



JOHNSON COUNTY
IOWA CITY, IOWA

FINANCIAL STATEMENTS
JUNE 30, 2004

JOHNSON COUNTY

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JOHNSON COUNTY

JOHNSON COUNTY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sally Stutsman	Board of Supervisors	January 2007
Mike Lehman	Board of Supervisors	January 2007
Carol Thompson	Board of Supervisors	January 2005
Pat Harney	Board of Supervisors	January 2005
Terrence Neuzil	Board of Supervisors	January 2005
Tom Slockett	County Auditor	January 2005
Tom Kriz	County Treasurer	January 2007
Kim Painter	County Recorder	January 2007
Robert Carpenter	County Sheriff	January 2005
J. Patrick White	County Attorney	January 2007
Bill Greazel	County Assessor	Appointed
Dennis Baldrige	City Assessor	Appointed



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Officials of Johnson County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2005, on our consideration of Johnson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Johnson 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 unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 and the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
January 6, 2005

Johnson County, Iowa
Management's Discussion and Analysis (MD&A)
June 30, 2004

INTRODUCTION

Our discussion and analysis of financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2004. It should be read in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ❑ Total net assets were \$35,728,164 at June 30, 2004. This was an increase of \$6,857,022 (24%) over the prior year. The county took over the jurisdiction of former state roads, which accounts for much of the change.
- ❑ Overall revenues of governmental activities increased 10% or \$4,637,135 from fiscal year 2003. Property tax increased \$613,821, operating grants and contributions increased \$4,667,579, and capital grants and contributions increased \$3,998,466.
- ❑ Program expenses grew 9% or \$3,746,099 from fiscal year 2003. Public safety and legal services increased \$1,534,402 and mental health expenses grew \$665,047.
- ❑ The Leinfelder Trust for Chatham Oaks was moved out of the County structure and is now under the management of the Johnson County Community Foundation.
- ❑ The Nutrition Trust was transferred to Elder Services Inc. to help them supplement the Senior Dining Program, which they took over from the County.
- ❑ Out of county housing of prisoners incurred a cost of \$351,120.
- ❑ The county used the debt service levy for essential county purpose items as defined in the Code of Iowa. This allows taxation into Tax Increment Financing (TIF) districts.
- ❑ Proceeds of \$1,143,468 from the sale of the Mall Drive property went into the Capital Projects fund to go towards the development of a centralized county campus.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and information as follows:

- ❑ **Management's Discussion and Analysis** - Introduces the basic financial statements and provides an analytical overview of the County's activities.
- ❑ **Government-wide financial statements** - Comprises the first two statements, provide both short-term and long-term information about Johnson County's overall financial position.
- ❑ **Fund financial statements** - Focus on reporting how government services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail by providing information about the most significant funds. The remaining statements provide financial information activities for which Johnson County acts solely as an agent or custodian for the benefit of those outside of county government (agency funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Government-Wide Financial Statements

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

The two government-wide statements (Statement of Net Assets and the Statement of Activities) report the County's net assets and how they have changed. Net assets-the difference between the assets and liabilities- is one way to measure the County's financial health or position.

- ❑ Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in population, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the County include governmental activities such as public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long term debt, and non-program activities. Most of the County's basic services are included here, such as the Sheriff, County Attorney, Recorder, Treasurer, Auditor, Board of Supervisors, Ambulance, Public Health, Medical Examiner, Paratransit Services (SEATS), Planning & Zoning, Conservation, Human Services, Veteran Affairs, Juvenile Court Services, Mental Health/ Developmental Disabilities, Rural Funding to Libraries, Secondary Roads, and Court Services. Property Taxes and intergovernmental revenue fund most of these functions.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds-not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Board of Supervisors establishes other funds to control and manage money for particular purposes or to show that the County is meeting legal responsibilities for using certain revenues. The County has three kinds of funds:

- ❑ Governmental funds - Most of the County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future use. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explain the relationship (or differences) between them. Funds included are the General Fund, Debt Service Fund, Capital Projects Fund, and Special Revenue Funds (Rural Fund, Mental Health Fund, Secondary Roads Fund). The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures, and changes in fund balances.
- ❑ Fiduciary funds – the County is the trustee, or fiduciary, for assets that belong to others. Fiduciary funds for Johnson County include the E-911 Fund, the Empowerment Fund, The Iowa City & Johnson County Assessor Funds & Special Appraisal Funds, the Emergency Management Fund, and the Abandoned Storage Fund. The County is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the County-wide financial statements because the County cannot use the assets to finance its operations. The required financial statements for fiduciary funds include a statement of net assets and liabilities.

- Proprietary funds – The County has an internal service fund set up for the administration of its self-funded employee health insurance plans. Funds are paid into the health insurance fund from other county funds for payment of premiums, claims and administration costs. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County’s various functions. The required statements include a statement of net assets, a statement of revenue, expenses, and changes in fund net assets, and a statement of cash flows.

Reconciliations between the government wide financial statements and the fund financial statements follow the fund financial statements.

FINANCIAL ANALYSIS OF JOHNSON COUNTY -- Net Assets

The County’s combined net assets increased from \$28,853,142 to \$35,728,164. See Table 1. Analysis will focus on changes in net assets for governmental activities.

**Table 1:
Net Assets**

	Governmental Activities		Total Percentage Change
	2004	2003	2004-2003
Assets			
Current Assets	\$49,963,888	\$45,565,663	10%
Capital Assets, Net of Accumulated Depreciation	\$20,555,686	\$15,837,434	30%
TOTAL ASSETS	<u>70,519,574</u>	<u>\$61,403,097</u>	15%
Liabilities			
Current Liabilities	\$29,316,176	\$27,545,534	6%
Long Term Liabilities	\$5,475,234	\$5,004,421	9%
TOTAL LIABILITIES	<u>\$34,791,410</u>	<u>\$32,549,955</u>	7%
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$20,528,406	\$15,796,609	30%
Restricted	\$4,648,416	\$4,149,170	12%
Unrestricted	\$10,551,342	\$8,907,363	18%
TOTAL NET ASSETS	<u>\$35,728,164</u>	<u>\$28,853,142</u>	24%

Changes in Net Assets

Net assets of governmental activities increased by 24%. The largest portion of the County’s net assets are investing in capital assets (land, buildings, equipment), net of related debt. The debt related to investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets increased from approximately \$8.9 million in fiscal year 2003 to approximately \$10.6 million in fiscal year 2004 an increase of 18%. Much of this is due to additional savings for the County Campus Plan and better than expected non tax revenue collection from the Recorder for the recording of instruments and Ambulance call fees.

**Table 2:
Changes in Net Assets**

	Governmental Activities		Total Percentage Change
	2004	2003	2004-2003
Revenues			
Program Revenues			
Charges for Services	\$4,315,273	\$4,216,665	2%
Operating Grants and Contributions	\$14,236,690*	\$9,569,111	49%
Capital Grants and Contributions	\$5,729,777	\$1,731,311	231%
Property and other taxes levied for:			
General Purpose	\$20,296,055	\$15,065,091	35%
Debt Service	\$3,492,834	\$8,135,139	-57%
Tax Increment Financing	\$784,307	\$759,145	3%
Penalties and Interest on Taxes	\$206,473	\$390,748	-47%
State tax credits	\$693,017	\$1,063,434	-35%
Road use tax	\$0*	\$3,523,298	N/A
Franchise tax	\$192,747	\$216,469	-11%
Earnings on investments	\$362,008	\$686,577	-47%
Gain on sale of capital assets	\$0	\$65,322	N/A
Miscellaneous	\$201,991	\$451,728	-55%
TOTAL REVENUES	\$50,511,172	\$45,874,037	10%
Expenditures			
Public Safety and Legal Services	\$11,725,803	\$10,191,401	15%
Physical Health and Social Services	\$6,573,148	\$5,871,185	12%
Mental Health, MR & DD	\$9,555,857	\$8,890,810	7%
County Environment and Education	\$2,340,310	\$2,166,678	8%
Roads & Transportation	\$6,268,910	\$5,749,778	9%
Government Services to Residents	\$1,717,723	\$1,442,554	19%
Administration	\$5,389,731	\$5,390,495	0%
Nonprogram Current	\$11,816	\$600	N/A
Interest and fiscal charges	\$52,852	\$186,550	-72%
TOTAL EXPENDITURES	\$43,636,150	\$39,890,051	9%
INCREASE IN NET ASSETS	\$6,875,022	\$5,983,596	15%
Beginning	<u>\$28,853,142</u>	<u>\$22,869,156</u>	26%
Ending	<u>\$35,728,164</u>	<u>\$28,853,142</u>	24%
* Road Use Tax shifted to operating grants and Contributions			

The County increased property tax rates for 2004 by an average of 6.22%. This increase raised the County's property tax revenue by approximately \$614,000. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$1,654,682 for fiscal year 2005.

The cost of all government services this year was \$43,636,150 compared to \$39,890,051 last year. The amount financed by taxpayers was \$24,779,669 (See Statement of Activities). Some of the cost was paid for by those who benefited from programs or other government grants and contributions. The County's program revenues increased from \$15,517,000 to \$24,282,000 principally due to the transfer of jurisdiction of roads from the State of Iowa to the County of approximately \$5,726,000.

MAJOR FUND ANALYSIS

Governmental funds reported a combined fund balance of \$35,728,164, an increase of \$6,875,000. The increase is mainly attributable to additional savings for the County Campus Plan, better than expected non-tax revenue collection from the Recorder for the recording of instruments, and ambulance call fees.

- ❑ General Fund revenues increased approximately \$5,269,000 due to an increase in property and other taxes of \$5,211,276. Expenditures increased \$1,153,000 due to an increase in public safety and legal services of \$851,079 and an increase in physical health and social services of \$306,032.
- ❑ There were no significant changes in revenue, expenditures, and the fund balance for the rural service fund.
- ❑ There were no significant changes in revenue, expenditures, and the fund balance for the secondary roads fund.
- ❑ Mental Health Fund revenues increased by \$398,000 over the prior year, due to an increase in intergovernmental revenue of \$416,009. Expenditures increased by \$522,000 due to an increasing demand for services, an increase in service unit costs, and an increase in departmental administration costs.
- ❑ Debt Service Fund revenues decreased approximately \$4,900,000 and expenditures decreased approximately \$5,581,226. The decreases are because the county bonded for fewer items under the essential county purpose section of the Iowa Code.

General Fund Budgetary Highlights

Johnson County amended the budget twice in fiscal year 2004. The first amendment in February 2004 related to ambulance replacement, increased workers compensation costs, additional use of the Toledo Youth Home, a GIS aerial photo project, completion of the GEMS financial system acquisition, an adjustment to the EMS grant, additional hours for mapping in the auditors office and an adjustment to the employees flexible benefits plan. The second amendment in May 2004 was mainly for the distribution of merit pay and grant adjustments to the Department of Public Health.

Information is available in the County Auditor's Office.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For fiscal year 2004 the County had a net increase of \$4,718,252 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles and infrastructure. This is due mainly to the transfer of roads from the state to the county. See Table 3. More detailed information about the County's capital assets is presented in the notes to the financial statements.

Table 3
Capital Assets

	Value of Capital Assets		Total Percentage
	2004	2003	Change 2004-2003
Non-Depreciated			
Land	\$2,500,364	\$2,593,093	-4%
Construction in Progress	\$601,275	\$273,248	220%
Total Not Being Depreciated	\$3,101,639	\$2,866,341	8%

Depreciable			
Buildings & Improvements	\$13,547,081	\$13,439,045	1%
Machinery and Equipment	\$12,120,353	\$11,066,996	10%
Infrastructure	\$7,375,275	\$2,224,933	331%
Total Depreciable Assets	\$33,042,709	\$26,730,974	24%
Total Accumulated Depreciation	(\$15,588,662)	(\$13,759,881)	13%
NET CAPITAL ASSETS	\$20,555,686	\$15,837,434	30%

The County has depreciation expense of \$2,279,957 in FY 2004 and total accumulated depreciation of \$15,588,662 on June 30, 2004.

The County's fiscal year 2005 budget projects spending of \$760,000 for capital projects, primarily for land acquisition and appraisal services. The County annually completes a Five Year Road Plan and Capital Improvement Plan (CIP). Both can be viewed by contacting management or are available on the County's web site www.johnson-county.com.

Long-Term Liabilities

At year end, the County had \$5,485,221 in long term liabilities, consisting of general obligation notes, land contracts, compensated absences, and capital lease purchase agreements (Table 4). The County added \$480,800 in liabilities during the fiscal year. This is due mainly to an increase in the amount of the general obligation note issue. More detailed information about the County's debt is presented in the notes to the financial statements.

Table 4
Long-Term Liabilities

	Total Year End Fiscal Year 2004 Long Term Liabilities		Total Percentage Change
	2004	2003	2004-2003
General Obligation Notes	\$3,945,000	\$3,570,000	11%
Accrued Interest on Notes	\$9,987	\$4,463	124%
Land Contracts Payable			
Compensated Absences	\$1,502,954	\$1,393,596	8%
Capital Leases Payable	\$27,280	\$40,825	-33%
TOTAL LONG TERM LIABILITIES	\$5,485,221	\$5,004,421	10%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the County was aware of several circumstances that could affect its future financial health:

- ❑ Interest rates fell again, but seemed to be increasing near the end of FY 2004 and probably reached the low point. This could have an adverse affect on home construction and property tax base growth.
- ❑ The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the County. The county has had double digit rate increases in both categories in recent years.
- ❑ The budget assumptions used to prepare the budget for 2004 included a 3.5% cost of living allowance (COLA) for employees and a 3% COLA for elected officials.
- ❑ Johnson County enjoys a strong economy. Historically low interest rates on mortgages and a low unemployment rate make Johnson County fourth in the State of Iowa in per capita income.

- Johnson County grew from 96,000 residents in 1990 to 111,000 in 2000. The estimated current population is over 116,000.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

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BASIC FINANCIAL STATEMENTS

JOHNSON COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 20,384,533
Receivables	
Property tax	
Delinquent	182,405
Succeeding year	26,190,169
Interest and penalty on property tax	587,992
Accounts	892,227
Due from other governments	1,120,261
Prepaid expenses	293,712
Inventories	312,589
Land and construction in progress	3,101,639
Other capital assets (net of accumulated depreciation)	<u>17,454,047</u>
Total assets	<u>70,519,574</u>
LIABILITIES	
Accounts payable	1,905,170
Accrued interest payable	9,987
Salaries and benefits payable	479,776
Due to other governments	731,074
Deferred revenue	
Succeeding year property tax	26,190,169
Long-term liabilities	
Portion due or payable within one year	
Notes payable	3,945,000
Capital lease purchase agreements	11,727
Compensated absences	1,502,954
Portion due or payable after one year	
Capital lease purchase agreements	<u>15,553</u>
Total liabilities	<u>34,791,410</u>
NET ASSETS	
Invested in capital assets, net of related debt	20,528,406
Restricted for	
Supplemental levy purposes	180,126
Secondary roads purposes	2,760,648
Mental health purposes	1,433,014
Other purposes	274,628
Unrestricted	<u>10,551,342</u>
Total net assets	<u>\$ 35,728,164</u>

See notes to financial statements.

**JOHNSON COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Public safety and legal services	\$ 11,725,803	\$ 1,397,525	\$ 1,089,267	\$ 3,742	\$ (9,235,269)
Physical health and social services	6,573,148	207,880	2,679,127	-	(3,686,141)
Mental health	9,555,857	13,799	6,333,078	-	(3,208,980)
County environment and education	2,340,310	407,395	515	-	(1,932,400)
Roads and transportation	6,268,910	57,982	3,983,117	5,726,035	3,498,224
Governmental services to residents	1,717,723	1,904,567	79,228	-	266,072
Administration	5,389,731	326,125	72,358	-	(4,991,248)
Non-program	11,816	-	-	-	(11,816)
Interest on long-term debt	52,852	-	-	-	(52,852)
Total	\$ 43,636,150	\$ 4,315,273	\$ 14,236,690	\$ 5,729,777	(19,354,410)

General Revenues

Property and other County tax levied for	
General purposes	20,296,055
Debt service	3,492,834
Tax increment financing	784,307
Penalty and interest on property tax	206,473
State tax credits	693,017
Franchise tax	192,747
Unrestricted investment earnings	362,008
Miscellaneous	201,991
Total general revenues	26,229,432
Change in net assets	6,875,022
Net assets beginning of year	28,853,142
Net assets end of year	\$ 35,728,164

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

	Special Revenue			
	General	Rural Services	Secondary Roads	Mental Health
ASSETS				
Cash and pooled investments	\$ 8,471,710	\$ 105,477	\$ 2,334,388	\$ 1,813,196
Receivables				
Property tax				
Delinquent	100,159	39,957	-	20,209
Succeeding year	16,285,206	2,826,474	-	3,138,395
Interest and penalty on property tax	587,992	-	-	-
Accounts	370,208	-	2,254	427,117
Advances from other funds	100,000	-	-	-
Due from other governments	614,921	-	316,460	177,247
Inventories	-	-	312,589	-
Prepays	236,144	-	-	-
	<u>26,766,340</u>	<u>2,971,908</u>	<u>2,965,691</u>	<u>5,576,164</u>
Total assets	<u>\$ 26,766,340</u>	<u>\$ 2,971,908</u>	<u>\$ 2,965,691</u>	<u>\$ 5,576,164</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 474,226	\$ 12	\$ 126,951	\$ 361,307
Salaries and benefits payable	380,645	-	77,110	22,021
Advances to other funds	-	-	-	-
Due to other governments	119,467	5,729	909	601,429
Deferred revenue				
Succeeding year property tax	16,285,206	2,826,474	-	3,138,395
Other	1,068,095	39,353	73	19,998
	<u>18,327,639</u>	<u>2,871,568</u>	<u>205,043</u>	<u>4,143,150</u>
Total liabilities	<u>18,327,639</u>	<u>2,871,568</u>	<u>205,043</u>	<u>4,143,150</u>
Fund balances				
Reserved for				
Inventories	-	-	312,589	-
Prepays	236,144	-	-	-
Unreserved, reported in				
General fund	8,202,557	-	-	-
Special revenue funds	-	100,340	2,448,059	1,433,014
Capital projects fund	-	-	-	-
Debt service fund	-	-	-	-
	<u>8,438,701</u>	<u>100,340</u>	<u>2,760,648</u>	<u>1,433,014</u>
Total fund balances	<u>8,438,701</u>	<u>100,340</u>	<u>2,760,648</u>	<u>1,433,014</u>
	<u>\$ 26,766,340</u>	<u>\$ 2,971,908</u>	<u>\$ 2,965,691</u>	<u>\$ 5,576,164</u>
Total liabilities and fund balances	<u>\$ 26,766,340</u>	<u>\$ 2,971,908</u>	<u>\$ 2,965,691</u>	<u>\$ 5,576,164</u>

See notes to financial statements.

<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 82,677	\$ 6,787,488	\$ 19,594,936
22,080	-	182,405
3,940,094	-	26,190,169
-	-	587,992
-	200	799,779
-	-	100,000
-	11,633	1,120,261
-	-	312,589
-	<u>57,568</u>	<u>293,712</u>
<u>\$ 4,044,851</u>	<u>\$ 6,856,889</u>	<u>\$ 49,181,843</u>
\$ -	\$ 208,361	\$ 1,170,857
-	-	479,776
60,000	40,000	100,000
-	3,540	731,074
3,940,094	-	26,190,169
<u>21,705</u>	<u>14,306</u>	<u>1,163,530</u>
<u>4,021,799</u>	<u>266,207</u>	<u>29,835,406</u>
-	-	312,589
-	57,568	293,712
-	-	8,202,557
-	2,948,492	6,929,905
-	3,584,622	3,584,622
<u>23,052</u>	-	<u>23,052</u>
<u>23,052</u>	<u>6,590,682</u>	<u>19,346,437</u>
<u>\$ 4,044,851</u>	<u>\$ 6,856,889</u>	<u>\$ 49,181,843</u>

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

Exhibit D

Total governmental fund balances	\$ 19,346,437
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 \$36,144,348 and the accumulated depreciation is \$15,588,662.	20,555,686
Other assets, such as County taxes, are not available to pay current period expenditures and therefore are deferred in the funds.	1,163,530
The Internal Service Fund is used by the County to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	147,732
Long-term liabilities, including notes payable, accrued interest payable, capital lease purchase agreements, and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	\$ (3,945,000)
Accrued interest on bonds	(9,987)
Capital lease purchase agreements	(27,280)
Compensated absences	<u>(1,502,954)</u>
Total long-term liabilities	<u>(5,485,221)</u>
Net assets of governmental activities	<u>\$ 35,728,164</u>

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

	Special Revenue			
	General	Rural Services	Secondary Roads	Mental Health
Revenues				
Property and other County tax	\$ 15,158,291	\$ 2,782,192	\$ -	\$ 3,061,772
Interest and penalty on property tax	311,322	-	-	-
Intergovernmental	4,866,132	95,421	4,119,118	6,376,726
Licenses and permits	423,343	-	1,105	-
Charges for service	3,058,504	-	-	13,799
Use of money and property	286,060	-	604	-
Miscellaneous	285,972	-	28,847	13,382
Total revenues	<u>24,389,624</u>	<u>2,877,613</u>	<u>4,149,674</u>	<u>9,465,679</u>
Expenditures				
Operating				
Public safety and legal services	11,000,446	-	-	-
Physical health and social services	6,220,199	-	-	-
Mental health	-	-	-	9,418,549
County environment and education	1,665,715	518,198	-	-
Roads and transportation	-	-	5,504,698	-
Governmental services to residents	1,541,149	-	-	-
Administration	4,705,073	-	-	-
Non-program	600	-	11,216	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital projects				
	-	-	853,356	-
Total expenditures	<u>25,133,182</u>	<u>518,198</u>	<u>6,369,270</u>	<u>9,418,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(743,558)</u>	<u>2,359,415</u>	<u>(2,219,596)</u>	<u>47,130</u>
Other financing sources (uses)				
Capital note proceeds	3,945,000	-	-	-
Sale of capital assets	1,199,695	-	3,821	34,924
Transfers in (out)	<u>(4,270,957)</u>	<u>(2,324,207)</u>	<u>2,944,207</u>	<u>-</u>
Total other financing sources (uses)	<u>873,738</u>	<u>(2,324,207)</u>	<u>2,948,028</u>	<u>34,924</u>
Net change in fund balances	130,180	35,208	728,432	82,054
Fund balances beginning of year	8,276,247	65,132	1,967,075	1,350,960
Increase (decrease) in reserve for				
Inventories	-	-	65,141	-
Prepays	<u>32,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances end of year	<u>\$ 8,438,701</u>	<u>\$ 100,340</u>	<u>\$ 2,760,648</u>	<u>\$ 1,433,014</u>

See notes to financial statements.

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 3,594,592	\$ -	\$ 24,596,847
-	-	311,322
87,408	83,455	15,628,260
-	-	424,448
-	66,111	3,138,414
-	92,424	379,088
-	42,495	370,696
<u>3,682,000</u>	<u>284,485</u>	<u>44,849,075</u>
-	111,297	11,111,743
-	148,770	6,368,969
-	111,432	9,529,981
-	-	2,183,913
-	-	5,504,698
-	60,968	1,602,117
-	71	4,705,144
-	-	11,816
3,570,000	-	3,570,000
47,328	-	47,328
-	1,558,344	2,411,700
<u>3,617,328</u>	<u>1,990,882</u>	<u>47,047,409</u>
<u>64,672</u>	<u>(1,706,397)</u>	<u>(2,198,334)</u>
-	-	3,945,000
-	32	1,238,472
-	3,650,957	-
-	3,650,989	5,183,472
64,672	1,944,592	2,985,138
(41,620)	4,653,179	16,270,973
-	-	65,141
-	(7,089)	25,185
<u>\$ 23,052</u>	<u>\$ 6,590,682</u>	<u>\$ 19,346,437</u>

JOHNSON COUNTY

Exhibit F

**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 \$ 2,985,138

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	\$ 2,516,542	
Capital grants for capital assets	5,726,035	
Depreciation expense	<u>(2,279,957)</u>	5,962,620

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

Debt issued	(3,945,000)	
Repayments	<u>3,583,545</u>	(361,455)

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. (77,321)

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:

Change in accrued compensated absences	(109,359)	
Change in accrued interest on debt	<u>(5,524)</u>	(114,883)

In the Statement of Activities, only the loss on the sale of the capital
assets is recognized, whereas in the governmental funds, the
proceeds from the sale increased financial resources. Thus, the
change in net assets differs from the change in fund balance by
the cost of the capital assets sold.

(1,244,366)
(continued)

JOHNSON COUNTY

Exhibit F

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

Prepaid expenses and inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted.	\$ 90,326
The Internal Service Fund is used by the County to charge the costs of health insurance to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.	<u>(365,037)</u>
Change in net assets of governmental activities	<u>\$ 6,875,022</u>

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

Exhibit G

	<u>Internal Service - Employee Group Health</u>
ASSETS	
Cash and pooled investments	\$ 789,597
Accounts receivable	<u>92,448</u>
Total assets	882,045
LIABILITIES	
Accounts payable	<u>734,313</u>
NET ASSETS	
Unrestricted	<u><u>\$ 147,732</u></u>

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

Exhibit H

		Internal Service - Employee Group Health
Operating revenues		
Contributions and reimbursements from operating funds and other governmental units		\$ 3,608,708
Health fees - employees		<u>291,707</u>
Total operating revenues		3,900,415
Operating expenses		
Medical and health services	\$ 3,576,675	
Accounting, auditing, and clerical	700,839	
Miscellaneous	<u>1,000</u>	<u>4,278,514</u>
Operating loss		(378,099)
Non-operating revenues		
Interest income		<u>13,062</u>
Change in net assets		(365,037)
Net assets, beginning of year		<u>512,769</u>
Net assets, end of year		<u><u>\$ 147,732</u></u>

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

Exhibit I

	Internal Service - Employee Group Health
Cash flows from operating activities	
Cash received from operating fund reimbursements	\$ 3,609,019
Cash received from employees and others	199,259
Cash paid for administrative fees	(701,839)
Cash paid for medical claims and insurance premiums	<u>(3,246,787)</u>
Net cash used for operating activities	(140,348)
Cash flows from investing activities	
Interest on investments	<u>13,062</u>
Net decrease in cash and pooled investments	(127,286)
Cash and pooled investments at beginning of year	<u>916,883</u>
Cash and pooled investments at end of year	<u>\$ 789,597</u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (378,099)
Adjustments to reconcile operating loss to net cash used for operating activities	
Increase in accounts receivable	(92,448)
Decrease in due from other funds	311
Increase in accounts payable	<u>329,888</u>
Net cash used for operating activities	<u>\$ (140,348)</u>

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

Exhibit J

ASSETS

Cash and investments	
County Treasurer	\$ 4,310,014
Other County officials	608,575
Receivables	
Property tax	
Delinquent	531,152
Succeeding year	136,749,120
Accounts	61,054
Interest and penalties on special assessments	49,352
Special assessments	30,298
Due from other governments	<u>265</u>
 Total assets	 <u>142,339,830</u>

LIABILITIES

Accounts payable	144,659
Salaries and benefits payable	22,817
Due to other governments	141,685,043
Trusts payable	433,607
Compensated absences	<u>53,704</u>
 Total liabilities	 <u>142,339,830</u>

NET ASSETS

\$ -

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

For financial reporting purposes, Johnson 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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. 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.

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 balance sheet:

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

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

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

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

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

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

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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, Secondary Roads Fund, consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Other capital assets	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	15 – 40
Improvements	10 – 40
Infrastructure	20 – 65
Equipment	2 – 30

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees 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, Rural Services, Secondary Roads, and Mental Health Funds.

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

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

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

E. Budgets and Budgetary Accounting

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

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

The County held no investments as of June 30, 2004.

NOTE 3 – ADVANCES FROM AND TO OTHER FUNDS

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

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 60,000
	Nonmajor Governmental	<u>40,000</u>
Total		<u>\$ 100,000</u>

These balances represent an advance to the County recorder's records management fund to allow sufficient cash to complete a software purchase and installation and an advance to the debt service fund to aid in payment of a previous bond issuance due to tax revenues falling short of the amount needed to extinguish the debt. The advances will be paid when funds are available.

NOTE 4 – INTERFUND TRANSFERS

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

Transfer To	Transfer From	Amount
General	Nonmajor Governmental	\$ 20,511
Secondary Roads	General	480,000
	Rural Services	2,324,207
	Nonmajor Governmental	140,000
Nonmajor Governmental	General	<u>3,811,468</u>
Total		<u>\$ 6,776,186</u>

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

NOTE 5 – 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	\$ 2,593,093	\$ 1,050,739	\$ 1,143,468	\$ 2,500,364
Construction in progress	<u>273,248</u>	<u>601,275</u>	<u>273,248</u>	<u>601,275</u>
Total capital assets not being depreciated	<u>2,866,341</u>	<u>1,652,014</u>	<u>1,416,716</u>	<u>3,101,639</u>
Capital assets being depreciated				
Buildings and improvements	13,439,045	108,036	-	13,547,081
Machinery and equipment	11,066,996	1,753,077	699,720	12,120,353
Infrastructure	<u>2,224,933</u>	<u>5,150,342</u>	<u>-</u>	<u>7,375,275</u>
Total capital assets being depreciated	<u>26,730,974</u>	<u>7,011,455</u>	<u>699,720</u>	<u>33,042,709</u>
Less accumulated depreciation for				
Buildings and improvements	7,563,308	290,164	-	7,853,472
Machinery and equipment	6,148,577	1,352,067	598,657	6,901,987
Infrastructure	<u>47,996</u>	<u>785,207</u>	<u>-</u>	<u>833,203</u>
Total accumulated depreciation	<u>13,759,881</u>	<u>2,427,438</u>	<u>598,657</u>	<u>15,588,662</u>
Total capital assets being depreciated, net	<u>12,971,093</u>	<u>4,584,017</u>	<u>101,063</u>	<u>17,454,047</u>
Governmental activities capital assets, net	<u>\$ 15,837,434</u>	<u>\$ 6,236,031</u>	<u>\$ 1,517,779</u>	<u>\$ 20,555,686</u>

Depreciation expense was charged to the following functions:

Governmental activities	
Public safety and legal services	\$ 375,669
Physical health and social services	32,598
County environment and education	74,734
Roads and transportation	1,397,885
Governmental services to residents	28,909
Administration	<u>370,162</u>
Total depreciation expense – governmental activities	<u>\$ 2,279,957</u>

(continued on next page)

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 119,467
Rural Services		5,729
Secondary Roads		909
Mental Health		601,429
Nonmajor governmental funds		<u>3,540</u>
Total for governmental funds		<u>731,074</u>
Agency		
County Auditor	Collections	144
County Recorder		179,634
County Sheriff		10
Agricultural Extension Education		254,394
County Assessor		1,134,209
City Assessor		669,932
Emergency Management		91,605
Brucellosis and Tuberculosis Eradication		207
Schools		85,864,184
Community Colleges		2,657,276
Corporations		47,576,644
Townships		597,390
City Special Assessments		94,631
E911 Surcharge		237,685
Auto License and Use Tax		1,986,610
Abandoned Storage		500
Empowerment Board		<u>339,988</u>
Total for agency funds		<u>141,685,043</u>
Total		<u>\$ 142,416,117</u>

JOHNSON 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:

	General Obligation Capital Note	Compensated Absences	Capital Lease Purchase Agreements	Total
Balance beginning of year	\$ 3,570,000	\$ 1,393,596	\$ 40,825	\$ 5,004,421
Increases	3,945,000	109,358	-	4,054,358
Decreases	<u>3,570,000</u>	<u>-</u>	<u>13,545</u>	<u>3,583,545</u>
Balance end of year	<u>\$ 3,945,000</u>	<u>\$ 1,502,954</u>	<u>\$ 27,280</u>	<u>\$ 5,475,234</u>
Due within one year	<u>\$ 3,945,000</u>	<u>\$ 1,502,954</u>	<u>\$ 11,727</u>	<u>\$ 5,459,681</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease various equipment with historical costs of \$55,135. The following is a schedule of the future minimum lease payments, including interest ranging from 5.82% to 9.74% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

<u>Year Ending June 30,</u>	<u>Five Leases for Various Office Equipment</u>
2005	\$ 13,791
2006	10,714
2007	4,276
2008	<u>1,925</u>
Total minimum lease payments	30,706
Less amount representing interest	<u>(3,426)</u>
Present value of net minimum lease payments	<u>\$ 27,280</u>

Payments under capital lease purchase agreements totaled \$15,206 for the year ended June 30, 2004.

Note Payable

The County issued a capital note to pay the cost of funding health and liability self-insurance programs. The note pays interest of 1.10% on December 1, 2004 and June 1, 2005, with the principal amount maturing on June 1, 2005. Principal and interest amounts due are as follows:

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 3,945,000	\$ 50,628

(continued on next page)

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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, and conservation peace officers, in which case the percentages are 5.93% and 8.90%, 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 conservation peace officers, in which case the percentages were 6.04% and 9.07%, respectively. For the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively, and conservation peace officers, in which case the percentages were 6.20% and 9.29%, 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 \$988,069, \$949,414, and \$925,414, respectively, equal to the required contributions for each year.

NOTE 9 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance.

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. Health benefits were self-insured up to a specific stop-loss amount of \$50,000 and an aggregate annual stop-loss amount of approximately \$3,136,000 for 2004. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop-loss amount.

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 \$3,608,708.

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Amounts payable from the Employee Group Health Fund at June 30, 2004, total \$668,606, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$147,732 at June 30, 2004, and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Changes in the fund's claims liability amount in fiscal 2004 and 2003 were:

Unpaid claims, June 30, 2002	\$ 399,843
Incurred claims (including IBNRs)	2,490,997
Claim payments	<u>(2,514,198)</u>
Unpaid claims, June 30, 2003	376,642
Incurred claims (including IBNRs)	3,576,675
Claim payments	<u>(3,284,711)</u>
Unpaid claims, June 30, 2004	<u>\$ 668,606</u>

NOTE 11 – CONDUIT DEBT OBLIGATIONS

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2004, there were six series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$5,851,473.

NOTE 12 – CONSTRUCTION COMMITMENTS

The County has entered into two contracts totaling \$584,100 for road bridge replacements. As of June 30, 2004, \$388,730 of costs have been incurred against the contracts. The balance remaining at June 30, 2004, of \$195,370 will be paid as work on the projects progresses.

The County has entered into two contracts totaling \$174,548 for bridge deck overlays. As of June 30, 2004, \$169,312 of costs have been incurred against the contracts. The balance remaining at June 30, 2004, of \$5,236 will be paid as work on the projects progresses.

JOHNSON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 13 – LITIGATION

The County Attorney reported that as of June 30, 2004, various claims and lawsuits were on file against the County. The probability of loss, if any, is undeterminable.

NOTE 14 – DEFICIT FUND EQUITY

The County Recorder's Records Management Fund had a deficit fund balance as of June 30, 2004, of \$17,930.

NOTE 15 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, issued December 2004, will be effective for the County for the year ending December 31, 2006. This statement clarifies the definition of a legally enforceable enabling legislation restriction. It also specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

JOHNSON COUNTY
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
BALANCES – BUDGET AND ACTUAL (CASH BASIS) AND BUDGET TO GAAP RECONCILIATION
ALL GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual	Variance-	Actual as %
	Original	Final		Favorable	of Final
				(Unfavorable)	Budget
Receipts					
Property and other County tax	\$ 24,685,368	\$ 24,685,368	\$ 24,600,220	\$ (85,148)	100%
Interest and penalty on property tax	317,739	317,739	293,219	(24,520)	92
Intergovernmental	15,252,946	15,604,845	15,429,188	(175,657)	99
Licenses and permits	353,198	353,198	425,160	71,962	120
Charges for service	2,247,670	2,249,173	3,161,436	912,263	141
Use of money and property	655,401	480,401	379,179	(101,222)	79
Miscellaneous	1,368,403	1,491,714	352,468	(1,139,246)	24
Total receipts	<u>44,880,725</u>	<u>45,182,438</u>	<u>44,640,870</u>	<u>(541,568)</u>	<u>99</u>
Disbursements					
Public safety and legal services	11,464,752	11,567,267	10,940,739	626,528	95%
Physical health and social services	6,318,053	6,664,247	6,330,552	333,695	95
Mental health	9,489,351	9,603,044	9,404,119	198,925	98
County environment and education	2,270,351	2,283,451	2,211,865	71,586	97
Roads and transportation	6,033,071	6,036,107	5,424,792	611,315	90
Governmental services to residents	1,719,819	1,754,819	1,582,736	172,083	90
Administration	4,785,242	5,046,959	4,740,390	306,569	94
Non-program	1,950	1,950	600	1,350	31
Debt service	3,647,301	3,647,301	3,617,328	29,973	99
Capital projects	<u>3,800,155</u>	<u>4,314,590</u>	<u>2,283,464</u>	<u>2,031,126</u>	<u>53</u>
Total disbursements	<u>49,530,045</u>	<u>50,919,735</u>	<u>46,536,585</u>	<u>4,383,150</u>	<u>91</u>
Deficiency of receipts under disbursements	(4,649,320)	(5,737,297)	(1,895,715)		
Other financing sources					
Capital note proceeds	-	-	3,945,000		
Sale of capital assets	<u>53,300</u>	<u>53,300</u>	<u>1,238,478</u>		
Deficiency of receipts and other financing sources over (under) disbursements	(4,596,020)	(5,683,997)	3,287,763		
Balance beginning of year	<u>16,034,521</u>	<u>16,034,521</u>	<u>16,034,521</u>		
Balance end of year	<u>\$ 11,438,501</u>	<u>\$ 10,350,524</u>	<u>\$ 19,322,284</u>		

Reconciliation between cash and modified accrual basis

	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 44,640,870	\$ 208,205	\$ 44,849,075
Expenditures	46,536,585	510,824	47,047,409
Net	(1,895,715)	(302,619)	(2,198,334)
Other financing sources (uses)	5,183,478	(6)	5,183,472
Beginning fund balances	16,034,521	236,452	16,270,973
Increase in reserve for			
Inventories	-	65,141	65,141
Prepays	-	25,185	25,185
Ending fund balances	<u>\$ 19,322,284</u>	<u>\$ 24,153</u>	<u>\$ 19,346,437</u>

JOHNSON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,389,690. The budget amendments are 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 City and County Assessor by the City and 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**

**JOHNSON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004**

	Special					
	County Sheriff Law Enforcement Proceeds	County Attorney Law Enforcement Proceeds	Resources Enhancement and Protection	Road Construction Escrow	Historical Preservation	County Recorder's Records Management
ASSETS						
Cash and pooled investments	\$ 27,283	\$ 4,610	\$ 50,586	\$ 2,681,538	\$ 1,735	\$ 28,476
Receivables						
Accounts	-	-	-	-	-	-
Due from other governments	11,633	-	-	-	-	-
Prepays	-	-	-	-	-	-
 Total assets	<u>\$ 38,916</u>	<u>\$ 4,610</u>	<u>\$ 50,586</u>	<u>\$ 2,681,538</u>	<u>\$ 1,735</u>	<u>\$ 28,476</u>
 LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 227	\$ -	\$ -	\$ -	\$ -	\$ 6,406
Advances to other funds	-	-	-	-	-	40,000
Due to other governments	-	-	-	-	-	-
Deferred revenue						
Other	11,633	-	-	-	-	-
 Total liabilities	<u>11,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,406</u>
Fund balances						
Reserved for						
Prepays	-	-	-	-	-	-
Unreserved, reported in						
Special revenue funds	27,056	4,610	50,586	2,681,538	1,735	(17,930)
Capital projects fund	-	-	-	-	-	-
 Total fund balances	<u>27,056</u>	<u>4,610</u>	<u>50,586</u>	<u>2,681,538</u>	<u>1,735</u>	<u>(17,930)</u>
 Total liabilities and fund balances	<u>\$ 38,916</u>	<u>\$ 4,610</u>	<u>\$ 50,586</u>	<u>\$ 2,681,538</u>	<u>\$ 1,735</u>	<u>\$ 28,476</u>

Revenue Funds

<u>Ambulance</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Courthouse Centenary Trust</u>	<u>Conservation Land Acquisition Trust</u>	<u>Leinfelder Trust</u>	<u>SIH Consortium Trust</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 823	\$ 22,704	\$ 7,544	\$ 180,882	\$ 90	\$ 3,873	\$ 3,777,344	\$ 6,787,488
200	-	-	-	-	-	-	200
-	-	-	-	-	-	-	11,633
-	-	-	-	-	-	57,568	57,568
<u>\$ 1,023</u>	<u>\$ 22,704</u>	<u>\$ 7,544</u>	<u>\$ 180,882</u>	<u>\$ 90</u>	<u>\$ 3,873</u>	<u>\$ 3,834,912</u>	<u>\$ 6,856,889</u>
\$ -	\$ -	\$ 46	\$ 12,500	\$ -	\$ -	\$ 189,182	\$ 208,361
-	-	-	-	-	-	-	40,000
-	-	-	-	-	-	3,540	3,540
-	-	-	-	-	2,673	-	14,306
-	-	46	12,500	-	2,673	192,722	266,207
-	-	-	-	-	-	57,568	57,568
1,023	22,704	7,498	168,382	90	1,200	-	2,948,492
-	-	-	-	-	-	3,584,622	3,584,622
<u>1,023</u>	<u>22,704</u>	<u>7,498</u>	<u>168,382</u>	<u>90</u>	<u>1,200</u>	<u>3,642,190</u>	<u>6,590,682</u>
<u>\$ 1,023</u>	<u>\$ 22,704</u>	<u>\$ 7,544</u>	<u>\$ 180,882</u>	<u>\$ 90</u>	<u>\$ 3,873</u>	<u>\$ 3,834,912</u>	<u>\$ 6,856,889</u>

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

	Special						
	County Sheriff Law Enforcement Proceeds	County Attorney Law Enforcement Proceeds	Resources Enhancement and Protection	Road Construction Escrow	Historical Preservation	County Recorder's Records Management	Ambulance
Revenues							
Intergovernmental	\$ 45,283	\$ 521	\$ 32,151	\$ -	\$ 500	\$ -	\$ -
Charges for service	-	-	-	-	-	43,422	-
Use of money and property	1,147	-	273	29,410	-	502	2
Miscellaneous	-	-	-	-	-	-	250
Total revenues	46,430	521	32,424	29,410	500	43,924	252
Expenditures							
Operating							
Public safety and legal services	110,097	1,200	-	-	-	-	-
Physical health and social services	-	-	-	-	-	-	-
Mental health	-	-	-	-	-	-	-
Governmental services to residents	-	-	-	-	-	60,968	-
Administration	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total expenditures	110,097	1,200	-	-	-	60,968	-
Excess (deficiency) of revenues over (under) expenditures	(63,667)	(679)	32,424	29,410	500	(17,044)	252
Other financing sources (uses)							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in (out)	-	-	-	2,618,433	-	-	-
Total other financing sources (uses)	-	-	-	2,618,433	-	-	-
Net change in fund balances	(63,667)	(679)	32,424	2,647,843	500	(17,044)	252
Fund balances beginning of year	90,723	5,289	18,162	33,695	1,235	(886)	771
Decrease in reserve for Prepays	-	-	-	-	-	-	-
Fund balances end of year	\$ 27,056	\$ 4,610	\$ 50,586	\$ 2,681,538	\$ 1,735	\$ (17,930)	\$ 1,023

Revenue Funds

County Recorder's Electronic Transaction Fee	Courthouse Centenary Trust	Conservation Land Acquisition Trust	Reservoir Roads Trust	Sterba Trust	Adult Day Trust	Leinfelder Trust	SIH Consortium Trust	Capital Projects	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 83,455
22,689	-	-	-	-	-	-	-	-	66,111
15	19	9,647	23,729	1,443	-	1,095	-	25,142	92,424
-	-	3,948	-	-	-	36,297	2,000	-	42,495
<u>22,704</u>	<u>19</u>	<u>13,595</u>	<u>23,729</u>	<u>1,443</u>	<u>-</u>	<u>37,392</u>	<u>2,000</u>	<u>30,142</u>	<u>284,485</u>
-	-	-	-	-	-	-	-	-	111,297
-	-	-	-	147,770	-	-	1,000	-	148,770
-	-	-	-	-	-	111,432	-	-	111,432
-	-	-	-	-	-	-	-	-	60,968
-	68	-	-	-	3	-	-	-	71
-	-	44,516	-	-	-	-	-	1,513,828	1,558,344
-	68	44,516	-	147,770	3	111,432	1,000	1,513,828	1,990,882
22,704	(49)	(30,921)	23,729	(146,327)	(3)	(74,040)	1,000	(1,483,686)	(1,706,397)
-	-	-	-	-	-	-	-	32	32
-	-	72,882	(2,758,433)	-	-	-	-	3,718,075	3,650,957
-	-	72,882	(2,758,433)	-	-	-	-	3,718,107	3,650,989
22,704	(49)	41,961	(2,734,704)	(146,327)	(3)	(74,040)	1,000	2,234,421	1,944,592
-	7,547	126,421	2,734,704	146,327	3	74,130	200	1,414,858	4,653,179
-	-	-	-	-	-	-	-	(7,089)	(7,089)
<u>\$ 22,704</u>	<u>\$ 7,498</u>	<u>\$ 168,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90</u>	<u>\$ 1,200</u>	<u>\$ 3,642,190</u>	<u>\$ 6,590,682</u>

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

Schedule 3

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
COUNTY AUDITOR				
Assets				
Cash and investments	\$ 2,015	\$ 89,360	\$ 89,365	\$ 2,010
Liabilities				
Accounts payable	\$ 2,015	\$ 1,866	\$ 2,015	\$ 1,866
Due to other governments	-	144	-	144
Total liabilities	<u>\$ 2,015</u>	<u>\$ 2,010</u>	<u>\$ 2,015</u>	<u>\$ 2,010</u>
COUNTY RECORDER				
Assets				
Cash and investments	\$ 146,969	\$ 1,296,989	\$ 1,271,010	\$ 172,948
Accounts receivable	6,019	6,686	6,019	6,686
Total assets	<u>\$ 152,988</u>	<u>\$ 1,303,675</u>	<u>\$ 1,277,029</u>	<u>\$ 179,634</u>
Liabilities				
Due to other governments	<u>\$ 152,988</u>	<u>\$ 1,303,675</u>	<u>\$ 1,277,029</u>	<u>\$ 179,634</u>
COUNTY SHERIFF				
Assets				
Cash and investments	\$ 74,044	\$ 2,277,049	\$ 1,917,476	\$ 433,617
Liabilities				
Due to other governments	\$ 5	\$ 321	\$ 316	\$ 10
Trusts payable	74,039	2,276,728	1,917,160	433,607
Total liabilities	<u>\$ 74,044</u>	<u>\$ 2,277,049</u>	<u>\$ 1,917,476</u>	<u>\$ 433,617</u>

(continued)

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

Schedule 3
(continued)

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
AGRICULTURAL EXTENSION EDUCATION				
Assets				
Cash and investments	\$ 1,902	\$ 242,355	\$ 242,485	\$ 1,772
Property tax receivable				
Delinquent	1,788	1,559	1,788	1,559
Succeeding year	<u>242,094</u>	<u>251,063</u>	<u>242,094</u>	<u>251,063</u>
Total assets	<u>\$ 245,784</u>	<u>\$ 494,977</u>	<u>\$ 486,367</u>	<u>\$ 254,394</u>
Liabilities				
Due to other governments	<u>\$ 245,784</u>	<u>\$ 494,977</u>	<u>\$ 486,367</u>	<u>\$ 254,394</u>
COUNTY ASSESSOR				
Assets				
Cash and investments	\$ 529,963	\$ 917,559	\$ 924,246	\$ 523,276
Property tax receivable				
Delinquent	9,830	6,942	9,830	6,942
Succeeding year	<u>695,002</u>	<u>633,991</u>	<u>695,002</u>	<u>633,991</u>
Total assets	<u>\$ 1,234,795</u>	<u>\$ 1,558,492</u>	<u>\$ 1,629,078</u>	<u>\$ 1,164,209</u>
Liabilities				
Accounts payable	\$ 30,313	\$ 1,019	\$ 30,313	\$ 1,019
Salaries and benefits payable	1,839	12,289	1,839	12,289
Due to other governments	1,194,841	1,528,492	1,589,124	1,134,209
Compensated absences	<u>7,802</u>	<u>16,692</u>	<u>7,802</u>	<u>16,692</u>
Total liabilities	<u>\$ 1,234,795</u>	<u>\$ 1,558,492</u>	<u>\$ 1,629,078</u>	<u>\$ 1,164,209</u>

(continued)

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

Schedule 3
(continued)

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
CITY ASSESSOR				
Assets				
Cash and investments	\$ 233,656	\$ 427,646	\$ 433,692	\$ 227,610
Property tax receivable				
Delinquent	1,372	1,356	1,372	1,356
Succeeding year	422,424	486,145	422,424	486,145
	<u>422,424</u>	<u>486,145</u>	<u>422,424</u>	<u>486,145</u>
Total assets	<u>\$ 657,452</u>	<u>\$ 915,147</u>	<u>\$ 857,488</u>	<u>\$ 715,111</u>
Liabilities				
Accounts payable	\$ 174	\$ 1,481	\$ 174	\$ 1,481
Salaries and benefits payable	7,022	9,768	7,022	9,768
Due to other governments	620,775	869,968	820,811	669,932
Compensated absences	29,481	33,930	29,481	33,930
	<u>29,481</u>	<u>33,930</u>	<u>29,481</u>	<u>33,930</u>
Total liabilities	<u>\$ 657,452</u>	<u>\$ 915,147</u>	<u>\$ 857,488</u>	<u>\$ 715,111</u>
EMERGENCY MANAGEMENT				
Assets				
Cash and investments	<u>\$ 141,868</u>	<u>\$ 244,741</u>	<u>\$ 217,220</u>	<u>\$ 169,389</u>
Liabilities				
Accounts payable	\$ 3,220	\$ 73,942	\$ 3,220	\$ 73,942
Salaries and benefits payable	232	760	232	760
Due to other governments	136,448	166,957	211,800	91,605
Compensated absences	1,968	3,082	1,968	3,082
	<u>1,968</u>	<u>3,082</u>	<u>1,968</u>	<u>3,082</u>
Total liabilities	<u>\$ 141,868</u>	<u>\$ 244,741</u>	<u>\$ 217,220</u>	<u>\$ 169,389</u>

(continued)

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

**Schedule 3
(continued)**

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
BRUCellosIS AND TUBERCULOSIS ERADICATION				
Assets				
Cash and investments	\$ 119	\$ 34,204	\$ 34,213	\$ 110
Property tax receivable				
Delinquent	112	97	112	97
Total assets	<u>\$ 231</u>	<u>\$ 34,301</u>	<u>\$ 34,325</u>	<u>\$ 207</u>
Liabilities				
Due to other governments	<u>\$ 231</u>	<u>\$ 34,301</u>	<u>\$ 34,325</u>	<u>\$ 207</u>
SCHOOLS				
Assets				
Cash and investments	\$ 382,797	\$ 50,580,108	\$ 50,589,499	\$ 373,406
Property tax receivable				
Delinquent	352,960	320,557	352,960	320,557
Succeeding year	81,499,604	85,170,221	81,499,604	85,170,221
Total assets	<u>\$ 82,235,361</u>	<u>\$ 136,070,886</u>	<u>\$ 132,442,063</u>	<u>\$ 85,864,184</u>
Liabilities				
Due to other governments	<u>\$ 82,235,361</u>	<u>\$ 136,070,886</u>	<u>\$ 132,442,063</u>	<u>\$ 85,864,184</u>
COMMUNITY COLLEGES				
Assets				
Cash and investments	\$ 19,807	\$ 2,803,346	\$ 2,804,346	\$ 18,807
Property tax receivable				
Delinquent	18,606	16,530	18,606	16,530
Succeeding year	15,413,195	2,621,939	15,413,195	2,621,939
Total assets	<u>\$ 15,451,608</u>	<u>\$ 5,441,815</u>	<u>\$ 18,236,147</u>	<u>\$ 2,657,276</u>
Liabilities				
Due to other governments	<u>\$ 15,451,608</u>	<u>\$ 5,441,815</u>	<u>\$ 18,236,147</u>	<u>\$ 2,657,276</u>

(continued)

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

Schedule 3
(continued)

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
CORPORATIONS				
Assets				
Cash and investments	\$ 377,258	\$ 54,371,804	\$ 54,349,236	\$ 399,826
Property tax receivable				
Delinquent	170,354	176,900	170,354	176,900
Succeeding year	<u>45,375,721</u>	<u>46,999,918</u>	<u>45,375,721</u>	<u>46,999,918</u>
Total assets	<u>\$ 45,923,333</u>	<u>\$ 101,548,622</u>	<u>\$ 99,895,311</u>	<u>\$ 47,576,644</u>
Liabilities				
Due to other governments	<u>\$ 45,923,333</u>	<u>\$ 101,548,622</u>	<u>\$ 99,895,311</u>	<u>\$ 47,576,644</u>
TOWNSHIPS				
Assets				
Cash and investments	\$ 5,479	\$ 569,261	\$ 570,404	\$ 4,336
Property tax receivable				
Delinquent	8,567	7,211	8,567	7,211
Succeeding year	<u>564,780</u>	<u>585,843</u>	<u>564,780</u>	<u>585,843</u>
Total assets	<u>\$ 578,826</u>	<u>\$ 1,162,315</u>	<u>\$ 1,143,751</u>	<u>\$ 597,390</u>
Liabilities				
Due to other governments	<u>\$ 578,826</u>	<u>\$ 1,162,315</u>	<u>\$ 1,143,751</u>	<u>\$ 597,390</u>
CITY SPECIAL ASSESSMENTS				
Assets				
Cash and investments	\$ 62,259	\$ 675,897	\$ 723,175	\$ 14,981
Receivables				
Interest and penalties on special assessments	-	49,352	-	49,352
Special assessments	<u>25,000</u>	<u>30,298</u>	<u>25,000</u>	<u>30,298</u>
Total assets	<u>\$ 87,259</u>	<u>\$ 755,547</u>	<u>\$ 748,175</u>	<u>\$ 94,631</u>
Liabilities				
Due to other governments	<u>\$ 87,259</u>	<u>\$ 755,547</u>	<u>\$ 748,175</u>	<u>\$ 94,631</u>

(continued)

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

Schedule 3
(continued)

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
STATE TAX CREDITS				
Assets				
Cash and investments	\$ (116)	\$ -	\$ -	\$ (116)
Accounts receivable	<u>116</u>	<u>-</u>	<u>-</u>	<u>116</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
E911 SURCHARGE				
Assets				
Cash and investments	\$ 228,569	\$ 261,842	\$ 300,567	\$ 189,844
Accounts receivable	<u>62,815</u>	<u>54,252</u>	<u>62,815</u>	<u>54,252</u>
Total assets	<u>\$ 291,384</u>	<u>\$ 316,094</u>	<u>\$ 363,382</u>	<u>\$ 244,096</u>
Liabilities				
Accounts payable	\$ 1,006	\$ 6,411	\$ 1,006	\$ 6,411
Due to other governments	<u>290,378</u>	<u>309,683</u>	<u>362,376</u>	<u>237,685</u>
Total liabilities	<u>\$ 291,384</u>	<u>\$ 316,094</u>	<u>\$ 363,382</u>	<u>\$ 244,096</u>
AUTO LICENSE AND USE TAX				
Assets				
Cash and investments	<u>\$ 1,744,087</u>	<u>\$ 26,739,165</u>	<u>\$ 26,496,642</u>	<u>\$ 1,986,610</u>
Liabilities				
Due to other governments	<u>\$ 1,744,087</u>	<u>\$ 26,739,165</u>	<u>\$ 26,496,642</u>	<u>\$ 1,986,610</u>

(continued)

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

Schedule 3
(continued)

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
SANITARY DISTRICTS				
Assets				
Cash and investments	\$ 2	\$ 2,447	\$ 2,449	\$ -
Liabilities				
Due to other governments	\$ 2	\$ 2,447	\$ 2,449	\$ -
REFUNDS				
Assets				
Cash and investments	\$ (40,080)	\$ 3,410,001	\$ 3,369,921	\$ -
Accounts receivable	40,080	-	40,080	-
Total assets	\$ -	\$ 3,410,001	\$ 3,410,001	\$ -
Liabilities				
Due to other governments	\$ -	\$ 3,410,001	\$ 3,410,001	\$ -
ABANDONED STORAGE				
Assets				
Cash and investments	\$ 500	\$ -	\$ -	\$ 500
Liabilities				
Due to other governments	\$ 500	\$ -	\$ -	\$ 500

(continued)

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

Schedule 3
(continued)

	Balance June 30 2003	Additions	Deletions	Balance June 30 2004
EMPOWERMENT BOARD				
Assets				
Cash and investments	\$ 506,940	\$ 562,805	\$ 670,082	\$ 399,663
Due from other governments	-	265	-	265
Total assets	<u>\$ 506,940</u>	<u>\$ 563,070</u>	<u>\$ 670,082</u>	<u>\$ 399,928</u>
Liabilities				
Accounts payable	\$ 69,574	\$ 59,940	\$ 69,574	\$ 59,940
Due to other governments	437,366	503,130	600,508	339,988
Total liabilities	<u>\$ 506,940</u>	<u>\$ 563,070</u>	<u>\$ 670,082</u>	<u>\$ 399,928</u>
TOTAL COMBINED FUNDS				
Assets				
Cash and investments				
County Treasurer	\$ 4,195,010	\$ 141,843,181	\$ 141,728,177	\$ 4,310,014
Other County officials	223,028	3,663,398	3,277,851	608,575
Receivables				
Property tax				
Delinquent	563,589	531,152	563,589	531,152
Succeeding year	144,212,820	136,749,120	144,212,820	136,749,120
Accounts	109,030	60,938	108,914	61,054
Interest and penalties on special assessments	-	49,352	-	49,352
Special assessments	25,000	30,298	25,000	30,298
Due from other governments	-	265	-	265
Total assets	<u>\$ 149,328,477</u>	<u>\$ 282,927,704</u>	<u>\$ 289,916,351</u>	<u>\$ 142,339,830</u>
Liabilities				
Accounts payable	\$ 106,302	\$ 144,659	\$ 106,302	\$ 144,659
Salaries and benefits payable	9,093	22,817	9,093	22,817
Due to other governments	149,099,792	280,342,446	287,757,195	141,685,043
Trusts payable	74,039	2,276,728	1,917,160	433,607
Compensated absences	39,251	53,704	39,251	53,704
Total liabilities	<u>\$ 149,328,477</u>	<u>\$ 282,840,354</u>	<u>\$ 289,829,001</u>	<u>\$ 142,339,830</u>

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

Schedule 4

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues				
Property and other County tax	\$ 24,596,847	\$ 24,006,429	\$ 21,780,617	\$ 20,352,337
Interest and penalty on property tax	311,322	284,957	329,416	323,276
Intergovernmental	15,628,260	15,027,205	14,986,922	15,243,774
Licenses and permits	424,448	439,361	377,714	187,782
Charges for service	3,138,414	3,030,099	2,551,094	2,148,399
Use of money and property	379,088	671,680	811,279	1,169,586
Miscellaneous	<u>370,696</u>	<u>389,089</u>	<u>275,627</u>	<u>239,787</u>
 Total revenues	 <u>\$ 44,849,075</u>	 <u>\$ 43,848,820</u>	 <u>\$ 41,112,669</u>	 <u>\$ 39,664,941</u>
 Expenditures				
Operating				
Public safety and legal services	\$ 11,111,743	\$ 10,197,204	\$ 9,814,074	\$ 8,916,342
Physical health and social services	6,368,969	5,938,444	6,970,493	7,279,725
Mental health	9,529,981	8,896,526	9,153,902	8,635,029
County environment and education	2,183,913	2,078,719	1,378,232	1,265,617
Roads and transportation	5,504,698	5,244,849	5,395,074	5,739,407
Governmental services to residents	1,602,117	1,600,354	1,398,147	1,345,899
Administration	4,705,144	4,847,683	4,086,067	3,752,890
Non-program	11,816	600	600	1,200
Debt service	3,617,328	9,198,554	160,000	167,500
Capital projects	<u>2,411,700</u>	<u>2,138,624</u>	<u>3,873,079</u>	<u>2,967,617</u>
 Total expenditures	 <u>\$ 47,047,409</u>	 <u>\$ 50,141,557</u>	 <u>\$ 42,229,668</u>	 <u>\$ 40,071,226</u>

**INFORMATION PROVIDED TO COMPLY WITH
GOVERNMENT AUDITING STANDARDS
AND
OMB CIRCULAR A-133**



CPAs & BUSINESS ADVISORS

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

To the Officials of Johnson County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Johnson County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise Johnson County's basic financial statements and have issued our report thereon dated January 6, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Johnson County in a separate letter dated January 6, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II 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 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. The prior year statutory comment has been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Johnson County and other parties to whom Johnson 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 Johnson 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.

A handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in dark ink and is positioned above the typed address and date.

Dubuque, Iowa
January 6, 2005



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Officials of Johnson County:

Compliance

We have audited the compliance of Johnson 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 program for the year ended June 30, 2004. The County's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the 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 the 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 the County's compliance with those requirements.

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

Internal Control Over Compliance

The management of Johnson 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 the 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Johnson County and other parties to whom Johnson 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.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
January 6, 2005

JOHNSON 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>
Direct			
Department of the Interior			
Payments in Lieu of Taxes	15.226		\$ <u>34,024</u>
Department of Justice			
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-1974	<u>40,273</u>
State Criminal Alien Assistance Program	16.606	2004APBX0670	<u>21,568</u>
State Criminal Alien Assistance Program	16.606	2003APBX0194	<u>16,155</u>
			<u>37,723</u>
Bulletproof Vest Partnership Program	16.607		<u>3,742</u>
Total Direct			<u>115,762</u>
Indirect			
Department of Agriculture			
Iowa Department of Public Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5883A051	78,479
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5884A051	<u>255,925</u>
			<u>334,404</u>
Iowa Department of Human Services			
Human Services Administrative Reimbursements State Administrative Matching Grants for Food Stamp Program	10.561		<u>31,770</u>
Department of Defense			
Iowa State Treasurer's Office			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>76,009</u>
Department of Justice			
Iowa Department of Public Defense			
State Domestic Preparedness Equipment Support Program	16.007		<u>10,000</u>
Iowa Department of Public Safety			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		<u>14,838</u>
Iowa Department of Human Rights			
Juvenile Accountability Incentive Block Grants	16.523	28-JD02-F03	86,964
Juvenile Accountability Incentive Block Grants	16.523	28-JD01-F502	<u>2,751</u>
			<u>89,715</u>

(continued)

JOHNSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
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 (continued)			
Department of Justice (continued)			
Iowa Department of Human Rights (continued)			
Juvenile Justice and Delinquency Prevention – Allocation to States	16.540	28-JD02-F03	\$ 8,105
Juvenile Justice and Delinquency Prevention – Allocation to States	16.540	28-JD01-F502	<u>2,223</u>
			<u>10,328</u>
Title V – Delinquency Prevention Program	16.548	28-JD01-F502	<u>1,939</u>
Public Safety Partnership and Community			
Policing Grants	16.710	04-COPS-28	<u>22,485</u>
Enforcing Underage Drinking Laws Program	16.727	28-JD01-F502	2,586
Enforcing Underage Drinking Laws Program	16.727	28-JD02-F03	<u>10,498</u>
			<u>13,084</u>
Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-CO52-(53)- -8J-52	<u>64,973</u>
East Central Iowa Council of Governments			
Formula Grants for Other Than Urbanized Areas	20.509	TF-2000-XXX	<u>934</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		<u>20,317</u>
Iowa Department of Public Defense			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>5,999</u>
Environmental Protection Agency			
Iowa Department of Natural Resources			
Performance Partnership Grants	66.605		<u>5,775</u>
Department of Health and Human Services			
Iowa Department of Public Health			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5883TB04	22,444
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5884TB04	<u>6,274</u>
			<u>28,718</u>
Immunization Grants	93.268	5883I416	43,450
Immunization Grants	93.268	5884I416	<u>19,313</u>
			<u>62,763</u>

(continued)

JOHNSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
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 (continued)			
Department of Health and Human Services (continued)			
Iowa Department of Public Health (continued)			
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5883NB14	\$ 10,248
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5884WW08	5,747
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5883BT207	13,977
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5883EHC6	2,215
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5204	69,413
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5883BT54	<u>7,533</u>
			<u>109,133</u>
Iowa Department of Human Services			
Child Support Enforcement	93.563		<u>314,415</u>
Human Services Administrative Reimbursements			
Temporary Assistance for Needy Families	93.558		<u>41,100</u>
Refugee and Entrant Assistance – State Administered Programs	93.566		<u>140</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>7,494</u>
Foster Care – Title IV-E	93.658		<u>19,128</u>
Adoption Assistance	93.659		<u>5,004</u>
Medical Assistance Program	93.778		<u>41,411</u>
Social Services Block Grant	93.667		<u>27,021</u>
Social Services Block Grant	93.667		<u>672,158</u>
			<u>699,179</u>
Hawkeye Area Community Action Program			
Head Start	93.600		<u>18,047</u>
Iowa Department of Public Health			
Center for Health Care Workforce Shortage/Personnel			
Stimulus Incentive Package	93.900	5883NW26	<u>2,755</u>
HIV Care Formula Grants	93.917	5884HC02	36,973
HIV Care Formula Grants	93.917	5883HC02	<u>105,324</u>
			<u>142,297</u>
HIV Prevention Activities – Health Department Based	93.940	5883AP11	101,215
HIV Prevention Activities – Health Department Based	93.940	5884AP11	<u>101,703</u>
			<u>202,918</u>

(continued)

JOHNSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
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 (continued)			
Department of Health and Human Services (continued)			
Iowa Department of Public Health (continued)			
Preventive Health and Health Services Block Grant	93.991	5884HP05	\$ 14,533
Preventive Health and Health Services Block Grant	93.991	5883RR04	<u>8,115</u>
			<u>22,648</u>
Maternal and Child Health Services Block Grant to the States	93.994	5884A051	75,387
Maternal and Child Health Services Block Grant to the States	93.994	5883A051	<u>6,801</u>
			<u>82,188</u>
Department of Homeland Security:			
United Way of America			
Emergency Food and Shelter National Board Program	97.024	22-2952-00	<u>2,000</u>
Iowa Department of Public Defense			
Hazard Mitigation Grant	97.039	0996-0180	3,683
Hazard Mitigation Grant	97.039	911-GIS-0022	4,500
Hazard Mitigation Grant	97.039	928-GIS-0022	<u>500</u>
			<u>8,683</u>
Emergency Management Performance Grants	97.042		<u>27,619</u>
State and Local All Hazards Emergency Operations Planning	97.051		<u>17,280</u>
Total Indirect			<u>2,557,490</u>
Total			<u>\$ 2,673,252</u>

JOHNSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Johnson County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 3,432
Payments to States in Lieu of Real Estate Taxes	12.112	57,007
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	16,028
Immunization Grants	93.268	50,406
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	5,562
HIV Care Formula Grants	93.917	69,253
HIV Prevention Activities – Health Department Based	93.940	30,840
Maternal and Child Health Services Block Grant to the States	93.994	71,996

**JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 93.667 – Social Services Block Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Johnson County qualified as a low-risk auditee.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- II-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted by function.
- II-C-04 Questionable Expenditures –No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- II-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-04 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
James Waldschmidt, Deputy Sheriff	Snow removal	\$ 1,375
Ronald K. Meyer, Deputy Sheriff	Instructor fees	\$ 76

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total transactions with each individual were less than \$1,500 during the fiscal year.

JOHNSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED JUNE 30, 2004

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 the coverage is adequate for current operations.

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

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

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

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

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

II-K-04 City Assessor Budget – In accordance with Chapter 24.7 of the Code of Iowa, the City Assessor’s budget is to be certified by the chairperson of the certifying board to the County Auditor no later than March 15th of each year. The City Assessor’s public hearing for the budget for fiscal year 2004 was not held until April 10, 2003, and not certified until April 21, 2003.

Recommendation – Procedures should be taken to ensure compliance with Chapter 24.7 of the Code of Iowa.

Response – A public hearing was held on February 18, 2003, but afterwards an incorrect date was discovered on the official publication for that hearing. Upon advice from the Iowa Department of Management, a second public hearing date was published, and the hearing was held despite the passing of the deadline.

Conclusion – Response accepted.