

CASS COUNTY

INDEPENDENT AUDITOR'S REPORTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

Cass County
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Cass County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenneth Waters	Board of Supervisors	January, 2005
Charles Rieken	Board of Supervisors	January, 2005
Russell Joyce	Board of Supervisors	January, 2005
Chuck Kinen	Board of Supervisors	January, 2007
Don Volk	Board of Supervisors	January, 2007
Dale E. Sunderman	County Auditor	January, 2005
Tracey J. Marshall	County Treasurer	January, 2007
Joyce Jensen	County Recorder	January, 2007
Larry G. Jones (Removed from office September, 2004)	County Sheriff	--
Bill Sage (Appointed September, 2004)	County Sheriff	January, 2005
James P. Barry (Removed from office September, 2004)	County Attorney	--
Daniel Feistner (Appointed October, 2004)	County Attorney	January, 2007
Linda Campbell (Resigned July, 2003)	County Assessor	--
Brenda Rhoads (Appointed July, 2003)	County Assessor	January, 2004

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Cass County

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Cass County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Cass County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated December 28, 2004 on our consideration of Cass County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Officials of Cass County

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 3e and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cass County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein), and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gronewold, Bell, Kuhn & P.C.

Atlantic, Iowa
December 28, 2004

Board of Supervisors Cass County

5 West 7th Street / Atlantic, IA 50022

(712) 243-6661 FAX: (712) 243-6660

MANAGEMENT'S DISCUSSION & ANALYSIS

The Cass County Board of Supervisors provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2004. It is the intent that this statement be reviewed and considered in conjunction with reading the County's financial statements.

Due to the fact that Cass County implemented new reporting standards for the fiscal year ending June 30, 2004, there are significant changes in content and structure. Therefore, some information is not easily comparable to prior year(s). However, in future years, comparison will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

	<u>FY2003</u>	<u>FY2004</u>	<u>CHANGE</u>
Valuation for computing property taxes	\$ 464,775,247	\$ 470,560,602	\$ 5,785,355
Rural Valuation	\$ 287,528,652	\$ 289,322,502	\$ 1,793,850
Urban Valuation	\$ 177,246,594	\$ 181,238,100	\$ 3,991,506
Taxes Levied On Property	\$ 3,443,776	\$ 3,557,149	\$ 113,373

Cass County levy rates/\$1,000 are shown below:

	<u>FY2003</u>	<u>FY2004</u>
General Basic/General Supplemental	3.50000	3.70180
MH-DD	1.63956	1.61943
Rural Basic/Rural Supplemental	3.76248	3.73828
Total	8.90204	9.05951

	<u>FY2003</u>	<u>FY2004</u>	<u>Change</u>
<u>Governmental Fund Revenues</u>	\$ 8,939,583	\$ 9,199,244	\$ 259,661
Comprised in part by the following:			
Net Taxes	\$ 3,164,561	\$ 3,296,342	\$ 131,781
Utility Tax Replacement	\$ 157,941	\$ 162,482	\$ 4,541
State Replacements	\$ 237,285	\$ 233,103	\$ (4,182)
Local Option Sales Tax Revenue	\$ 437,819	\$ 462,925	\$ 25,106

	<u>FY2003</u>	<u>FY2004</u>	<u>Change</u>
<u>Governmental Fund Expenditures</u>	\$ 9,335,899	\$ 9,433,254	\$ 97,355
Comprised of the following:			
Program Expenses	\$ 8,587,569	\$ 8,712,108	\$ 124,539
Capital Projects	\$ 748,330	\$ 721,146	\$ (27,184)

	<u>FY2003</u>	<u>FY2004</u>	<u>Change</u>
<u>Capital Assets</u>	\$ 3,679,143	\$ 4,016,441	\$ 337,298

FY2004 is first year for Cass County to report under new government accounting standards.

UTILIZATION OF THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements 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 Cass 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 Cass County's operations in more detail than government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cass County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplemental Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

Reporting the County as a Whole

Government-Wide Financial Statements

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 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. This 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 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:

1. Public Safety and Legal Services
2. Physical Health & Social Services
3. Mental Health, MR & DD
4. County Environment and Education
5. Roads and Transportation
6. Government Services to Residents
7. Administration
8. Interest on Long-Term Debt
9. Non-program Activities

Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

Cass County has three kinds of funds – governmental, proprietary & fiduciary 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 may include: (1) the General Fund (General Basic & General Supplemental), (2) The Special Revenue funds such as Mental Health, Rural Services (Rural Basic and Rural Supplemental), Secondary Roads and others, (3) the Debt Service Fund, and (4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.
- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a couple.

The fiduciary funds required financial statements 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 financial position. This is the first year the County is utilizing accumulated depreciation for capital assets. The analysis that follows focuses on the changes of the net assets for our governmental activities.

Statement of Net Assets - Governmental Activities

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,016,441	3,679,143
Restricted for:		
Mental Health Purposes	345,537	257,522
Secondary Roads Purposes	967,562	763,895
Capital Project Purposes	172,167	129,526
Other Purposes	1,400,846	1,657,963
Unrestricted	173,512	558,964
Net Assets	\$ 7,076,065	\$ 7,047,013
Long Term Debt Outstanding	0	0
Other Liabilities	4,348,502	4,032,400
Total Liabilities	\$ 4,348,502	4,032,400

A large portion of the County's total assets is the Invested in Capital Assets (e.g. land, infrastructure, buildings, and equipment), less the related debt. Restricted net assets represent resources that are subject to external restrictions, constitutions provisions, or enabling legislation on how they can be used. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

Year Ended
June 30, 2004

REVENUES		
	Program Revenues	
	Charges for services	810,735
	Program Revenues, Operating Grants & Contributions & Int.	2,690,104
	Capital Grants & Contributions	838,705
	General Revenues	
	Property Taxes	3,473,870
	Penalty & Interest on Property Taxes	43,746
	State tax credits	752,924
	Local option sales & service tax	462,925
	Unrestricted investment earnings	89,704
	Other general revenues	772,474
	Total revenues	9,935,187
PROGRAM EXPENSES		
	Public Safety & Legal Services	1,373,544
	Physical Health & Social Services	368,196
	Mental Health, MR& DD	1,701,238
	County Environment & Education	294,634
	Roads & Transportation	3,833,861
	Government Services to Residents	303,732
	Administration	1,626,785
	Nonprogram Current	404,145
	Total expenses	9,906,135
	Change in net assets	29,052
	Net assets beginning of year, as restated	\$ 7,047,013
	Net assets end of year	\$ 7,076,065

INDIVIDUAL MAJOR FUND ANALYSIS

Fund Balances at end of	<u>FY2003</u>	<u>FY2004</u>
General Fund	537,368	349,773
Mental Health/DD Fund	268,985	347,035
Rural Services	954,896	861,741
Secondary Roads	797,899	616,270
Capital Projects	129,526	172,167
Other Funds	439,443	512,558
	3,128,117	2,859,544

General Budgetary Highlights

In January, 2004, Cass County completed its County Budget Conversion required to institute the new chart of accounts required by the state to assist in implementation of GASB34.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Cass County ended FY 2004 with approximately \$4,016,441 invested in a broad range of capital assets.

Debt

Cass County had no general obligation bonds outstanding as of the end of FY 2004.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Cass County's Board of Supervisors considered many factors for the fiscal year 2004 budget, tax rates, the local uncertainty about a major employer in the county and funding of various County services. One of those factors was the economy which has suffered a down-turn. The County also experienced an increase in its insurance costs – liability, workmen's compensation and health insurance. The population of Cass County as estimated by the 2000 census was 14,634. The Board did approve an approximate 3% raise to themselves; a 3% raise to the Auditor, Recorder & Treasurer; a 3% raise to the Sheriff; and a \$90,000 salary to the County Attorney who became 'full time' December 18, 2002. The Board increased the amount an employee contributes for a 'family' plan.

The County continues to tighten all departmental budgets to help alleviate the difference between revenue and expenditures in an effort to maintain current county programs. Limitations of growth in the general funds may jeopardize continuation of current levels of service. Cass County has no plans for addition of any major new programs or initiatives in the FY 2005 budget. The Board will, pursuant to federal law, be required to replace voting machines prior to the first federal election in 2006.

If projections are realized, the Board of Supervisors expect further depletion of fund balances during FY 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 Cass County's finances and show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Cass County Auditor's office, Cass County Courthouse, Atlantic, IA 50022, telephone (712)243-4570.

Cass County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,975,407
Receivables:	
Property tax:	
Delinquent	23,602
Succeeding year	3,908,000
Interest and penalty on property tax	7,365
Accounts	81,092
Accrued interest	2,590
Due from other funds	38
Due from other governments	325,933
Inventories	84,099
Capital assets (net of accumulated depreciation)	<u>4,016,441</u>
Total assets	<u>11,424,567</u>
Liabilities	
Accounts payable	117,551
Salaries and benefits payable	28,222
Due to other governments	140,657
Deferred revenue:	
Succeeding year property tax	3,908,000
Compensated absences	43,887
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	<u>110,185</u>
Total liabilities	<u>4,348,502</u>

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Cass County
Statement of Net Assets - continued
June 30, 2004

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 4,016,441
Restricted for:	
Mental health purposes	345,537
Secondary roads purposes	967,562
Capital projects	172,167
Other purposes	1,400,846
Unrestricted	<u>173,512</u>
Total net assets	<u>\$ 7,076,065</u>

See notes to financial statements.

Cass County
Statement of Activities
Year ended June 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 1,373,544	\$ 84,162
Physical health and social services	368,196	--
Mental health	1,701,238	382,457
County environment and education	294,634	18,559
Roads and transportation	3,833,861	--
Governmental services to residents	303,732	259,897
Administration	1,626,785	65,660
Non-program	<u>404,145</u>	<u>--</u>
Total	<u>\$ 9,906,135</u>	<u>\$ 810,735</u>
General Revenues:		
Property and other county tax levied for:		
General purposes		
Penalty and interest on property tax		
State tax credits		
Local option sales tax		
Unrestricted investment earnings		
Miscellaneous		
Total general revenues		
Change in net assets		
Net assets beginning of year, as restated (Note 11)		
Net assets end of year		

See notes to financial statements.

<u>Program Revenues</u>		
<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
\$ 30,758	\$ --	\$ (1,258,624)
120,612	--	(247,584)
102,984	--	(1,215,797)
77,172	--	(198,903)
2,168,220	470,818	(1,194,823)
80,036	--	36,201
110,322	--	(1,450,803)
<u>--</u>	<u>367,887</u>	<u>(36,258)</u>
<u>\$ 2,690,104</u>	<u>\$ 838,705</u>	(5,566,591)

3,473,870
 43,746
 752,924
 462,925
 89,704
772,474
5,595,643
 29,052
7,047,013
\$ 7,076,065

Cass County
Balance Sheet
Governmental Funds

June 30, 2004

	<u>General</u>	<u>Special Revenue</u>	
		<u>Mental Health</u>	<u>Rural Services</u>
Assets			
Cash and pooled investments	\$ 337,318	\$ 491,250	\$ 871,316
Receivables:			
Property tax:			
Delinquent	10,658	4,663	8,281
Succeeding year	2,082,000	752,000	1,074,000
Interest and penalty on property tax	7,365	--	--
Accounts	59,855	6,745	1,640
Accrued interest	2,590	--	--
Due from other funds	11,919	--	--
Due from other governments	66,065	3,372	--
Inventories	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 2,577,770</u>	<u>\$ 1,258,030</u>	<u>\$ 1,955,237</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 52,986	\$ 43,582	\$ 3,119
Salaries and benefits payable	11,049	163	3,630
Due to other funds	11,818	63	--
Due to other governments	30,126	110,531	--
Deferred revenue:			
Succeeding year property tax	2,082,000	752,000	1,074,000
Other	18,420	4,656	8,267
Compensated absences	<u>21,598</u>	<u>--</u>	<u>4,480</u>
Total liabilities	<u>2,227,997</u>	<u>910,995</u>	<u>1,093,496</u>

(continued next page)

<u>Special Revenue Secondary Roads</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
\$ 316,628	\$ 172,167	\$ 499,761	\$ 2,688,440
--	--	--	23,602
--	--	--	3,908,000
--	--	--	7,365
--	--	12,852	81,092
--	--	--	2,590
--	--	--	11,919
256,496	--	--	325,933
<u>84,099</u>	<u>--</u>	<u>--</u>	<u>84,099</u>
<u>\$ 657,223</u>	<u>\$ 172,167</u>	<u>\$ 512,613</u>	<u>\$ 7,133,040</u>
\$ 9,764	\$ --	\$ 55	\$ 109,506
13,380	--	--	28,222
--	--	--	11,881
--	--	--	140,657
--	--	--	3,908,000
--	--	--	31,343
17,809	--	--	43,887
<u>40,953</u>	<u>--</u>	<u>55</u>	<u>4,273,496</u>

Cass County
Balance Sheet
Governmental Funds - continued
June 30, 2004

	<u>General</u>	<u>Special Revenue</u>	
		<u>Mental Health</u>	<u>Rural Services</u>
Fund balances:			
Reserved for:			
Drainage warrants/drainage improvement certificates	\$ --	\$ --	\$ --
Unreserved, reported in:			
General fund	349,773	--	--
Special revenue funds	--	347,035	861,741
Capital projects fund	--	--	--
Total fund balances	<u>349,773</u>	<u>347,035</u>	<u>861,741</u>
 Total liabilities and fund balances	 <u>\$ 2,577,770</u>	 <u>\$ 1,258,030</u>	 <u>\$ 1,955,237</u>

See notes to financial statements.

<u>Special Revenue Secondary Roads</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
\$ --	\$ --	\$ 9,807	\$ 9,807
--	--	--	349,773
616,270	--	502,751	2,327,797
--	172,167	--	172,167
<u>616,270</u>	<u>172,167</u>	<u>512,558</u>	<u>2,859,544</u>
<u>\$ 657,223</u>	<u>\$ 172,167</u>	<u>\$ 512,613</u>	<u>\$ 7,133,040</u>

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

June 30, 2004

Total governmental fund balances (page 8)	\$ 2,859,544
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$7,676,325 and the accumulated depreciation is \$3,659,884.	4,016,441
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	31,343
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	278,922
Long-term liabilities, including capital lease obligation payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(110,185)</u>
Net assets of governmental activities (page 5)	<u>\$ 7,076,065</u>

See notes to financial statements.

Cass County

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

Year ended June 30, 2004

	<u>General</u>	<u>Special Revenue</u>	
		<u>Mental Health</u>	<u>Rural Services</u>
Revenues:			
Property and other County tax	\$ 1,682,215	\$ 735,734	\$ 1,073,681
Interest and penalty on property tax	39,140	--	--
Intergovernmental	720,702	897,781	114,610
Licenses and permits	8,403	--	--
Charges for service	364,329	144,211	--
Use of money and property	74,104	--	86
Miscellaneous	70,139	64	1,640
Total revenues	<u>2,959,032</u>	<u>1,777,790</u>	<u>1,190,017</u>
Expenditures:			
Operating:			
Public safety and legal services	1,002,082	--	401,970
Physical health and social services	368,196	--	--
Mental health	--	1,699,740	--
County environment and education	212,510	--	50,389
Roads and transportation	--	--	110,000
Governmental services to residents	300,884	--	--
Administration	791,378	--	--
Non-program	390,178	--	--
Capital projects	--	--	--
Total expenditures	<u>3,065,228</u>	<u>1,699,740</u>	<u>562,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(106,196)</u>	<u>78,050</u>	<u>627,658</u>

(continued next page)

<u>Special Revenue Secondary Roads</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
\$ --	\$ --	\$ 462,925	\$ 3,954,555
--	--	--	39,140
2,617,919	--	32,679	4,383,691
1,135	--	--	9,538
--	--	26,363	534,903
--	60,000	16,046	150,236
19,984	18,500	16,854	127,181
<u>2,639,038</u>	<u>78,500</u>	<u>554,867</u>	<u>9,199,244</u>
--	--	6,178	1,410,230
--	--	--	368,196
--	--	--	1,699,740
--	--	21,596	284,495
3,354,007	--	--	3,464,007
--	--	3,000	303,884
--	--	--	791,378
--	--	--	390,178
630,548	35,859	54,739	721,146
<u>3,984,555</u>	<u>35,859</u>	<u>85,513</u>	<u>9,433,254</u>
<u>(1,345,517)</u>	<u>42,641</u>	<u>469,354</u>	<u>(234,010)</u>

Cass County

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

Year ended June 30, 2004

	General	Special Revenue	
		Mental Health	Rural Services
Other financing sources (uses):			
Operating transfers in	\$ --	\$ --	\$ 196,239
Operating transfers out	(81,399)	--	(903,085)
Total other financing sources (uses)	<u>(81,399)</u>	<u> --</u>	<u>(706,846)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(187,595)	78,050	(79,188)
Fund balances beginning of year, as restated (Note 11)	537,368	268,985	954,896
Increase (decrease) in reserve for:			
Inventories	--	--	--
Advances	<u> --</u>	<u> --</u>	<u>(13,967)</u>
Fund balances end of year	<u>\$ 349,773</u>	<u>\$ 347,035</u>	<u>\$ 861,741</u>

See notes to financial statements.

<u>Special Revenue Secondary Roads</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
\$ 1,184,484	\$ --	\$ --	\$ 1,380,723
<u>--</u>	<u>--</u>	<u>(396,239)</u>	<u>(1,380,723)</u>
<u>1,184,484</u>	<u>--</u>	<u>(396,239)</u>	<u>--</u>
(161,033)	42,641	73,115	(234,010)
797,899	129,526	439,443	3,128,117
(20,596)	--	--	(20,596)
<u>--</u>	<u>--</u>	<u>--</u>	<u>(13,967)</u>
<u>\$ 616,270</u>	<u>\$ 172,167</u>	<u>\$ 512,558</u>	<u>\$ 2,859,544</u>

Cass County

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

Year ended June 30, 2004

Net change in fund balance - Total governmental funds (page 11)		\$(234,010)
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 outlays exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 784,932	
Depreciation expense	<u>(445,909)</u>	339,023
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		
Book value of disposed assets		(1,725)
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.		
Change in deferred property tax revenues		(13,154)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:		
Compensated absences		17,605
Inventories and advances 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.		
		(34,563)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		
		<u>(44,124)</u>
Change in net assets of governmental activities (page 6)		<u>\$ 29,052</u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 286,967
Liabilities	
Accounts payable	<u>8,045</u>
Net Assets	
Unrestricted	<u>\$ 278,922</u>

See notes to financial statements.

Cass County
 Statement of Revenues, Expenses, and Changes
 in Fund Net Assets
 Proprietary Fund
 Year ended June 30, 2004

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds	\$	621,441
Reimbursements from employees		106,191
Miscellaneous revenue		<u>21,465</u>
Total operating revenues		749,097
Operating expenses:		
Medical claims	\$	69,074
Insurance premiums		715,898
Administrative fees		<u>8,249</u>
Operating loss		(44,124)
Net assets beginning of year		<u>323,046</u>
Net assets end of year		<u>\$ 278,922</u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 621,441
Cash received from employees and others	127,656
Cash payments to suppliers for services	<u>(791,488)</u>
Net cash used in operating activities	(42,391)
Cash and cash equivalents at beginning of year	<u>329,358</u>
Cash and cash equivalents at end of year	<u>\$ 286,967</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$(44,124)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts payable	<u>1,733</u>
Net cash used in operating activities	<u><u>\$(42,391)</u></u>

See notes to financial statements.

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

Assets

Cash and pooled investments:		
County Treasurer	\$	723,474
Other County officials		5,573
Receivables:		
Property tax:		
Delinquent		64,146
Succeeding year		11,894,000
Accounts		18,474
Due from other funds		11,818
Due from other governments		83,562
Total assets		<u>12,801,047</u>

Liabilities

Accounts payable	5,043
Salaries and benefits payable	8,333
Due to other funds	11,856
Due to other governments	12,745,551
Trusts payable	5,148
Compensated absences	25,116
Total liabilities	<u>12,801,047</u>

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

Cass County

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

Cass County

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Related Organizations - The County Board of Supervisors are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The Board of Supervisors appoint three of the five members to the board of the Cass County Area Solid Waste Agency Commission. An audit of this Commission is performed and filed under separate cover. Financial transactions of this organization are included in the County's financial statements only to the extent of the County's fiduciary relationship with the Commission and, as such, are reported in an Agency Fund of the County.

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: Cass County Assessor's Conference Board, Cass County Joint E911 Service Board and Cass County Emergency Management Services Commission. 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 an Agency Fund of the County.

B. Basis of Presentation

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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.

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, but 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 that are 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 that are 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 receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

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

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

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

Cass County

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary 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 generally long-term debt and acquisitions under capital leases are reported as other financing sources.

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 nonoperating 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

Special Assessments Receivable - Special assessments receivable represent amounts assessed to individuals for work done that benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent 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 that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Cass County

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

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

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.

Cass County

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated sick leave is generally paid at 25%, not to exceed 800 hours, upon retirement. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type 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 financial 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.

E. Budgets and Budgetary Accounting

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

Cass County
Notes to Financial Statements
June 30, 2004

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's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$747,073 pursuant to Rule 2A-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Cass 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:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 63
	Agency: County Offices	425
	Auto License and Use Tax	<u>11,431</u>
		11,919
Agency: Public Safety	General	<u>11,818</u>
Total		<u>\$ 23,737</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 payments between funds are made.

NOTE 4 - INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 81,399
	Special Revenue: Rural Services	903,085
	Local Option Sales Tax	<u>200,000</u>
		1,184,484
Special Revenue: Rural Services	Special Revenue: Local Option Sales Tax	<u>196,239</u>
		<u>\$ 1,380,723</u>

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

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance Beginning of Year (as restated, Note 11)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 832,200	\$ --	\$ --	\$ 832,200
Construction in progress	<u> --</u>	<u>181,978</u>	<u> --</u>	<u>181,978</u>
Total capital assets not being depreciated	<u>832,200</u>	<u>181,978</u>	<u> --</u>	<u>1,014,178</u>
Capital assets being depreciated:				
Buildings	1,722,211	--	--	1,722,211
Equipment and vehicles	4,348,482	193,389	11,500	4,530,371
Infrastructure	<u> --</u>	<u>409,565</u>	<u> --</u>	<u>409,565</u>
Total capital assets being depreciated	<u>6,070,693</u>	<u>602,954</u>	<u>11,500</u>	<u>6,662,147</u>
Less accumulated depreciation for:				
Buildings	1,148,830	23,710	--	1,172,540
Equipment and vehicles	2,074,920	421,930	9,775	2,487,075
Infrastructure	<u> --</u>	<u> 269</u>	<u> --</u>	<u> 269</u>
Total accumulated depreciation	<u>3,223,750</u>	<u>445,909</u>	<u>9,775</u>	<u>3,659,884</u>
Total capital assets being depreciated, net	<u>2,846,943</u>	<u>157,045</u>	<u>1,725</u>	<u>3,002,263</u>
Governmental activities capital assets, net	<u>\$ 3,679,143</u>	<u>\$ 339,023</u>	<u>\$ 1,725</u>	<u>\$ 4,016,441</u>

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 5 - CAPITAL ASSETS - continued

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:		
Public safety and legal services	\$	26,878
Mental health		1,134
County environment and education		10,304
Roads and transportation		365,407
Administrative services		<u>42,186</u>
Total depreciation expense - governmental activities	<u>\$</u>	<u>445,909</u>

NOTE 6 - DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 30,126
Special Revenue:		
Mental Health	Services	<u>110,531</u>
Total for governmental funds		<u>\$ 140,657</u>
Agency:		
County Assessor	Collections	\$ 265,078
Schools		6,661,170
Community Colleges		315,456
Corporations		3,235,935
Auto License and Use Tax		272,820
County Hospital		1,523,659
All Other		<u>471,433</u>
Total for agency funds		<u>\$ 12,745,551</u>

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 7 - CHANGES IN LONG-TERM LIABILITIES

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

	Compensated Absences
Balance beginning of year, as restated (Note 11)	\$ 151,671
Increases	2,401
Balance end of year	\$ 154,072
Due within one year	\$ 43,887

NOTE 8 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the county were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$164,983, \$158,979, and \$152,411, respectively, equal to the required contributions for each year.

Cass County

Notes to Financial Statements

June 30, 2004

NOTE 9 - RISK MANAGEMENT

Cass County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expense and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$152,273.

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

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 9 - RISK MANAGEMENT - continued

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

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

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

NOTE 10 - EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$1,000 for single coverage and \$2,000 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Cass County
Notes to Financial Statements
June 30, 2004

NOTE 10 - EMPLOYEE HEALTH INSURANCE PLAN - Continued

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$621,441.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$8,045, which is for incurred but not recorded (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2004, the County has accumulated funds in excess of actual claims paid of \$278,922, which is reported as net assets of the Internal Service, Employee Group Health Fund.

NOTE 11 - CONSTRUCTION COMMITMENT

The County has entered into contracts totaling approximately \$364,000 for bridge construction and roadway paving. As of June 30, 2004, costs of \$181,978 on the projects have been incurred. The balance remaining on the projects at June 30, 2004 (\$182,022) will be paid as work on the projects progresses.

NOTE 12 - REMOVAL OF COUNTY SHERIFF AND COUNTY ATTORNEY

Subsequent to year end, residents of Cass County, Iowa filed suit against the County Sheriff and County Attorney for the removal from office, alleging improper conduct. In September, 2004, in separate trials, the County Sheriff and County Attorney were found to have engaged in improper conduct and were removed from their respective elected positions.

As a result of the Court's findings, the County became liable to pay for the cost to prosecute these cases totaling approximately \$58,700. This liability has not been included in these financial statements.

Cass County

Notes to Financial Statements

June 30, 2004

NOTE 13 - ACCOUNTING CHANGE

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

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

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

	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ 3,128,117
GASB Interpretation 6 adjustments	<u> --</u>
Net assets, July 1, 2003, as restated for governmental funds	3,128,117
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$3,223,750	3,679,143
Internal service fund	323,046
Change in long-term liabilities	(127,790)
Change in deferral of long-term assets	<u>44,497</u>
Net assets, July 1, 2003, as restated	<u>\$ 7,047,013</u>

* * *

REQUIRED SUPPLEMENTARY INFORMATION

Cass 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

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
Receipts:			
Property and other County tax	\$ 3,983,158	\$ --	\$ 3,983,158
Interest and penalty on property tax	39,135	--	39,135
Intergovernmental	4,189,403	--	4,189,403
Licenses and permits	15,986	--	15,986
Charges for service	616,842	--	616,842
Use of money and property	77,237	--	77,237
Miscellaneous	<u>109,435</u>	<u>--</u>	<u>109,435</u>
Total receipts	<u>9,031,196</u>	<u>--</u>	<u>9,031,196</u>
Disbursements:			
Public safety and legal services	1,389,785	--	1,389,785
Physical health and social services	368,059	--	368,059
Mental health	1,669,157	--	1,669,157
County environment and education	280,482	--	280,482
Roads and transportation	3,475,892	--	3,475,892
Governmental services to residents	304,551	--	304,551
Administrative services	789,412	--	789,412
Non-program	364,972	--	364,972
Capital projects	<u>721,091</u>	<u>--</u>	<u>721,091</u>
Total disbursements	<u>9,363,401</u>	<u>--</u>	<u>9,363,401</u>
Excess (deficiency) of receipts over (under) disbursements	(332,205)	--	(332,205)
Other financing sources, net	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(332,205)	--	(332,205)
Balance beginning of year	<u>3,020,645</u>	<u>9,807</u>	<u>3,010,838</u>
Balance end of year	<u>\$ 2,688,440</u>	<u>\$ 9,807</u>	<u>\$ 2,678,633</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
<u>Original</u>	<u>Final</u>	
\$ 3,885,940	\$ 3,885,940	\$ 97,218
32,700	32,700	6,435
4,962,680	4,962,680	(773,277)
6,790	6,790	9,196
296,182	296,182	320,660
249,801	249,801	(172,564)
<u>215,804</u>	<u>215,804</u>	<u>(106,369)</u>
<u>9,649,897</u>	<u>9,649,897</u>	<u>(618,701)</u>
1,574,227	1,574,227	184,442
496,511	496,511	128,452
1,885,100	1,885,100	215,943
534,374	534,374	253,892
3,881,675	3,881,675	405,783
334,713	334,713	30,162
901,551	901,551	112,139
1,084,335	1,084,335	719,363
<u>999,364</u>	<u>1,271,364</u>	<u>550,273</u>
<u>11,691,850</u>	<u>11,963,850</u>	<u>2,600,449</u>
(2,041,953)	(2,313,953)	1,981,748
<u> --</u>	<u> --</u>	<u> --</u>
(2,041,953)	(2,313,953)	1,981,748
<u>2,832,788</u>	<u>3,010,838</u>	<u> --</u>
<u>\$ 790,835</u>	<u>\$ 696,885</u>	<u>\$ 1,981,748</u>

Cass County

Budgetary Comparison Schedule -Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 9,031,196	\$ 168,048	\$ 9,199,244
Expenditures	<u>9,363,401</u>	<u>69,853</u>	<u>9,433,254</u>
Net	(332,205)	98,195	(234,010)
Other financing sources	--	--	--
Beginning fund balances	3,020,645	107,472	3,128,117
Increase (decrease) in reserve for:			
Inventories	--	(20,596)	(20,596)
Advances	<u>--</u>	<u>(13,967)</u>	<u>(13,967)</u>
Ending fund balances	<u>\$ 2,688,440</u>	<u>\$ 171,104</u>	<u>\$ 2,859,544</u>

See accompanying independent auditor's report.

Cass County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, 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, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, budget amendments increased budgeted disbursements by \$272,000. This 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

Cass County
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2004

	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transfer</u>	<u>Conservation Land Acquisition Trust</u>
Assets			
Cash and pooled investments	\$ 4,638	\$ 22,729	\$ 51,908
Receivables:			
Accounts	<u>287</u>	<u>--</u>	<u>--</u>
Total assets	<u>\$ 4,925</u>	<u>\$ 22,729</u>	<u>\$ 51,908</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>
Fund equity:			
Fund balance:			
Reserved for drainage warrants/ drainage improvement certificates	<u>--</u>	<u>--</u>	<u>--</u>
Unreserved	<u>4,925</u>	<u>22,729</u>	<u>51,908</u>
Total fund equity	<u>4,925</u>	<u>22,729</u>	<u>51,908</u>
Total liabilities and fund equity	<u>\$ 4,925</u>	<u>\$ 22,729</u>	<u>\$ 51,908</u>

See accompanying independent auditor's report.

Cass County

Nonmajor Special Revenue Funds

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2004

	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transfer</u>	<u>Conservation Land Acquisition Trust</u>
Revenues:			
Property and other county tax	\$ --	\$ --	\$ --
Intergovernmental	--	--	22,650
Charges for service	3,674	22,689	--
Use of money and property	24	40	--
Miscellaneous	--	--	1,374
Total revenues	<u>3,698</u>	<u>22,729</u>	<u>24,024</u>
Expenditures:			
Operating:			
Public safety and legal services	--	--	--
County environment and education	--	--	--
Governmental services to residents	3,000	--	--
Capital projects	--	--	--
Total expenditures	<u>3,000</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	698	22,729	24,024
Other financing sources (uses):			
Operating transfers out	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	698	22,729	24,024
Fund balances beginning of year, as restated (Note 11)	<u>4,227</u>	<u>--</u>	<u>27,884</u>
Fund balances end of year	<u>\$ 4,925</u>	<u>\$ 22,729</u>	<u>\$ 51,908</u>

See accompanying independent auditor's report.

<u>Local Option Tax</u>	<u>Resource Enhancement and Protection</u>	<u>Sheriff Investigation</u>	<u>Flood and Erosion</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ 462,925	\$ --	\$ --	\$ --	\$ --	\$ 462,925
--	10,029	--	--	--	32,679
--	--	--	--	--	26,363
15,600	382	--	--	--	16,046
--	--	15,480	--	--	16,854
<u>478,525</u>	<u>10,411</u>	<u>15,480</u>	<u>--</u>	<u>--</u>	<u>554,867</u>
--	--	6,178	--	--	6,178
--	9,994	--	11,602	--	21,596
--	--	--	--	--	3,000
54,739	--	--	--	--	54,739
<u>54,739</u>	<u>9,994</u>	<u>6,178</u>	<u>11,602</u>	<u>--</u>	<u>85,513</u>
423,786	417	9,302	(11,602)	--	469,354
<u>(396,239)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(396,239)</u>
27,547	417	9,302	(11,602)	--	73,115
<u>154,232</u>	<u>63,614</u>	<u>2,703</u>	<u>176,976</u>	<u>9,807</u>	<u>439,443</u>
<u>\$ 181,779</u>	<u>\$ 64,031</u>	<u>\$ 12,005</u>	<u>\$ 165,374</u>	<u>\$ 9,807</u>	<u>\$ 512,558</u>

Cass County

Agency Funds

Combining Schedule of Fiduciary Assets and Liabilities

June 30, 2004

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ --	\$ 2,546	\$ 41,781
Other County officials	5,573	--	--
Receivables:			
Property tax:			
Delinquent	--	721	1,167
Succeeding year	--	124,000	223,000
Accounts	--	--	--
Due from other funds	--	--	--
Due from other governments	--	--	3,558
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,573</u>	<u>\$ 127,267</u>	<u>\$ 269,506</u>
Liabilities			
Liabilities:			
Accounts payable	\$ --	\$ --	\$ 507
Salaries and benefits payable	--	--	363
Due to other funds	425	--	--
Due to other governments	--	127,267	265,078
Trusts payable	5,148	--	--
Compensated absences	--	--	3,558
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 5,573</u>	<u>\$ 127,267</u>	<u>\$ 269,506</u>

(continued next page)

<u>Multi-County Child Support</u>	<u>Emergency Management Services</u>	<u>City Special Assessments</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 1,602	\$ 42,369	\$ 645	\$ 144,797	\$ 7,373	\$ 56,183
--	--	--	--	--	--
--	--	--	40,373	2,083	9,752
--	--	--	6,476,000	306,000	3,170,000
--	--	--	--	--	--
--	--	--	--	--	--
<u>55,560</u>	<u>933</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 57,162</u>	<u>\$ 43,302</u>	<u>\$ 645</u>	<u>\$6,661,170</u>	<u>\$ 315,456</u>	<u>\$ 3,235,935</u>
\$ --	\$ 125	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
46,915	42,244	645	6,661,170	315,456	3,235,935
--	--	--	--	--	--
<u>10,247</u>	<u>933</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 57,162</u>	<u>\$ 43,302</u>	<u>\$ 645</u>	<u>\$6,661,170</u>	<u>\$ 315,456</u>	<u>\$ 3,235,935</u>

Cass County

Agency Funds

Combining Schedule of Fiduciary Assets and Liabilities - Continued

June 30, 2004

	<u>Townships</u>	<u>Environmental Control Agency</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Assets			
Cash and pooled investments:			
County Treasurer	\$ 2,705	\$ --	\$ 41
Other County officials	--	--	--
Receivables:			
Property tax:			
Delinquent	844	--	11
Succeeding year	111,000	--	2,000
Accounts	--	--	--
Due from other funds	--	--	--
Due from other governments	--	14,798	--
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 114,549</u>	<u>\$ 14,798</u>	<u>\$ 2,052</u>
Liabilities			
Liabilities:			
Accounts payable	\$ --	\$ 2,967	\$ --
Salaries and benefits payable	--	4,842	--
Due to other funds	--	--	--
Due to other governments	114,549	--	2,052
Trusts payable	--	--	--
Compensated absences	--	6,989	--
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 114,549</u>	<u>\$ 14,798</u>	<u>\$ 2,052</u>

(continued next page)

<u>Auto License and Use Tax</u>	<u>Advance Tax</u>	<u>County Hospital</u>	<u>Public Safety</u>	<u>County Recorder's Electronic Fee</u>	<u>E911 Operating</u>
\$ 284,251	\$ 68,762	\$ 32,464	\$ 4,020	\$ 1,435	\$ --
--	--	--	--	--	--
--	--	9,195	--	--	--
--	--	1,482,000	--	--	--
--	--	--	--	--	--
--	--	--	11,818	--	--
--	--	--	7,794	--	919
<u>\$ 284,251</u>	<u>\$ 68,762</u>	<u>\$ 1,523,659</u>	<u>\$ 23,632</u>	<u>\$ 1,435</u>	<u>\$ 919</u>
\$ --	\$ --	\$ --	\$ 525	\$ --	\$ 919
--	--	--	3,128	--	--
11,431	--	--	--	--	--
272,820	68,762	1,523,659	16,590	1,435	--
--	--	--	--	--	--
--	--	--	3,389	--	--
<u>\$ 284,251</u>	<u>\$ 68,762</u>	<u>\$ 1,523,659</u>	<u>\$ 23,632</u>	<u>\$ 1,435</u>	<u>\$ 919</u>

Cass County

Agency Funds

Combining Schedule of Fiduciary Assets and Liabilities - Continued

June 30, 2004

	<u>E911 Surcharge</u>	<u>Environmental Planning Trust</u>
Assets		
Cash and pooled investments:		
County Treasurer	\$ 21,464	\$ 5,024
Other County officials	--	--
Receivables:		
Property tax:		
Delinquent	--	--
Succeeding year	--	--
Accounts	18,464	--
Due from other funds	--	--
Due from other governments	--	--
	<hr/>	<hr/>
Total assets	<u>\$ 39,928</u>	<u>\$ 5,024</u>
Liabilities		
Liabilities:		
Accounts payable	\$ --	\$ --
Salaries and benefits payable	--	--
Due to other funds	--	--
Due to other governments	39,928	5,024
Trusts payable	--	--
Compensated absences	--	--
	<hr/>	<hr/>
Total liabilities	<u>\$ 39,928</u>	<u>\$ 5,024</u>

See accompanying independent auditor's report.

<u>Environmental Recycling Trust</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
\$ 5,010	\$ 1,002	\$ 723,474
--	--	5,573
--	--	64,146
--	--	11,894,000
--	10	18,474
--	--	11,818
--	--	<u>83,562</u>
<u>\$ 5,010</u>	<u>\$ 1,012</u>	<u>\$ 12,801,047</u>
\$ --	\$ --	\$ 5,043
--	--	8,333
--	--	11,856
5,010	1,012	12,745,551
--	--	5,148
--	--	<u>25,116</u>
<u>\$ 5,010</u>	<u>\$ 1,012</u>	<u>\$ 12,801,047</u>

Cass County

Agency Funds

Combining Schedule of Changes in Fiduciary Assets and Liabilities

Year ended June 30, 2004

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
Assets and Liabilities			
Balance beginning of year, as restated	\$ <u>8,165</u>	\$ <u>119,549</u>	\$ <u>241,182</u>
Additions:			
Property and other County tax	--	121,285	212,209
E911 surcharge	--	--	--
State tax credits	--	8,392	13,592
Office fees and collections	325,995	--	--
Auto licenses, use tax and postage	--	--	--
Assessments	--	--	--
Trusts	133,092	--	--
Miscellaneous	<u>1,572</u>	--	<u>65</u>
Total additions	<u>460,659</u>	<u>129,677</u>	<u>225,866</u>
Deductions:			
Agency Remittances:			
To other funds	199,435	--	--
To other governments	126,560	121,959	197,542
Trusts paid out	<u>137,256</u>	--	--
Total deductions	<u>463,251</u>	<u>121,959</u>	<u>197,542</u>
Balance end of year	<u>\$ 5,573</u>	<u>\$ 127,267</u>	<u>\$ 269,506</u>

(continued next page)

<u>Multi-County Child Support</u>	<u>Emergency Management Services</u>	<u>City Special Assessments</u>	<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>
\$ 55,072	\$ 34,076	\$ 759	\$6,831,921	\$ 347,939	\$ 3,111,589
--	--	--	6,288,666	297,127	3,027,102
--	--	--	--	--	--
--	--	--	475,961	24,300	233,343
--	--	--	--	--	--
--	--	13,891	--	--	--
--	--	--	--	--	--
<u>268,240</u>	<u>82,445</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>268,240</u>	<u>82,445</u>	<u>13,891</u>	<u>6,764,627</u>	<u>321,427</u>	<u>3,260,445</u>
--	--	--	--	--	--
--	73,219	14,005	6,935,378	353,910	3,136,099
<u>266,150</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>266,150</u>	<u>73,219</u>	<u>14,005</u>	<u>6,935,378</u>	<u>353,910</u>	<u>3,136,099</u>
<u>\$ 57,162</u>	<u>\$ 43,302</u>	<u>\$ 645</u>	<u>\$6,661,170</u>	<u>\$ 315,456</u>	<u>\$ 3,235,935</u>

Cass County

Agency Funds

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued

Year ended June 30, 2004

Assets and Liabilities	<u>Townships</u>	<u>Environmental Control Agency</u>	<u>Brucellosis and Tuberculosis Eradication</u>
Balance beginning of year, as restated	\$ 118,666	\$ 15,778	\$ 2,039
Additions:			
Property and other County tax	110,292	--	2,833
E911 surcharge	--	--	--
State tax credits	7,534	--	135
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	--	--
Drivers license fees	--	--	--
Electronic transaction fees	--	--	--
Assessments	--	--	--
Trusts	--	--	--
Advances	--	--	--
Miscellaneous	--	530,646	--
Total additions	<u>117,826</u>	<u>530,646</u>	<u>2,968</u>
Deductions:			
Agency Remittances:			
To other funds	--	--	--
To other governments	121,943	531,626	2,955
Trusts paid out	--	--	--
Total deductions	<u>121,943</u>	<u>531,626</u>	<u>2,955</u>
Balance end of year	<u>\$ 114,549</u>	<u>\$ 14,798</u>	<u>\$ 2,052</u>

(continued next page)

<u>Auto License and Use Tax</u>	<u>Advance Tax</u>	<u>County Hospital</u>	<u>Public Safety</u>	<u>County Recorder's Electronic Fee</u>
\$ 253,141	\$ 44,754	\$ 1,532,810	\$ 23,974	\$ --
--	--	1,440,836	--	--
--	--	--	--	--
--	--	107,046	--	--
--	--	--	--	--
3,285,646	--	--	--	--
126,698	--	--	--	--
--	--	--	--	18,370
--	--	--	--	--
--	67,989	--	--	--
112	--	--	191,192	--
<u>3,412,456</u>	<u>67,989</u>	<u>1,547,882</u>	<u>191,192</u>	<u>18,370</u>
33,700	--	--	--	--
3,347,646	43,981	1,557,033	191,534	16,935
--	--	--	--	--
<u>3,381,346</u>	<u>43,981</u>	<u>1,557,033</u>	<u>191,534</u>	<u>16,935</u>
<u>\$ 284,251</u>	<u>\$ 68,762</u>	<u>\$ 1,523,659</u>	<u>\$ 23,632</u>	<u>\$ 1,435</u>

Cass County

Agency Funds

Combining Schedule of Changes in Fiduciary Assets and Liabilities - Continued

Year ended June 30, 2004

Assets and Liabilities	<u>E911 Operating</u>	<u>E911 Surcharge</u>	<u>Environmental Planning Trust</u>
Balance beginning of year, as restated	\$ 16,038	\$ 23,322	\$ 1,720
Additions:			
Property and other County tax	--	--	--
E911 surcharge	--	101,008	--
State tax credits	--	--	--
Office fees and collections	--	--	--
Auto licenses, use tax and postage	--	--	--
Drivers license fees	--	--	--
Electronic transaction fees	--	--	--
Assessments	--	--	--
Trusts	--	--	--
Advances	--	--	--
Distribution from E911 surcharge fund	85,614	--	--
Miscellaneous	64	1,212	3,304
Total additions	<u>85,678</u>	<u>102,220</u>	<u>3,304</u>
Deductions:			
Interest Expense	146	--	--
Agency Remittances:			
To other funds	13,967	--	--
To other governments	86,684	--	--
Trusts paid out	--	--	--
Distribution to E911 operating fund	--	85,614	--
Total deductions	<u>100,797</u>	<u>85,614</u>	<u>--</u>
Balance end of year	<u>\$ 919</u>	<u>\$ 39,928</u>	<u>\$ 5,024</u>

See accompanying independent auditor's report.

<u>Environmental Recycling Trust</u>	<u>Tax Sale Redemption</u>	<u>Total</u>
\$ 7,919	\$ --	\$ 12,790,413
--	--	11,500,350
--	--	101,008
--	--	870,303
--	--	325,995
--	--	3,285,646
--	--	126,698
--	--	18,370
--	--	13,891
--	146,010	279,102
--	--	67,989
--	--	85,614
<u>6,278</u>	<u>--</u>	<u>1,085,130</u>
<u>6,278</u>	<u>146,010</u>	<u>17,760,096</u>
--	--	146
--	--	247,102
9,187	--	16,868,196
--	144,998	548,404
<u>--</u>	<u>--</u>	<u>85,614</u>
<u>9,187</u>	<u>144,998</u>	<u>17,749,462</u>
<u>\$ 5,010</u>	<u>\$ 1,012</u>	<u>\$ 12,801,047</u>

Cass County

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other				
County tax	\$ 3,954,555	\$ 3,774,555	\$ 3,771,988	\$ 3,582,499
Interest and penalty on				
property tax	39,140	40,015	41,702	35,017
Intergovernmental	4,383,691	4,323,947	3,644,094	4,028,932
Licenses and permits	9,538	11,046	6,930	6,576
Charges for service	534,903	404,669	298,086	266,006
Use of money and				
property	150,236	134,359	186,521	338,436
Miscellaneous	127,181	250,992	159,760	299,115
Total	<u>\$ 9,199,244</u>	<u>\$ 8,939,583</u>	<u>\$ 8,109,081</u>	<u>\$ 8,556,581</u>
Expenditures:				
Operating:				
Public safety and				
legal services	\$ 1,410,230	\$ 1,263,906	\$ 1,202,904	\$ 1,137,589
Physical health and				
social services	368,196	365,959	421,638	422,212
Mental health	1,699,740	1,768,386	1,693,463	1,819,100
County environment				
and education	284,495	343,505	225,598	212,367
Roads and transportation	3,464,007	3,457,397	3,406,225	3,275,289
Governmental services				
to residents	303,884	282,383	269,589	250,782
Administration	791,378	752,168	697,194	667,831
Non-program	390,178	353,865	37,833	240,741
Capital projects	721,146	748,330	366,706	391,410
Total	<u>\$ 9,433,254</u>	<u>\$ 9,335,899</u>	<u>\$ 8,321,150</u>	<u>\$ 8,417,321</u>

See accompanying independent auditor's report.

Cass County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Child Support Enforcement	93.563		\$ 259,731
Social Services Block Grant	93.667		77,413
Human Services Administrative Reimbursements:			
Other Federal Financial Assistance	Various		<u>36,487</u>
			<u>373,631</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	02-WS-052	367,887
Community Development Block Grants/State's Program	14.228	02-CRL-001	<u>6,755</u>
			<u>374,642</u>
U.S. Department of Justice:			
Iowa Department of Public Defense:			
Troops to Cops	16.711	95CFWX2827	<u>37,592</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO15(38)-8J-15	145,218
Highway Planning and Construction	20.205	BROS-CO15(36)-8J-15	<u>325,600</u>
			<u>470,818</u>
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Emergency Management Division:			
Public Assistance Grants	83.552		<u>25,435</u>
Total			<u>\$ 1,282,118</u>

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

See accompanying independent auditor's report.

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Cass County

We have audited the financial statements of Cass County, Iowa, as of and for the year ended June 30, 2004 and have issued our report thereon dated December 28, 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

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item 04-IV-E.

To the Officials of Cass County

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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

Ganewald, Bell, Kuhn & Co. P.C.

Atlantic, Iowa
December 28, 2004

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Officials of Cass County

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cass County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cass County's compliance with those requirements.

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

Internal Control Over Compliance

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

To the Officials of Cass County

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

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

Gronewald, Bell, Kyhan & Co. P.C.

Atlantic, Iowa
December 28, 2004

Cass County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, which were not considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable conditions in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.228 - Community Development Block Grants/State's Program
 - CFDA Number 20.205 - Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cass County did not qualify as a low-risk auditee.

Cass County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements

04-II-A County Sheriff Office: An investigation by the Office of the Auditor of State resulted in the discovery of an unrecorded fund of receipts and unauthorized disbursements. The investigation resulted in recommendations to the County.

Recommendation: The County Board of Supervisors should ensure that all recommendations have been addressed.

Response: The County has acted on all the recommendations.

Conclusion: Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

No findings noted for the year ended June 30, 2004.

Part IV: Other Findings Related to Required Statutory Reporting

04-IV-A 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.

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

04-IV-C 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.

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

Cass County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting - Continued

04-IV-E Business Transactions: The following business transactions between the County and County officials were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Joyce Jensen, Recorder, Stockholder in Robinson Hardware	Supplies	\$ 2,998

The transactions with the Recorder may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the total transactions exceed \$1,500 during the fiscal year and the transactions were not competitively bid.

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

Response: All purchases from Robinson Hardware were made by departments other than that of the Recorder, except for a \$40 purchase of humidifier filters, with no single purchase greater than \$1,000. This is not considered to be a conflict.

Conclusion: Response accepted.

04-IV-F 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 that coverage is adequate for current operations.

04-IV-G Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not. However, some of the Board minutes have not been signed by the Board Chairman.

Recommendation: We recommend that all Board minutes be properly signed after their reading and approval, on a more timely basis.

Response: The Board minutes will be signed on a timely basis in the future.

Conclusion: Response accepted.

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

Cass County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting - Continued

- 04-IV-I Resource Enhancement and Protection Certification: The County dedicated property tax revenue to conservation purposes in an amount which was less than that 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). REAP fund balances have been accumulating for future acquisitions.
- 04-IV-J County Extension Office: The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

* * *