\$ 276,375</u>	<u>\$ 144,982</u>
LIABILITIES:				
Due to other governments	<u>\$ 140,647</u>	<u>\$ 280,710</u>	<u>\$ 276,375</u>	<u>\$ 144,982</u>
COUNTY ASSESSOR FUND				
ASSETS:				
Cash and pooled investments	\$ 633,677	\$ 266,878	\$ 267,501	\$ 633,054
Property tax receivable:				
Delinquent	6	26	6	26
Succeeding year	262,022	232,041	262,022	232,041
Total assets	<u>\$ 895,705</u>	<u>\$ 498,945</u>	<u>\$ 529,529</u>	<u>\$ 865,121</u>
LIABILITIES:				
Accounts payable	\$ 363	\$ 349	\$ 363	\$ 349
Salaries and benefits payable	5,682	1,847	5,682	1,847
Due to other governments	889,660	496,749	523,484	862,925
Total liabilities	<u>\$ 895,705</u>	<u>\$ 498,945</u>	<u>\$ 529,529</u>	<u>\$ 865,121</u>
SCHOOLS FUND				
ASSETS:				
Cash and pooled investments	\$ 220,582	\$ 12,145,224	\$ 12,143,640	\$ 222,166
Property tax receivable:				
Delinquent	245	1,382	245	1,382
Succeeding year	12,136,333	12,239,497	12,136,333	12,239,497
Total assets	<u>\$ 12,357,160</u>	<u>\$ 24,386,103</u>	<u>\$ 24,280,218</u>	<u>\$ 12,463,045</u>
LIABILITIES:				
Due to other governments	<u>\$ 12,357,160</u>	<u>\$ 24,386,103</u>	<u>\$ 24,280,218</u>	<u>\$ 12,463,045</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 3
(continued)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
COMMUNITY COLLEGES FUND				
ASSETS:				
Cash and pooled investments	\$ 30,501	\$ 675,627	\$ 694,832	\$ 11,296
Property tax receivable:				
Delinquent	11	-	11	-
Succeeding year	675,187	644,312	675,187	644,312
Total assets	<u>\$ 705,699</u>	<u>\$ 1,319,939</u>	<u>\$ 1,370,030</u>	<u>\$ 655,608</u>
LIABILITIES:				
Due to other governments	<u>\$ 705,699</u>	<u>\$ 1,319,939</u>	<u>\$ 1,370,030</u>	<u>\$ 655,608</u>
CORPORATIONS FUND				
ASSETS:				
Cash and pooled investments	\$ 49,132	\$ 4,532,709	\$ 4,505,295	\$ 76,546
Property tax receivable:				
Delinquent	130	661	130	661
Succeeding year	4,510,525	4,761,577	4,510,525	4,761,577
Total assets	<u>\$ 4,559,787</u>	<u>\$ 9,294,947</u>	<u>\$ 9,015,950</u>	<u>\$ 4,838,784</u>
LIABILITIES:				
Due to other governments	<u>\$ 4,559,787</u>	<u>\$ 9,294,947</u>	<u>\$ 9,015,950</u>	<u>\$ 4,838,784</u>
TOWNSHIPS FUND				
ASSETS:				
Cash and pooled investments	\$ 5,516	\$ 257,413	\$ 257,983	\$ 4,946
Property tax receivable:				
Delinquent	7	51	7	51
Succeeding year	257,345	251,490	257,345	251,490
Total assets	<u>\$ 262,868</u>	<u>\$ 508,954</u>	<u>\$ 515,335</u>	<u>\$ 256,487</u>
LIABILITIES:				
Due to other governments	<u>\$ 262,868</u>	<u>\$ 508,954</u>	<u>\$ 515,335</u>	<u>\$ 256,487</u>
AUTO LICENSE AND USE TAX FUND				
ASSETS:				
Cash and pooled investments	<u>\$ 451,433</u>	<u>\$ 5,653,123</u>	<u>\$ 5,638,829</u>	<u>\$ 465,727</u>
LIABILITIES:				
Due to other governments	<u>\$ 451,433</u>	<u>\$ 5,653,123</u>	<u>\$ 5,638,829</u>	<u>\$ 465,727</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 3
(continued)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND				
ASSETS:				
Cash and pooled investments	\$ 67	\$ 3,690	\$ 1,982	\$ 1,775
Property tax receivable:				
Succeeding year	3,686	3,579	3,686	3,579
Total assets	<u>\$ 3,753</u>	<u>\$ 7,269</u>	<u>\$ 5,668</u>	<u>\$ 5,354</u>
LIABILITIES:				
Due to other governments	<u>\$ 3,753</u>	<u>\$ 7,269</u>	<u>\$ 5,668</u>	<u>\$ 5,354</u>
FIRE DISTRICTS FUND				
ASSETS:				
Cash and pooled investments	\$ 1,707	\$ 95,388	\$ 95,158	\$ 1,937
Property tax receivable:				
Succeeding year	95,303	87,623	95,303	87,623
Total assets	<u>\$ 97,010</u>	<u>\$ 183,011</u>	<u>\$ 190,461</u>	<u>\$ 89,560</u>
LIABILITIES:				
Due to other governments	<u>\$ 97,010</u>	<u>\$ 183,011</u>	<u>\$ 190,461</u>	<u>\$ 89,560</u>
E911 SURCHARGE FUND				
ASSETS:				
Cash and pooled investments	\$ 319,536	\$ 159,580	\$ 205,045	\$ 274,071
Receivables:				
Accounts	29,063	25,103	29,063	25,103
Accrued interest	242	204	242	204
Total assets	<u>\$ 348,841</u>	<u>\$ 184,887</u>	<u>\$ 234,350</u>	<u>\$ 299,378</u>
LIABILITIES:				
Accounts payable	\$ 18,266	\$ 1,073	\$ 18,266	\$ 1,073
Due to other governments	330,575	183,814	216,084	298,305
Total liabilities	<u>\$ 348,841</u>	<u>\$ 184,887</u>	<u>\$ 234,350</u>	<u>\$ 299,378</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 3
(continued)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
JOINT DISASTER SERVICES FUND				
ASSETS:				
Cash and pooled investments	\$ 23,341	\$ 132,031	\$ 110,305	\$ 45,067
Accounts receivable	8,240	-	8,240	-
Due from other governments	2,447	7,800	2,447	7,800
Total assets	<u>\$ 34,028</u>	<u>\$ 139,831</u>	<u>\$ 120,992</u>	<u>\$ 52,867</u>
LIABILITIES:				
Accounts payable	\$ 3,705	\$ 3,194	\$ 3,705	\$ 3,194
Salaries and benefits payable	1,895	534	1,895	534
Due to other governments	28,428	136,103	115,392	49,139
Total liabilities	<u>\$ 34,028</u>	<u>\$ 139,831</u>	<u>\$ 120,992</u>	<u>\$ 52,867</u>
CITY SPECIAL ASSESSMENTS FUND				
ASSETS:				
Cash and pooled investments	\$ 3,374	\$ 49,835	\$ 52,021	\$ 1,188
Receivables:				
Special assessments	298,172	268,371	298,172	268,371
Interest on special assessments	16,055	14,657	16,055	14,657
Total assets	<u>\$ 317,601</u>	<u>\$ 332,863</u>	<u>\$ 366,248</u>	<u>\$ 284,216</u>
LIABILITIES:				
Due to other governments	<u>\$ 317,601</u>	<u>\$ 332,863</u>	<u>\$ 366,248</u>	<u>\$ 284,216</u>
TREASURER'S TRUST FUND				
ASSETS:				
Cash and pooled investments	<u>\$ 9,098</u>	<u>\$ 5,695</u>	<u>\$ -</u>	<u>\$ 14,793</u>
LIABILITIES:				
Trusts payable	<u>\$ 9,098</u>	<u>\$ 5,695</u>	<u>\$ -</u>	<u>\$ 14,793</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 3
(continued)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
EMPOWERMENT BOARD FUND				
ASSETS:				
Cash and pooled investments	\$ 108,773	\$ 165,803	\$ 179,659	\$ 94,917
Accrued interest receivable	82	60	82	60
Due from other governments	-	267	-	267
Total assets	<u>\$ 108,855</u>	<u>\$ 166,130</u>	<u>\$ 179,741</u>	<u>\$ 95,244</u>
LIABILITIES:				
Accounts payable	\$ 6,469	\$ 19,543	\$ 6,469	\$ 19,543
Due to other governments	102,386	146,587	173,272	75,701
Total liabilities	<u>\$ 108,855</u>	<u>\$ 166,130</u>	<u>\$ 179,741</u>	<u>\$ 95,244</u>
TOTAL COMBINED FUNDS				
ASSETS:				
Cash and pooled investments	\$ 1,879,571	\$ 24,964,331	\$ 24,971,995	\$ 1,871,907
Receivables:				
Property tax:				
Delinquent	401	2,136	401	2,136
Succeeding year	18,078,496	18,362,617	18,078,496	18,362,617
Accounts	37,720	25,952	37,720	25,952
Accrued interest	324	264	324	264
Special assessments	298,172	268,371	298,172	268,371
Interest on special assessments	16,055	14,657	16,055	14,657
Due from other governments	2,447	8,067	2,447	8,067
Total assets	<u>\$ 20,313,186</u>	<u>\$ 43,646,395</u>	<u>\$ 43,405,610</u>	<u>\$ 20,553,971</u>
LIABILITIES:				
Accounts payable	\$ 28,803	\$ 24,159	\$ 28,803	\$ 24,159
Salaries and benefits payable	7,577	2,381	7,577	2,381
Due to other governments	20,266,864	43,461,049	43,216,600	20,511,313
Trusts payable	9,942	29,809	23,633	16,118
Total liabilities	<u>\$ 20,313,186</u>	<u>\$ 43,517,398</u>	<u>\$ 43,276,613</u>	<u>\$ 20,553,971</u>

BENTON COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION –
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

Schedule 4

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 5,120,351	\$ 5,102,139	\$ 5,352,576	\$ 5,622,756
Interest and penalty on property tax	59,856	29,079	60,454	58,734
Intergovernmental	5,538,005	5,927,952	5,894,202	5,948,820
Licenses and permits	24,704	19,745	19,926	17,222
Charges for service	751,132	738,542	658,388	554,990
Use of money and property	253,989	293,095	428,427	506,788
Miscellaneous	425,577	416,094	374,609	489,764
Total	<u>\$ 12,173,614</u>	<u>\$ 12,526,646</u>	<u>\$ 12,788,582</u>	<u>\$ 13,199,074</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,319,768	\$ 2,010,361	\$ 1,993,841	\$ 2,034,458
Physical health and social services	587,215	612,349	633,033	699,751
Mental health	1,478,350	1,546,983	1,405,714	1,365,381
County environment and education	1,206,933	1,388,614	1,255,508	988,391
Roads and transportation	4,730,145	4,977,374	4,348,320	5,129,077
Governmental services to residents	454,203	400,896	386,932	354,292
Administration	1,215,945	1,207,992	1,048,167	1,109,716
Debt service	232,462	220,474	182,724	146,374
Capital projects	349,294	293,039	445,615	369,440
Total	<u>\$ 12,574,315</u>	<u>\$ 12,658,082</u>	<u>\$ 11,699,854</u>	<u>\$ 12,196,880</u>

**INFORMATION PROVIDED TO COMPLY WITH
*GOVERNMENT AUDITING STANDARDS***



**REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Officials of Benton County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise Benton County, Iowa's basic financial statements and have issued our report thereon dated October 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton 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 a certain immaterial instance of non-compliance that is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. There were no prior year statutory comments.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton 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 Benton 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 I of the accompanying Schedule of Findings.

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 that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Benton County in a separate letter dated October 21, 2004. Prior year reportable conditions items I-A-04 through I-C-04 have not been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Benton County and other parties to whom Benton County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton 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.

Erin Bailly LLP

Dubuque, Iowa
October 21, 2004

BENTON COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS

I-A-04 Sheriff's Office - Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the office may have control over the receipts and disbursements areas for which no compensating controls exist.

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

Response – The front office only employs two people. The duties are shared for the most part. Quarterly reports are prepared for supervisor review and a yearly audit of the books are done. We feel that with only two people in the front office, this is the best that can be offered.

Conclusion – Response acknowledged. We recommend the County continue to look for ways to strengthen controls.

I-B-04 County Recorder's Office - Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the office may have control over the receipts and disbursements areas for which no compensating controls exist.

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

Response – We do segregate the duties in the Recorder's Office as much as possible with the staff we have.

Conclusion – Response acknowledged. We recommend the County continue to look for ways to strengthen controls.

BENTON COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Basic Financial Statements: (continued)

I-C-04 Treasurer's Office – Segregation of Duties – Several persons in the Treasurer's office take turns receipting funds, making deposits, and reconciling bank statements. This situation presents a lack of segregation of duties.

Recommendation – The Treasurer has done a good job enhancing controls through supervision and review of work. We realize segregation of duties is difficult with a limited number of office employees, but we still recommend that the Treasurer continue to look for opportunities to increase controls as staff changes.

Response – I continue to pull work sporadically to check over work and verify deposit of funds. I also balance the daily work with the state motor vehicle report and the daily cash receipting report.

Conclusion – Response acknowledged. We recommend the County continue to look for ways to strengthen controls.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004, except for deposits at Benton County State Bank. The maximum authorized amount of \$2,000,000 was exceeded in September and October 2003, by approximately \$75,000.

Recommendation – Although a new resolution was adopted to cover the amount of deposits, we recommend greater care be taken in the future to ensure the maximum deposit amounts are not exceeded during the year.

Response – We have attempted to watch this more closely and make adjustments accordingly. We will continue to keep monies in the facilities that will give Benton County the best rates possible.

Conclusion – Response accepted.

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

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

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

**BENTON COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Required Statutory Reporting: (continued)

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Robert Mahood, Jr., conservation board member, owner of Mahood Shoes	Supplies	\$ 135
Mary Halstead, Transportation Director, husband is owner of Halstead Auto	Maintenance	\$ 30
Jeff Winsor, employee of secondary roads, owner of Winsor Concrete Designs	Equipment rental	\$ 1,388
David Henkel, member of the conservation board, owner of Henkel's Service and Repair	Maintenance	\$ 9,989

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were either less than \$1,500 during the fiscal year or were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

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

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

II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-I-04 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-J-04 Solid Waste Fees Retainage - The County used or retained the solid waste fees in accordance with Chapter 455E.11.2(a)(11), (13), and (15) of the Code of Iowa.

II-K-04 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the state of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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