

**EMMET COUNTY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004**

EMMET COUNTY

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EMMET COUNTY

OFFICIALS

Roger Anderson	Board of Supervisors	January 2005
Wayne West	Board of Supervisors	January 2005
Randy Beaver	Board of Supervisors	January 2005
Don Heerd	Board of Supervisors	January 2007
Ron Smith	Board of Supervisors	January 2007
Beverly Juhl	County Auditor	January 2005
Vickie Jurrens	County Treasurer	January 2007
Sue Snyder	County Recorder	January 2007
Larry Lamack	County Sheriff	January 2005
William Ridout	County Attorney	January 2007
Barbara Alig	County Assessor	January 2008

WINTHER, STAVE & CO., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

To the Officials of Emmet County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Emmet 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Emmet County at June 30, 2004 and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 10 to the financial statements, during the year ended June 30, 2004, Emmet 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 report dated November 22, 2004 on our consideration of Emmet County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on pages 26 through 29 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.

The County has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Emmet County's basic financial statements. The financial statements for the two years ended June 30, 2002 (none of which are presented herein) were audited in accordance with the standards referred to in the second paragraph of this report by other auditors who expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 22, 2004

EMMET COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 3,281,780
Receivables:	
Property tax:	
Succeeding year	3,173,352
Accounts	5,884
Accrued interest	1,873
Notes and contracts receivable	96,284
Drainage assessments	50
Due from other governments	182,526
Inventories	425,823
Prepaid insurance	62,304
Capital assets - net of accumulated depreciation	<u>3,192,740</u>
TOTAL ASSETS	<u>\$10,422,416</u>
LIABILITIES	
Accounts payable	\$ 86,637
Salaries and benefits payable	61,154
Due to other governments	127,366
Deferred revenue:	
Succeeding year property tax	3,173,352
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	8,056
General obligation notes	25,279
Compensated absences	163,282
Portion due or payable after one year:	
Capital lease purchase agreements	11,084
General obligation notes	<u>16,806</u>
TOTAL LIABILITIES	<u>3,673,016</u>
NET ASSETS	
Invested in capital assets - net of related debt	3,131,515
Restricted for:	
Supplemental levy purposes	258,378
Mental health purposes	456,458
Secondary roads purposes	1,691,062
Other purposes	403,473
Unrestricted	<u>808,514</u>
TOTAL NET ASSETS	<u>\$ 6,749,400</u>

See Notes to Financial Statements

EMMET COUNTY
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004

		Program Revenues			
		Operating Grants, Contributions and Charges for Service	Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS:	Expenses	Charges for Service	Restricted Interest	Capital Grants, Contributions and Restricted Interest	in Net Assets
Governmental activities:					
Public safety and legal services	\$1,166,951				\$(1,166,951)
Physical health and social services	567,557				(567,557)
Mental health	1,373,101				(1,373,101)
County environment and education	340,010	\$ 6,974			(333,036)
Roads and transportation	2,050,136		\$1,502,854	\$1,158,230	610,948
Governmental services to residents	277,058				(277,058)
Administrative services	800,490	295,972			(504,518)
Interest on long-term debt	4,789				(4,789)
TOTAL	<u>\$6,580,092</u>	<u>\$302,946</u>	<u>\$1,502,854</u>	<u>\$1,158,230</u>	<u>(3,616,062)</u>
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes					3,359,016
Penalty and interest on property tax					26,088
State tax credits					182,997
Grants and contributions not restricted to specific purpose					1,090,541
Unrestricted investment earnings					50,105
Miscellaneous					200,262
TOTAL GENERAL REVENUES					<u>4,909,009</u>
Change in net assets					1,292,947
Net assets - beginning of year - as restated					<u>5,456,453</u>
NET ASSETS - END OF YEAR					<u>\$6,749,400</u>

EMMET COUNTY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2004

ASSETS

	General	Mental Health	Rural Services	Secondary Roads	Nonmajor Governmental Funds	Total
Cash and pooled investments	\$ 720,532	\$ 605,007	\$424,287	\$1,234,940	\$307,134	\$3,291,900
Receivables:						
Property tax:						
Succeeding year	1,899,070	703,630	570,652			3,173,352
Accounts	1,226	2,226	175	1,312	745	5,684
Accrued interest	1,790				83	1,873
Notes and contracts receivable					96,284	96,284
Drainage assessments					50	50
Due from other governments	38,161	15,665		128,700		182,526
Inventories				425,823		425,823
Prepaid insurance	34,890			27,414		62,304
TOTAL ASSETS	<u>\$2,695,669</u>	<u>\$1,326,528</u>	<u>\$995,114</u>	<u>\$1,818,189</u>	<u>\$404,296</u>	<u>\$7,239,796</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:						
Accounts payable	\$ 24,467	\$ 38,237	\$ 33	\$ 23,077	\$ 823	\$ 86,637
Salaries and benefits payable	28,998	837		31,319		61,154
Due to other governments		127,366				127,366
Deferred revenue:						
Succeeding year property tax	1,899,070	703,630	570,652			3,173,352
Other					96,334	96,334
TOTAL LIABILITIES	<u>1,952,535</u>	<u>870,070</u>	<u>570,685</u>	<u>54,396</u>	<u>97,157</u>	<u>3,544,843</u>
 FUND BALANCES:						
Reserved for:						
Supplemental levy purposes	258,378					258,378
Unreserved, reported in:						
General fund	484,756					484,756
Special revenue funds		456,458	424,429	1,763,793	307,139	2,951,819
TOTAL FUND BALANCES	<u>743,134</u>	<u>456,458</u>	<u>424,429</u>	<u>1,763,793</u>	<u>307,139</u>	<u>3,694,953</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,695,669</u>	<u>\$1,326,528</u>	<u>\$995,114</u>	<u>\$1,818,189</u>	<u>\$404,296</u>	<u>\$7,239,796</u>

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

Total governmental fund balances	\$3,694,953
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$8,197,820 and the accumulated depreciation is \$5,005,080.	3,192,740
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	96,334
The Internal Service Fund is used by management to charge the costs 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.	(10,120)
Long-term liabilities, including capital lease purchase agreements, notes payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(224,507)</u>
 NET ASSETS OF GOVERNMENTAL ACTIVITIES	 <u>\$6,749,400</u>

See Notes to Financial Statements

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

	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES:						
Property and other County tax	\$1,941,451	\$ 766,338	\$681,096			\$3,388,885
Interest and penalty on property tax	26,088					26,088
Intergovernmental	504,724	688,660	43,345	\$1,555,084	\$ 36,809	2,828,622
Licenses and permits	3,730			545		4,275
Charges for service	265,557				32,358	297,913
Use of money and property	53,745				878	54,623
Miscellaneous	60,760	7,701		51,940	75,586	195,987
TOTAL REVENUES	<u>2,856,056</u>	<u>1,462,699</u>	<u>724,441</u>	<u>1,607,569</u>	<u>145,629</u>	<u>6,796,393</u>
EXPENDITURES:						
Operating:						
Public safety and legal services	1,100,948					1,100,948
Physical health and social services	560,765					560,765
Mental health		1,369,753				1,369,753
County environment and education services	246,663		42,188		39,645	328,496
Roads and transportation				1,791,530		1,791,530
Governmental services to residents	271,780					271,780
Administration	675,129		83	52,062		727,274
Debt service					27,367	27,367
Capital projects				156,606		156,606
TOTAL EXPENDITURES	<u>2,855,285</u>	<u>1,369,753</u>	<u>42,271</u>	<u>2,000,198</u>	<u>67,012</u>	<u>6,334,519</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>770</u>	<u>92,946</u>	<u>682,170</u>	<u>(392,629)</u>	<u>78,617</u>	<u>461,874</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in (out)	60,074	(60,074)	(692,395)	692,395		
TOTAL OTHER FINANCING SOURCES (USES)	<u>60,074</u>	<u>(60,074)</u>	<u>(692,395)</u>	<u>692,395</u>		
NET CHANGE IN FUND BALANCES	60,844	32,872	(10,225)	299,766	78,617	461,874
FUND BALANCES - BEGINNING OF YEAR	<u>682,290</u>	<u>423,586</u>	<u>434,654</u>	<u>1,464,027</u>	<u>228,522</u>	<u>3,233,079</u>
FUND BALANCES - END OF YEAR	<u>\$ 743,134</u>	<u>\$ 456,458</u>	<u>\$424,429</u>	<u>\$1,763,793</u>	<u>\$307,139</u>	<u>\$3,694,953</u>

See Notes to Financial Statements

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

Net change in fund balances - total governmental funds \$ 461,874

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

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

Expenditures for capital assets	\$ 156,455	
Capital assets contributed by the Iowa Department of Transportation	1,106,000	
Depreciation expense	<u>(373,430)</u>	889,025

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property tax (29,869)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt repayments exceeded issues as follows:

Issued	(13,650)	
Repaid	<u>31,014</u>	17,364

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 (68)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.....

(45,379)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,292,947

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

	<u>Internal Service</u>
	<u>Health Insurance</u>
ASSETS	
Cash and pooled investments	\$ (10,120)
NET ASSETS	<u>\$ (10,120)</u>

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

	<u>Internal Service</u>
	<u>Health Insurance</u>
OPERATING REVENUES:	
Reimbursements from operating funds	\$ 280,447
Reimbursements from employees	<u>155,531</u>
TOTAL OPERATING REVENUES	<u>435,978</u>
OPERATING EXPENSES:	
Insurance premiums and fees	<u>481,872</u>
TOTAL OPERATING EXPENSES	<u>481,872</u>
OPERATING INCOME (LOSS)	<u>(45,894)</u>
NONOPERATING REVENUES:	
Interest income	515
CHANGE IN NET ASSETS	(45,379)
NET ASSETS - BEGINNING OF YEAR	<u>35,259</u>
NET ASSETS - END OF YEAR	<u>\$ (10,120)</u>

See Notes to Financial Statements

EMMET COUNTY
STATEMENT OF CASH FLOW
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Internal Service</u>
	<u>Health Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from operating fund reimbursements	\$ 280,447
Cash received from employees and others	155,531
Cash payments for premiums, fees, and other	<u>(481,872)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(45,894)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	<u>515</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>515</u>
NET CHANGE IN CASH	(45,379)
CASH AT BEGINNING OF YEAR	<u>35,259</u>
CASH AT END OF YEAR	<u>\$ (10,120)</u>
RECONCILIATIONS OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (45,894)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
None	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (45,894)</u>

See Notes to Financial Statements

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

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 540,815
Other County officials	16,640
Property tax receivable:	
Succeeding year	<u>8,726,139</u>
TOTAL ASSETS	<u>9,283,594</u>

LIABILITIES

Due to other governments	\$9,273,612
Trusts payable	<u>9,982</u>
TOTAL LIABILITIES	<u>9,283,594</u>

NET ASSETS	<u><u>\$</u></u>
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See Notes to Financial Statements

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Emmet 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 principals as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Emmet County has included all funds, organizations, account groups, 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 Emmet 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.

One hundred sixty-five 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 Emmet County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Emmet County Auditor's office.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

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: Emmet County Assessor's Conference Board, Emmet County Emergency Management Commission, Emmet County Joint E911 Service Board, and Emmet County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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 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.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions 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 is 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.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - Continued

The County reports the following major governmental funds:

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

Special Revenue:

The 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.

Additionally, the County reports the following funds:

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

Proprietary Fund - An internal service fund is utilized to account for the financing of 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.

Measurement Focus and Basis of Accounting

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

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

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

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

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

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

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

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

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

Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments - 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. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost. Non-negotiable certificates of deposits are stated at cost.

For purposes of the statement of cash flows, the County has no short-term investments to be considered for classification as cash equivalents.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

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

Notes and Contracts Receivable - Long-term receivable of governmental funds are reported on their respective balance sheets. To the extent these receivables are considered "available spendable resources," they are recognized in the current period. Recognition of governmental fund revenue represented by noncurrent receivables is deferred until they become current receivables.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

Assets, Liabilities and Fund Equity - Continued

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. The County, as allowed by GAAP, has elected not to record infrastructure assets placed in service during prior fiscal years. 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.

Infrastructure	\$ 65,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Property and equipment 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 and improvements	25 - 50
Infrastructure	10 - 60
Equipment	3 - 20
Vehicles	5 - 15

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

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible 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 property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the statement of net assets includes succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

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

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. In the government fund financial statements, the face amount of debt issued is reported as other financing sources.

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service function.

2. CASH AND POOLED INVESTMENTS

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

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

The County had no investments that are subject to risk categorization. The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,455,785 pursuant to Rule 2a-7 under the Investment Company Act of 1940 that also are not subject to risk categorization.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

3. 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>
General	Special Revenue: Mental Health	\$ 60,074
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>692,395</u>
		<u>\$752,469</u>

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

4. CAPITAL ASSETS

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 156,869			\$ 156,869
Construction in progress		<u>\$1,106,000</u>		<u>1,106,000</u>
Total capital assets not being depreciated	<u>156,869</u>	<u>1,106,000</u>		<u>1,262,869</u>
Capital assets being depreciated:				
Buildings	2,220,876			2,220,876
Machinery and equipment	<u>4,681,170</u>	<u>156,455</u>	<u>\$(123,550)</u>	<u>4,714,075</u>
Total capital assets being depreciated	<u>6,902,046</u>	<u>156,455</u>	<u>(123,550)</u>	<u>6,934,951</u>
Less accumulated depreciation for:				
Buildings	1,012,237	59,243		1,071,480
Machinery and equipment	<u>3,742,963</u>	<u>314,187</u>	<u>(123,550)</u>	<u>3,933,600</u>
Total accumulated depreciation	<u>4,755,200</u>	<u>373,430</u>	<u>(123,550)</u>	<u>5,005,080</u>
Total capital assets being depreciated - net	<u>2,146,846</u>	<u>(216,975)</u>		<u>1,929,871</u>
Governmental activities capital assets - net	<u>\$2,303,715</u>	<u>\$ 889,025</u>	<u>\$</u>	<u>\$3,192,740</u>

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

4. CAPITAL ASSETS - Continued

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

Governmental activities:		
Public safety and legal services	\$	76,346
Mental health		2,000
County environment and education		22,514
Roads and transportation		190,500
Administrative services		<u>82,070</u>
 Total depreciation expense - governmental activities	 \$	 <u>373,430</u>

5. DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	<u>\$ 127,366</u>
 TOTAL FOR GOVERNMENTAL FUNDS		 <u>\$ 127,366</u>
 Trust and agency:		
Agricultural Extension Education	Collections	\$ 98,471
County assessor	Collections	297,782
Schools	Collections	5,310,524
Community Colleges	Collections	236,140
Corporations	Collections	1,971,513
Townships	Collections	58,507
Auto license and use tax	Collections	198,245
E-911 surcharge	Collections	203,022
Empowerment funds	Collections	50,162
All others	Collections	<u>39,913</u>
 TOTAL FOR TRUST AND AGENCY FUNDS		 <u>\$8,464,279</u>

EMMET COUNTY
 NOTES TO FINANCIAL STATEMENTS - Continued

6. CHANGES IN LONG-TERM LIABILITIES

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

	<u>Contracts and Notes Payable</u>	<u>Capital Lease Purchase Agreements</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance - beginning of year	\$ 65,737	\$ 12,852	\$163,214	\$241,803
Increases		13,650	68	13,718
Decreases	<u>23,652</u>	<u>7,362</u>	<u> </u>	<u>31,014</u>
Balance - end of year	<u>\$ 42,085</u>	<u>\$ 19,140</u>	<u>\$163,282</u>	<u>\$224,507</u>
Due within one year	<u>\$ 25,279</u>	<u>\$ 8,056</u>	<u>\$163,282</u>	<u>\$196,617</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease four copy machines with a total historical cost of \$28,170.

The following is a schedule of future minimum lease payments, including interest ranging from 1.837% to 14.849% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004.

<u>June 30,</u>	<u>Amount</u>
2005	\$ 8,933
2006	6,609
2007	4,659
2008	<u>643</u>
Total minimum lease payments	20,844
Less amount representing interest	<u>1,704</u>
Present value of net minimum lease payments	<u>\$ 19,140</u>

Payments under capital lease purchase agreements for the year ended June 30, 2004 totaled \$7,961.

Note Payable

The County has a line of credit from a local bank in the amount of \$116,698, which expires on April 5, 2006. Notes written under this line are for the purchase of computer software and equipment. The outstanding balance as of June 30, 2004 was \$42,085. Semi-annual payments of \$13,683, including interest at 6.125 percent are required.

Maturities required as of June 30, 2003 are as follows:

2005	\$ 25,279
2006	<u>16,806</u>
TOTAL	<u>\$ 42,085</u>

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. 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, PO 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 \$158,694, \$150,337, and \$140,996, respectively, equal to the required contributions for each year.

8. OPERATING LEASES

The County has entered in noncancelable agreements to lease office space. The leases require monthly lease payments of \$1,475 and \$500 and expire in September 2004 and May 2005, respectively.

The following is a schedule of the future minimum lease payments under these agreements at June 30, 2004:

<u>June 30,</u>	<u>Amount</u>
2005	<u>\$ 9,925</u>
TOTAL	<u>\$ 9,925</u>

Total rent expense for the year ended June 30, 2004 was \$23,700.

9. RISK MANAGEMENT

Emmet County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EMMET COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

10. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement Number 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement Number 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 governmental 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, and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

Net assets - June 30, 2003 - as previously reported	\$3,268,338
GASB 34 adjustments:	
Capital assets - net of accumulated depreciation of \$4,755,200	2,303,715
Change in long-term liabilities	(241,803)
Change in deferral of long-term assets	<u>126,203</u>
Net assets - July 1, 2003 - as restated	<u>\$5,456,453</u>

REQUIRED SUPPLEMENTARY INFORMATION

EMMET 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>
RECEIPTS:		
Property and other County tax	\$3,388,996	
Interest and penalty on property tax	26,214	
Intergovernmental	2,830,454	
Licenses and permits	4,285	
Charges for service	333,005	
Use of money and property	56,424	
Miscellaneous	<u>207,565</u>	<u>\$ 19,887</u>
TOTAL RECEIPTS	<u>6,846,943</u>	<u>19,887</u>
DISBURSEMENTS:		
Public safety and legal services	1,095,643	
Physical health and social services	556,697	
Mental health	1,343,953	
County environment and education services	368,965	23,229
Roads and transportation	1,741,636	
Governmental services to residents	272,491	
Administrative services	738,802	
Debt service	27,367	
Capital projects	<u>166,223</u>	
TOTAL DISBURSEMENTS	<u>6,311,777</u>	<u>23,229</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	535,166	(3,342)
OTHER FINANCING SOURCES - NET	<u> </u>	<u> </u>
EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	535,166	(3,342)
BALANCE - BEGINNING OF YEAR	<u>2,756,734</u>	<u>106,750</u>
BALANCE - END OF YEAR	<u>\$3,291,900</u>	<u>\$103,408</u>

Net	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
\$3,388,996	\$3,408,188	\$3,408,188	\$ (19,192)
26,214	15,300	15,300	10,914
2,830,454	2,785,794	2,843,863	(13,409)
4,285	2,750	2,750	1,535
333,005	244,535	244,535	88,470
56,424	138,632	138,632	(82,208)
<u>187,678</u>	<u>36,100</u>	<u>52,400</u>	<u>135,278</u>
<u>6,827,056</u>	<u>6,631,299</u>	<u>6,705,668</u>	<u>121,388</u>
1,095,643	1,124,425	1,159,825	\$ 64,182
556,697	626,860	651,860	95,163
1,343,953	1,519,440	1,519,440	175,487
345,736	353,081	359,748	14,012
1,741,636	2,783,447	2,783,447	1,041,811
272,491	274,360	289,875	17,384
738,802	855,480	855,480	116,678
27,367			(27,367)
<u>166,223</u>	<u>423,958</u>	<u>423,958</u>	<u>257,735</u>
<u>6,288,548</u>	<u>7,961,051</u>	<u>8,043,633</u>	<u>1,755,085</u>
538,508	(1,329,752)	(1,337,965)	1,876,473
<u> </u>	<u>50,632</u>	<u>50,632</u>	<u>(50,632)</u>
538,508	(1,279,120)	(1,287,333)	1,825,841
<u>2,649,984</u>	<u>1,877,540</u>	<u>1,877,540</u>	<u>772,444</u>
<u>\$3,188,492</u>	<u>\$ 598,420</u>	<u>\$ 590,207</u>	<u>\$2,598,285</u>

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

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$6,846,943	\$ (50,550)	\$6,796,393
Expenditures	<u>6,311,777</u>	<u>22,742</u>	<u>6,334,519</u>
Net	535,166	(73,292)	461,874
Beginning fund balances	<u>2,756,734</u>	<u>476,345</u>	<u>3,233,079</u>
 ENDING FUND BALANCE	 <u>\$3,291,900</u>	 <u>\$403,053</u>	 <u>\$3,694,953</u>

EMMET 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, one budget amendment increased budgeted disbursements by \$82,582. 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.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

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

ASSETS

	Resource Enhancement and Protection	Recorder's Records Management
CASH AND POOLED INVESTMENTS	\$ 12,436	\$ 10,734
RECEIVABLES:		
Accounts		629
Accrued interest	10	11
Notes and contracts receivable		
Drainage assessments		
 TOTAL ASSETS	\$ 12,446	\$ 11,374

LIABILITIES AND FUND BALANCES

LIABILITIES:		
Accounts payable		
Deferred revenue:		
Other		
TOTAL LIABILITIES		
 FUND EQUITY:		
Fund balances:		
Unreserved	\$ 12,446	\$ 11,374
TOTAL FUND EQUITY	12,446	11,374
 TOTAL LIABILITIES AND FUND EQUITY	\$ 12,446	\$ 11,374

Schedule 1

Special Revenue				
Conservation Land Acquisition Trust	Revolving Loan	Recorder's Electronic Transfer	Drainage Districts	Total
\$ 39,564	\$118,241	\$ 22,751	\$103,408	\$307,134
	116			745
39		23		83
	96,284			96,284
<u> </u>	<u> </u>	<u> </u>	<u> 50</u>	<u> 50</u>
<u>\$ 39,603</u>	<u>\$214,641</u>	<u>\$ 22,774</u>	<u>\$103,458</u>	<u>\$404,296</u>
			\$ 823	\$ 823
<u> </u>	<u>\$ 96,284</u>	<u> </u>	<u> 50</u>	<u> 96,334</u>
<u> </u>	<u>96,284</u>	<u> </u>	<u> 873</u>	<u> 97,157</u>
<u>\$ 39,603</u>	<u>118,357</u>	<u>\$ 22,774</u>	<u>102,585</u>	<u>307,139</u>
<u>39,603</u>	<u>118,357</u>	<u>22,774</u>	<u>102,585</u>	<u>307,139</u>
<u>\$ 39,603</u>	<u>\$214,641</u>	<u>\$ 22,774</u>	<u>\$103,458</u>	<u>\$404,296</u>

See Accompanying Independent Auditors' Report

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

	Resource Enhancement and Protection	Recorder's Records Management	Conservation Land Acquisition Trust
REVENUES:			
Intergovernmental	\$ 9,442		
Charges for service		\$ 2,720	\$ 6,947
Use of money and property	66	130	597
Miscellaneous			
TOTAL REVENUES	<u>9,508</u>	<u>2,850</u>	<u>7,544</u>
EXPENDITURES:			
Operating:			
County environment and education services.....	1,000		
Debt service			
TOTAL EXPENDITURES	<u>1,000</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,508	2,850	7,544
FUND BALANCES - BEGINNING OF YEAR	<u>3,938</u>	<u>8,524</u>	<u>32,059</u>
FUND BALANCES - END OF YEAR	<u>\$12,446</u>	<u>\$ 11,374</u>	<u>\$ 39,603</u>

See Accompanying Independent Auditors' Report

Schedule 2

<u>Special Revenue</u>				
<u>Revolving Loan</u>	<u>Recorder's Electronic Transfer</u>	<u>Drainage Districts</u>	<u>Debt Service</u>	<u>Total</u>
	\$ 22,689		\$ 27,367	\$ 36,809
	85			32,356
<u>\$ 55,699</u>	<u>22,774</u>	<u>\$ 19,887</u>		<u>75,586</u>
<u>55,699</u>	<u>22,774</u>	<u>19,887</u>	<u>27,367</u>	<u>145,629</u>
14,999		23,646		39,645
<u>14,999</u>		<u>23,646</u>	<u>27,367</u>	<u>27,367</u>
			<u>27,367</u>	<u>67,012</u>
40,700	22,774	(3,759)		78,617
<u>77,657</u>		<u>106,344</u>		<u>228,522</u>
<u>\$118,357</u>	<u>\$ 22,774</u>	<u>\$102,585</u>	<u>\$</u>	<u>\$307,139</u>

EMMET COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2004

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
ASSETS			
CASH AND POOLED INVESTMENTS:			
County Treasurer			\$ 57,444
Other County officials	\$ 16,640		
RECEIVABLES:			
Property tax:			
Succeeding year	_____	\$ 98,471	<u>240,338</u>
TOTAL ASSETS	<u>\$ 16,640</u>	<u>\$ 98,471</u>	<u>\$297,782</u>
LIABILITIES			
LIABILITIES:			
Due to other governments	\$ 6,658	\$ 98,471	\$297,782
Trusts payable	<u>9,982</u>	_____	_____
TOTAL LIABILITIES	<u>\$ 16,640</u>	<u>\$ 98,471</u>	<u>\$297,782</u>

See Accompanying Independent Auditors' Report

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
				\$198,245	\$203,022
<u>\$5,310,524</u>	<u>\$236,140</u>	<u>\$2,711,450</u>	<u>\$127,903</u>	_____	_____
<u>\$5,310,524</u>	<u>\$236,140</u>	<u>\$2,711,450</u>	<u>\$127,903</u>	<u>\$198,245</u>	<u>\$203,022</u>
<u>\$5,310,524</u>	<u>\$236,140</u>	<u>\$2,711,450</u>	<u>\$127,903</u>	<u>\$198,245</u>	<u>\$203,022</u>
<u>\$5,310,524</u>	<u>\$236,140</u>	<u>\$2,711,450</u>	<u>\$127,903</u>	<u>\$198,245</u>	<u>\$203,022</u>

See Accompanying Independent Auditors' Report

EMMET COUNTY Schedule 3
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued
 AGENCY FUNDS
 JUNE 30, 2004

	Agency Funds		
	Empowerment Fund	Other	Total
ASSETS			
CASH AND POOLED INVESTMENTS:			
County Treasurer	\$ 50,162	\$ 31,942	\$ 540,815
Other County officials			16,640
RECEIVABLES:			
Property tax:			
Succeeding year	_____	1,313	<u>8,726,139</u>
 TOTAL ASSETS	 <u>\$ 50,162</u>	 <u>\$ 33,255</u>	 <u>\$9,283,594</u>
LIABILITIES			
LIABILITIES:			
Due to other governments	\$ 50,162	\$ 33,255	\$9,273,612
Trusts payable	_____	_____	<u>9,982</u>
 TOTAL LIABILITIES	 <u>\$ 50,162</u>	 <u>\$ 33,255</u>	 <u>\$9,283,594</u>

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

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>
BALANCE - BEGINNING OF YEAR	\$ 51,336	\$112,658	\$314,686
ADDITIONS:			
Property and other County tax		93,618	229,198
911 surcharge			
State tax credits		7,509	17,238
Office fees and collections	249,246		517
Auto licenses, use tax, and postage			
Trusts	96,697		
Miscellaneous			
TOTAL ADDITIONS	<u>345,943</u>	<u>101,127</u>	<u>246,953</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds	204,347		
To other governments	80,048	115,314	263,857
Trusts paid out	96,244		
Miscellaneous			
TOTAL DEDUCTIONS	<u>380,639</u>	<u>115,314</u>	<u>263,857</u>
 BALANCE - END OF YEAR	 <u>\$ 16,640</u>	 <u>\$ 98,471</u>	 <u>\$297,782</u>

See Accompanying Independent Auditors' Report

Agency Funds					
<u>Schools</u>	<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships and Fire Districts</u>	<u>Auto License and Use Tax</u>	<u>E-911 Surcharge</u>
<u>\$5,831,342</u>	<u>\$288,834</u>	<u>\$2,307,546</u>	<u>\$141,898</u>	<u>\$ 191,032</u>	<u>\$236,485</u>
5,066,613	223,698	2,583,826	122,592		59,240
393,339	19,252	167,297	8,918		
				2,249,134	
<u>5,459,952</u>	<u>242,950</u>	<u>2,751,123</u>	<u>131,510</u>	<u>2,249,134</u>	<u>3,881</u> <u>63,121</u>
5,980,770	295,644	2,347,219	145,505	87,788 2,154,133	96,584
<u>5,980,770</u>	<u>295,644</u>	<u>2,347,219</u>	<u>145,505</u>	<u>2,241,921</u>	<u>96,584</u>
<u>\$5,310,524</u>	<u>\$236,140</u>	<u>\$2,711,450</u>	<u>\$127,903</u>	<u>\$ 198,245</u>	<u>\$203,022</u>

EMMET COUNTY Schedule 4
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 Continued
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2004

	Agency Funds		
	Empowerment Fund	Other	Total
BALANCE - BEGINNING OF YEAR	\$ 74,114	\$ 24,045	\$ 9,573,976
ADDITIONS:			
Property and other County tax		2,727	8,322,272
911 surcharge			59,240
State tax credits		104	613,657
Office fees and collections		12,490	262,253
Auto licenses, use tax, and postage			2,249,134
Trusts			96,697
Miscellaneous	<u>99,766</u>	<u>147,664</u>	<u>251,311</u>
TOTAL ADDITIONS	<u>99,766</u>	<u>162,985</u>	<u>11,854,564</u>
DEDUCTIONS:			
Agency Remittances:			
To other funds			292,135
To other governments		153,775	11,632,849
Trusts paid out			96,244
Miscellaneous	<u>123,718</u>		<u>123,718</u>
TOTAL DEDUCTIONS	<u>123,718</u>	<u>153,775</u>	<u>12,144,946</u>
 BALANCE - END OF YEAR	 <u>\$ 50,162</u>	 <u>\$ 33,255</u>	 <u>\$ 9,283,594</u>

See Accompanying Independent Auditors' Report

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

	Modified Accrual Basis			
	2004	2003	2002	2001
REVENUES:				
Property and other County tax	\$3,388,885	\$3,100,488	\$2,991,248	\$2,827,484
Interest and penalty on property tax ...	26,088	22,569	23,950	23,646
Intergovernmental	2,828,622	2,851,652	2,960,418	2,985,825
Licenses and permits	4,275	2,140	3,439	4,619
Charges for service	297,913	267,246	268,710	239,845
Use of money and property	54,623	135,383	211,643	278,108
Miscellaneous	195,987	160,080	199,857	422,270
TOTAL	\$6,796,393	\$6,539,558	\$6,659,265	\$6,781,797
 EXPENDITURES:				
Operating:				
Public safety and legal services	\$1,100,948	\$1,049,707		
Physical health and social services .	560,765	535,644		
Mental health	1,369,753	1,396,576		
County environment and education services	328,496	344,091		
Roads and transportation	1,791,530	2,228,787		
Governmental services to residents	271,780	216,468		
Administrative services	727,274	835,205		
Debt service	27,367	105,350		
Capital projects	156,606	344,522		
TOTAL	\$6,334,519	\$7,056,350	*	*

* Not available

WINTHER, STAVE & CO., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Emmet County:

We have audited the financial statements of Emmet County, Iowa, as of and for the year ended June 30, 2004 and have issued our report thereon dated November 22, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Emmet County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 II of the accompanying Schedule of Findings.

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

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved, except for items I-A-04 and I-B-04.

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

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



November 22, 2004

EMMET COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-04 Segregation of Duties - One significant aspect of internal accounting control is the adequate segregation of duties among employees in order to minimize an individual employee or official from handling duties which are incompatible. The segregation of duties helps to prevent losses from unintentional employee errors or dishonesty and improves the reliability and accuracy of the County's financial statements. We noted that in each of the offices of the basic County officials there were several accounting functions that were being performed by the same person.

Recommendation - We recognize that with a limited number of office employees segregation of duties is difficult. However, accounting controls may be improved by having certain procedures performed by only one person for a given period of time and then rotating the responsibilities for a control function sometime during the year. In some instances, the County official should consider delegating certain responsibilities to deputies and provide the main supervision and review function themselves. In all instances where it is not possible to segregate duties, it is important to increase the review of that work by supervisory personnel.

Response - We will continue to segregate duties the best we can with the limited number of personnel we have.

Conclusion - Response accepted.

I-B-04 Information Systems - During our consideration of internal control, we noted the County does not have written policies for its computer based systems. Also, the County does not have a written disaster recovery plan and does not require back-up tapes to be stored offsite daily in a fireproof vault or safe.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A written disaster recovery plan should be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Response - The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed.

Conclusion - Response accepted.

EMMET COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements

Reportable Conditions - Continued

I-C-04 Sheriff's Office Accounts - During our audit, we noted the Sheriff's office maintains separate financial institution accounts for drug investigations, DARE, canine, and posse. These accounts are maintained and controlled by the Sheriff but have minimal activity.

Recommendation - We recommend these four accounts be closed and remitted to the County Treasurer to maintain on behalf of the Sheriff's Office.

Response - We will close these accounts and remit the funds to the County Treasurer.

Conclusion - Response accepted.

EMMET COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Required Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements for the year ended June 30, 2004 exceeded the amounts budgeted in the debt service function. In addition, we noted disbursements in certain departments exceeded the amounts budgeted prior to the amendment of the budget.

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

Response - We will amend the budget when required.

Conclusion - Response accepted.

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

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

II-E-04 Business Transactions - No business transactions between the County and County officials or employees were noted.

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

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

II-H-04 Deposits and Investments - No instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

EMMET COUNTY
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2004

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

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

- II-J-04 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 the government-wide financial statements.

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