

LOUISA COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

LOUISA COUNTY

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LOUISA COUNTY

LOUISA COUNTY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Forrest Bartenhagen	Board of Supervisors	December 2006
Jim Howell	Board of Supervisors	December 2004
Ken Purdy	Board of Supervisors	December 2004
Sylvia Belzer	County Auditor	December 2004
Karen Elkin	County Treasurer	December 2006
T. Jean Brauns	County Recorder	December 2006
Curt Braby	County Sheriff	December 2004
David Mathews	County Attorney	December 2006
Gregory Johnson	County Assessor	*

* Appointed by County

INDEPENDENT AUDITOR'S REPORT

To the Officials of Louisa County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2004, on our consideration of Louisa 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 on pages 5 through 13 and 39 and 40 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Louisa County's basic financial statements. We previously audited, in accordance with the standards and provisions referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa
September 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 7%, or approximately \$614,000, from fiscal year 2003 to fiscal year 2004. Property tax increased approximately \$306,000, operating grants and contributions increased approximately \$206,000, and capital grants and contributions increased approximately \$183,000.
- Program expenses were 2%, or approximately \$168,000, more in fiscal year 2004 than in fiscal year 2003. Roads and transportation expense increased approximately \$693,000, county environment and education decreased approximately \$254,000, and administration decreased approximately \$322,000.
- The County's net assets increased 18%, or approximately \$1,793,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Louisa County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Louisa County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Louisa County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds, Special Revenue Funds, and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

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

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

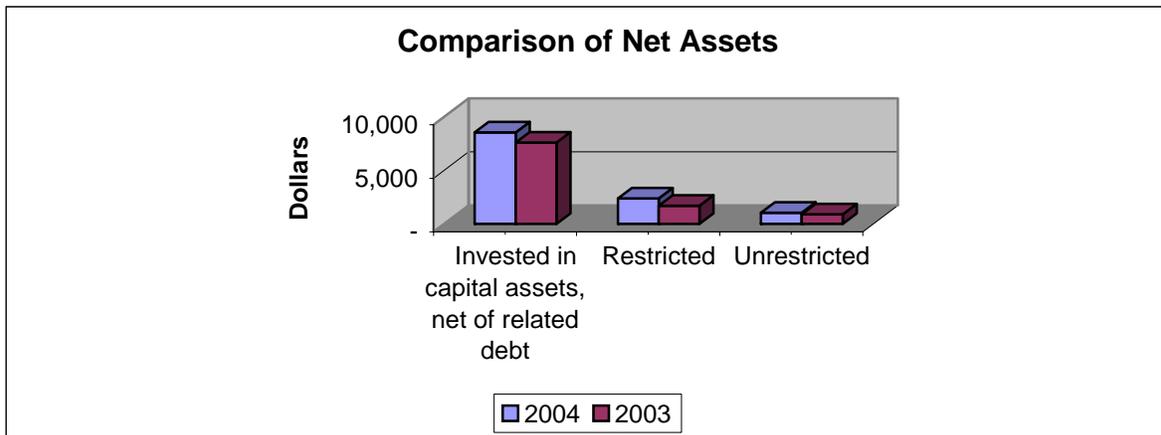
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Louisa County's combined net assets increased from \$10.2 million to \$12.0 million. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities

(Expressed in Thousands)

	June 30,	
	2004	2003
Current and other assets	\$ 8,510	\$ 7,783
Capital assets	<u>8,585</u>	<u>7,633</u>
Total assets	<u>17,095</u>	<u>15,416</u>
Long-term debt outstanding	393	407
Other liabilities	<u>4,740</u>	<u>4,839</u>
Total liabilities	<u>5,133</u>	<u>5,246</u>
Net assets:		
Invested in capital assets, net of related debt	8,552	7,600
Restricted	2,376	1,691
Unrestricted	<u>1,034</u>	<u>879</u>
Total net assets	<u>\$ 11,962</u>	<u>\$ 10,170</u>



Net assets of the County's governmental activities increased by 18% (\$12.0 million compared to \$10.2 million). The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land infrastructure, buildings, and equipment), less the related debt. Louisa County has a capital lease with a balance due of \$32,872. Other debt Louisa County has at June 30, 2004, is a bond issue done for the Louisa County Landfill Commission. They are paying off this bond and interest from their funds. Louisa County does not have a tax for debt service. Unrestricted net assets –the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from approximately \$879,000 at June 30, 2003 to approximately \$1,034,000 at the end of this year, an increase of 18 percent.

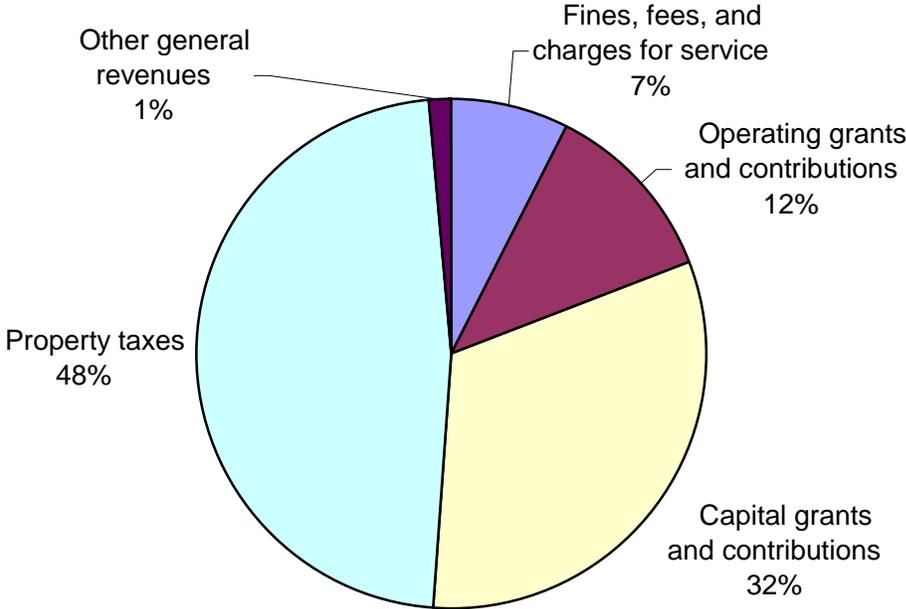
This increase of approximately \$155,000 in unrestricted net assets was a result of careful spending and administration of resources.

Changes in Net Assets of Governmental Activities

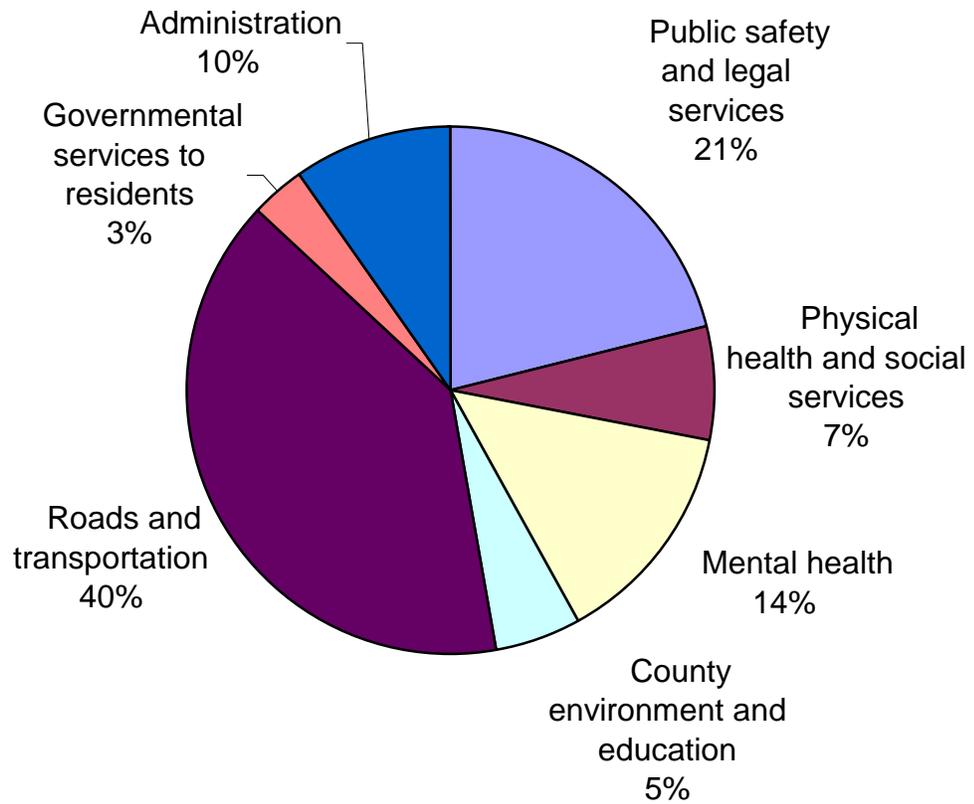
(Expressed in Thousands)

	Year Ended June 30,	
	2004	2003
Program revenues:		
Fines, fees, and charges for service	\$ 664	\$ 634
Operating grants and contributions	1,036	830
Capital grants and contributions	2,840	2,657
General revenues:		
Property taxes	4,221	3,915
Grants and contributions not restricted to specific purposes	19	6
Unrestricted investment earnings	38	55
Other general revenues	123	230
Total revenues	8,941	8,327
Program expenses:		
Public safety and legal services	1,511	1,321
Physical health and social services	497	544
Mental health	977	1,070
County environment and education	379	633
Roads and transportation	2,829	2,137
Governmental services to residents	238	235
Administration	698	1,019
Non-program	2	2
Interest on long-term debt	18	19
Total expenses	7,149	6,980
Increase in net assets	1,792	1,347
Net assets July 1, 2003	10,170	8,823
Net assets June 30, 2004	\$ 11,962	\$ 10,170

Revenue by Source



Expenditures by Program



Louisa County's net assets of governmental activities increased by approximately \$1,792,000 during the year. Revenues for governmental activities increased by approximately \$614,000 over the prior year, with property tax revenue up from the prior year by approximately \$306,000, or eight percent.

The County increased property tax rates for 2004 by an average 11.46 percent. This increase raised the County's property tax revenue by approximately \$363,229 in 2004.

The cost of all governmental activities this year was \$7.1 million compared to \$7.0 million last year. However, as shown in the Statement of Activities on page 15, the amount taxpayers ultimately financed for these activities was only \$2.5 million because some of the cost was paid by those directly benefited from the programs (\$664,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,875,881). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from approximately \$4,121,000 to \$4,539,000, principally due to a transfer of jurisdiction of roads from the State of Iowa with a value of approximately \$1.1 million and less revenue received from the state. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4,221,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$3.5 million, an increase of more than \$80,000 above last year's total of \$2.7 million. The increase in fund balance is primarily attributable to Secondary Roads Fund. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to prior year. The ending fund balance showed a decline of \$51,000 from the prior year to \$1,295,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$980,000, a decrease of 8% from the prior year. The Mental Health Fund balance at year ended increased by approximately \$253,000 over the prior year.
- Secondary Roads Fund expenditures decreased by approximately \$118,000 over the prior year, due principally to the County doing fewer projects. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of approximately \$528,000, or 63%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the General Fund budget. The amendment was made in February of 2004 and resulted in an increase in budgeted disbursements related to a contract services cleanup of underground storage tanks, which was a pass through of government money for the cleanup: \$67,250; Medical Examiner budget again went beyond what was budgeted for autopsies: \$7,500; The County Care Facility budget had not included purchasing a new stove and refrigerator: \$11,624 and \$8,000 was added to that budget because it was thought that a sun room or gazebo would be put in with funds from a donation to the County, however, that did not happen before year end; The Department of Health needed increased spending allowed for the Medicare program: \$18,000; The Attorney and Sheriff's budgets were reinstated with \$7,000 to cover what was borrowed from their appropriations earlier in the year for the Medical Examiner budget.

This information is available at the County Auditor's Office.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the County had approximately \$8.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$952,000, or twelve percent over last year.

Capital Assets of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2004	2003
Land	\$ 1,313	\$ 1,255
Construction in progress	19	1,906
Buildings and improvements	1,087	1,065
Machinery and equipment	1,377	1,509
Infrastructure	4,789	1,898
Total	\$ 8,585	\$ 7,633

This year's major additions included (in thousands):

Transfer of jurisdiction of roads from the State of Iowa	\$ 1,066
Two dump trucks	160
County road 170th street grading	98
Oakville maintenance building	60
136 acres of land	58
	\$ 1,442

The County had depreciation expense of \$595,201 for the year ended June 30, 2004, and total accumulated depreciation as of June 30, 2004, of \$4,019,183.

Long-Term Debt

At June 30, 2004, Louisa County had approximately \$516,000 in bond debt and other debt, as shown below. \$355,000 of that is bond debt which is reimbursed to the County from the Louisa County Solid Waste Agency.

Other obligations include compensated absences.

Outstanding Debt of Governmental Activities at Year-End

(Expressed in Thousands)

	June 30,	
	2004	2003
General obligation bonds	\$ 355	\$ 395
Capital lease purchase agreements	33	33
Compensated absences	128	130
Total	\$ 516	\$ 558

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$38 million limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Louisa County's elected and appointed officials considered many factors when setting the 2005 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. Louisa County has a very small population, 12,183, and the Board interprets the economic situation from the knowledge they have from news and local conditions. The Board considers what the Compensation Board recommends for salaries for elected officials. In fiscal year 2005 there was a 6 percent increase in salaries for everyone except the Sheriff, who received a 7 percent increase in salary. In determining the budget for 2004 it was necessary to increase tax rates due to the decrease in valuation of property. It was necessary to go above the \$3.50 General Basic limit to \$3.79. This was considered an allowable measure because of loss of valuation. The Rural Services Basic rate increased from \$3.18957 to \$3.26080. The transfer to Secondary Roads was reduced by \$35,847; the same fund balance for Rural Services Basic was maintained. A transfer from General Basic to Secondary Roads was not made. The Mental Health levy increased from \$1.19861 to \$1.27807. With the loss of valuation and the increase in rates, the tax revenue was increased by \$14,607.

The County has learned that the Sheriff's department and the Secondary Roads department has voted in a union, which will affect budgeting and resources.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Louisa County, 117 S. Main, Wapello, Iowa.

**BASIC
FINANCIAL STATEMENTS**

LOUISA COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 3,620,717
Receivables:	
Property tax:	
Delinquent	8,269
Succeeding year	4,232,396
Interest and penalty on property tax	7,297
Accounts	42,373
Accrued interest	4,809
Due from other governments	178,174
Prepaid expenses	60,704
Note receivable	355,000
Capital assets:	
Land and construction in progress, not being depreciated	1,331,957
Other capital assets net of accumulated depreciation	<u>7,253,374</u>
Total assets	<u>17,095,070</u>
LIABILITIES	
Accounts payable	266,141
Salaries and benefits payable	46,664
Accrued interest payable	1,345
Due to other governments	69,888
Deferred revenue	4,232,396
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	15,458
Bonds payable	40,000
Compensated absences	83,145
Portion due or payable after one year:	
Capital lease purchase agreement	17,414
Bonds payable	315,000
Compensated absences	<u>45,319</u>
Total liabilities	<u>5,132,770</u>
NET ASSETS	
Invested in capital assets, net of related debt	8,552,459
Restricted for:	
Supplemental levy purposes	252,427
Mental health purposes	531,207
Secondary roads purposes	1,360,933
Other purposes	231,043
Unrestricted	<u>1,034,231</u>
Total net assets	<u>\$ 11,962,300</u>

See notes to financial statements.

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

Exhibit B

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Public safety and legal services	\$ 1,510,798	\$ 114,781	\$ 53,623	\$ -	\$ (1,342,394)
Physical health and social services	496,748	260,201	105,488	-	(131,059)
Mental health	976,937	2,002	601,203	-	(373,732)
County environment and education	379,186	35,033	66,376	9,715	(268,062)
Roads and transportation	2,829,154	43,611	198,457	2,812,390	225,304
Governmental services to residents	238,074	183,218	10,689	-	(44,167)
Administration	697,124	24,802	-	-	(672,322)
Non-program	2,372	-	-	-	(2,372)
Interest on long-term debt	17,940	-	-	17,940	-
Total governmental activities	<u>\$ 7,148,333</u>	<u>\$ 663,648</u>	<u>\$ 1,035,836</u>	<u>\$ 2,840,045</u>	<u>(2,608,804)</u>
General Revenues:					
Property and other County tax levied for:					
General purposes					4,221,033
Grants and contributions not restricted to specific purposes					19,132
Unrestricted investment earnings					37,977
Miscellaneous					123,355
Total general revenues					<u>4,401,497</u>
Change in net assets					1,792,693
Net assets beginning of year					<u>10,169,607</u>
Net assets end of year					<u>\$ 11,962,300</u>

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

Exhibit C

	Special Revenue				Nonmajor	Total
	General	Rural Services	Secondary Roads	Mental Health	Governmental Funds	Governmental Funds
ASSETS						
Cash and pooled investments	\$ 1,250,404	\$ 100,182	\$ 1,346,628	\$ 626,262	\$ 242,650	\$ 3,566,126
Receivables:						
Property tax:						
Delinquent	5,156	1,788	-	1,325	-	8,269
Succeeding year	2,417,793	1,213,414	-	601,189	-	4,232,396
Interest and penalty on property tax	7,297	-	-	-	-	7,297
Accounts	35,211	-	-	7,117	45	42,373
Accrued interest	3,463	-	-	-	-	3,463
Note receivable	-	-	-	-	355,000	355,000
Due from other governments	20,487	-	156,465	1,222	-	178,174
Prepaid expenses	53,664	-	2,901	4,139	-	60,704
	<u>\$ 3,793,475</u>	<u>\$ 1,315,384</u>	<u>\$ 1,505,994</u>	<u>\$ 1,241,254</u>	<u>\$ 597,695</u>	<u>\$ 8,453,802</u>
Total assets						
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 41,795	\$ 265	\$ 121,420	\$ 44,002	\$ 11,015	\$ 218,497
Salaries and benefits payable	22,186	-	23,286	1,192	-	46,664
Due to other governments	5,229	-	355	63,665	639	69,888
Deferred revenue:						
Succeeding year property tax	2,417,793	1,213,414	-	601,189	-	4,232,396
Other	11,805	1,612	-	1,256	355,000	369,673
Total liabilities	<u>2,498,808</u>	<u>1,215,291</u>	<u>145,061</u>	<u>711,304</u>	<u>366,654</u>	<u>4,937,118</u>
Fund balances:						
Reserved for:						
Supplemental levy purposes	430,969	-	-	-	-	430,969
Unreserved, reported in:						
General fund:						
Designated for capital improvements	552,128	-	-	-	-	552,128
Designated for Care Facility capital improvements	45,854	-	-	-	-	45,854
Designated for grants	299	-	-	-	-	299
Undesignated	265,417	-	-	-	-	265,417
Special revenue funds	-	100,093	1,360,933	529,950	231,041	2,222,017
Total fund balances	<u>1,294,667</u>	<u>100,093</u>	<u>1,360,933</u>	<u>529,950</u>	<u>231,041</u>	<u>3,516,684</u>
	<u>\$ 3,793,475</u>	<u>\$ 1,315,384</u>	<u>\$ 1,505,994</u>	<u>\$ 1,241,254</u>	<u>\$ 597,695</u>	<u>\$ 8,453,802</u>
Total liabilities and fund balances						

See notes to financial statements.

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

Exhibit D

Total governmental fund balances \$ 3,516,684

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. Those assets consist of:

Land	\$ 1,313,124	
Construction in progress	18,833	
Infrastructure, net of \$207,847 accumulated depreciation	4,789,368	
Buildings and improvements, net of \$927,096 accumulated depreciation	1,086,683	
Machinery and equipment, net of \$2,884,240 accumulated depreciation	<u>1,377,323</u>	
Total capital assets		8,585,331

The Internal Service Fund is used by management 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. Internal Service Fund net assets are:

6,946

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property taxes	14,675	
Note receivable	<u>355,000</u>	369,675

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the Statement of Net Assets. Balances at June 30, 2004 are:

Accrued interest on bonds	(1,345)	
Bonds payable	(355,000)	
Capital lease	(32,872)	
Compensated absences	<u>(128,464)</u>	
Total long-term liabilities		(517,681)

Interest on note receivable related to the long-term debt is not accrued in governmental funds, but rather recognized as income when due.

1,345

Net assets of governmental activities \$ 11,962,300

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

Exhibit E

	Special Revenue				Nonmajor	Total
	General	Rural Services	Secondary Roads	Mental Health	Governmental Funds	Governmental Funds
Revenues:						
Property and other County tax	\$ 2,212,060	\$ 1,190,007	\$ -	\$ 568,451	\$ 4,026	\$ 3,974,544
Interest and penalty on property tax	53,614	-	-	-	-	53,614
Intergovernmental	414,777	58,254	1,947,732	663,057	18,365	3,102,185
Licenses and permits	8,451	-	285	-	4,800	13,536
Charges for service	501,830	-	-	-	41,309	543,139
Use of money and property	94,526	-	-	-	330	94,856
Miscellaneous	11,934	-	49,747	1,944	63,202	126,827
Total revenues	3,297,192	1,248,261	1,997,764	1,233,452	132,032	7,908,701
Expenditures:						
Operating:						
Public safety and legal services	1,382,313	-	-	-	13,387	1,395,700
Physical health and social services	495,042	-	-	-	5,474	500,516
Mental health	-	-	-	980,403	-	980,403
County environment and education	352,666	60,182	-	-	-	412,848
Roads and transportation	-	35,000	2,380,685	-	-	2,415,685
Governmental services to residents	232,309	-	-	-	10,094	242,403
Administration	750,025	-	-	-	-	750,025
Debt service	-	-	-	-	57,940	57,940
Capital projects	-	-	327,617	-	14,297	341,914
Total expenditures	3,212,355	95,182	2,708,302	980,403	101,192	7,097,434
Excess (deficiency) of revenues over (under) expenditures	84,837	1,153,079	(710,538)	253,049	30,840	811,267
Other financing sources (uses):						
Sale of capital assets	719	-	-	-	-	719
Transfers in (out)	(136,716)	(1,153,608)	1,238,248	-	52,076	-
Total other financing sources (uses)	(135,997)	(1,153,608)	1,238,248	-	52,076	719
Net change in fund balances	(51,160)	(529)	527,710	253,049	82,916	811,986
Fund balances beginning of year	1,345,827	100,622	833,223	276,901	148,125	2,704,698
Fund balances end of year	\$ 1,294,667	\$ 100,093	\$ 1,360,933	\$ 529,950	\$ 231,041	\$ 3,516,684

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

Exhibit F

Net change in fund balances - Total governmental funds \$ 811,986

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	\$ 1,547,817	
Depreciation expense	<u>(595,201)</u>	952,616

Bond proceeds and capital leases are reported as financing sources in 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.

Repayments		40,000
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Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:

Property tax		5,035
Note receivable		<u>(40,000)</u>

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

Compensated absences		1,816
Interest on debt		<u>(1,345)</u>

Accrued interest receivable related to accrued interest on long-term debt reported in the Statement of Activities is not due and payable		1,345
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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>21,240</u>
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Change in net assets of governmental activities		<u><u>\$ 1,792,693</u></u>
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**LOUISA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004**

Exhibit G

	<u>Internal Service - Employee Group Health</u>
ASSETS	
Current assets:	
Cash and pooled investments:	
County Treasurer	\$ 54,591
LIABILITIES	
Current liabilities:	
Accounts payable	<u>47,645</u>
NET ASSETS	
Unrestricted	<u>\$ 6,946</u>

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

Exhibit H

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Reimbursements from operating funds	\$ 472,644
Operating expenses:	
Non-program:	
Medical claims	324,039
Insurance premiums	113,785
Administrative fees	<u>11,121</u>
Total operating expenses	<u>448,945</u>
Operating income	23,699
Non-operating revenues:	
Interest on investments	<u>531</u>
Income before transfers	24,230
Transfers out	<u>2,990</u>
Change in net assets	21,240
Net assets (deficit) beginning of year	<u>(14,294)</u>
Net assets end of year	<u>\$ 6,946</u>

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

Exhibit I

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 472,865
Cash paid for administrative fees	(11,121)
Cash paid for medical claims and insurance premiums	<u>(450,083)</u>
Net cash provided by operating activities	11,661
Cash flows from noncapital financing activities:	
Transfer to other funds	<u>(2,990)</u>
Cash flows from investing activities:	
Interest on investments	<u>531</u>
Net increase in cash	9,202
Cash at beginning of year	<u>45,389</u>
Cash at end of year	<u>\$ 54,591</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 23,699
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	221
Decrease in accounts payable	<u>(12,259)</u>
Net cash provided by operating activities	<u>\$ 11,661</u>

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

Exhibit J

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 868,069
Other County officials	3,920
Drainage districts	225,127
Receivables:	
Property tax:	
Delinquent	23,927
Succeeding year	9,902,707
Accounts	14,406
Drainage assessments	120
Special assessments	983
Due from other governments	2,545
Prepaid expenses	<u>40,008</u>
 Total assets	 <u>11,081,812</u>

LIABILITIES

Accounts payable	24,642
Salaries and benefits payable	1,883
Due to other governments	11,040,116
Trusts payable	171
Drainage warrants payable	<u>15,000</u>
 Total liabilities	 <u>11,081,812</u>

NET ASSETS \$ -

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Blended Component Units

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Jointly Governed Organizations

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

Basis of Presentation

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

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

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

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

Unrestricted net assets – consist of net assets 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 nonmajor governmental funds.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The County reports the following major governmental funds:

General Fund – 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 Funds – The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas. The Secondary Roads Fund is used to account for secondary road construction and maintenance. The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

Additionally, the County reports the following fund types:

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, other governmental units, and/or other funds.

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the 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.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

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

Assets, Liabilities, and Fund Equity

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

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

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

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.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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

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

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

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. Louisa County has elected not to report major general infrastructure assets retroactively. 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.

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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	40 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	2 – 20
Vehicles	3 – 10

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

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

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, the succeeding year property tax receivable, as well as delinquent 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 and unspent grant proceeds.

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

Budgets and Budgetary Accounting

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

NOTE 2 – CASH AND POOLED INVESTMENTS

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

The County is authorized by 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's only investments were in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,749,163 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

NOTE 3– INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Special revenue:		
Secondary Roads	General	\$ 84,640
	Special Revenue:	
	Rural Services	1,153,608
Nonmajor Governmental Funds	General	<u>52,076</u>
Total		<u>\$ 1,290,324</u>

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 4 – CAPITAL ASSETS

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,255,124	\$ 58,000	\$ -	\$ 1,313,124
Construction in progress	<u>1,905,732</u>	<u>104,689</u>	<u>1,991,588</u>	<u>18,833</u>
Total capital assets, not being depreciated	<u>3,160,856</u>	<u>162,689</u>	<u>1,991,588</u>	<u>1,331,957</u>
Capital assets, being depreciated:				
Buildings and improvements	1,954,191	59,588	-	2,013,779
Machinery and equipment	4,018,925	259,498	16,860	4,261,563
Infrastructure	<u>1,939,586</u>	<u>3,057,629</u>	<u>-</u>	<u>4,997,215</u>
Total capital assets, being depreciated	<u>7,912,702</u>	<u>3,376,715</u>	<u>16,860</u>	<u>11,272,557</u>
Less accumulated depreciation for:				
Buildings and improvements	889,104	37,992	-	927,096
Machinery and equipment	2,510,013	391,087	16,860	2,884,240
Infrastructure	<u>41,725</u>	<u>166,122</u>	<u>-</u>	<u>207,847</u>
Total accumulated depreciation	<u>3,440,842</u>	<u>595,201</u>	<u>16,860</u>	<u>4,019,183</u>
Total capital assets, being depreciated, net	<u>4,471,860</u>	<u>2,781,514</u>	<u>-</u>	<u>7,253,374</u>
Governmental activities capital assets, net	<u>\$ 7,632,716</u>	<u>\$ 2,944,203</u>	<u>\$ 1,991,588</u>	<u>\$ 8,585,331</u>

Depreciation expense was charged to the following functions of the County as follows:

Governmental activities:	
Public safety and legal services	\$ 109,661
Physical health and social services	2,139
Mental health	1,600
County environment and education	17,172
Roads and transportation	423,996
Administration	38,261
Non-program	<u>2,372</u>
Total depreciation expense – governmental activities	<u>\$ 595,201</u>

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 – DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. 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	\$ 5,229
Special Revenue:		
Mental Health	Services	63,665
Secondary Roads		355
Well Testing		600
Confidential Investigation		39
Total for governmental funds		<u>69,888</u>
Agency:		
County Recorder	Collections	3,970
Agricultural Extension Education		109,956
County Assessor		412,981
Schools		7,967,468
Community Colleges		368,488
Corporations		1,010,189
Townships		192,889
Auto License and Use Tax		164,295
Brucellosis and Tuberculosis Eradication		1,917
Fire Districts		107,450
E911 Surcharge		206,355
Joint Disaster Services		8,061
City Special Assessments		14,745
Drainage Districts		467,875
Flexible Benefits		3,477
Total for agency funds		<u>11,040,116</u>
Total		<u>\$ 11,110,004</u>

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

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

	Capital Lease Purchase Agreement	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 32,872	\$ 395,000	\$ 130,280	\$ 558,152
Decreases	<u>-</u>	<u>40,000</u>	<u>1,816</u>	<u>41,816</u>
Balance end of year	<u>\$ 32,872</u>	<u>\$ 355,000</u>	<u>\$ 128,464</u>	<u>\$ 516,336</u>
Due within one year	<u>\$ 15,458</u>	<u>\$ 40,000</u>	<u>\$ 83,145</u>	<u>\$ 138,603</u>

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a dispatch system with a historical cost of \$166,456, accumulated depreciation of \$116,519, and a net book value of \$49,937. The following is a schedule of the future minimum lease payments, including interest of 7.229% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2004:

<u>Year Ending June 30,</u>	<u>Dispatch System</u>
2005	\$ 15,458
2006	<u>21,706</u>
Total minimum lease payments	37,164
Less amount representing interest	<u>(4,292)</u>
Present value of net minimum lease payments	<u>\$ 32,872</u>

Payments under the capital lease purchase agreement for the year ended June 30, 2004, totaled \$0.

Bonds Payable

A summary of the County's June 30, 2004, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.00%	\$ 40,000	\$ 16,140	\$ 56,140
2006	4.15	40,000	14,540	54,540
2007	4.30	40,000	12,880	52,880

(continued on next page)

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.45%	\$ 45,000	\$ 11,160	\$ 56,160
2009	4.60	45,000	9,158	54,158
2010-2012	4.75-5.00	<u>145,000</u>	<u>14,537</u>	<u>159,537</u>
Total		<u>\$ 355,000</u>	<u>\$ 78,415</u>	<u>\$ 433,415</u>

Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the drainage districts special revenue fund solely from special assessments against benefited properties.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$144,535, \$145,798, and \$139,200, respectively, equal to the required contributions for each year.

NOTE 8 – 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.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004, were \$124,101.

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

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

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$1,000,000 and \$20,000 except for Treasurer which is \$50,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – EMPLOYEE HEALTH INSURANCE PLAN

The Louisa County 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 County contributions and is administered through a service agreement with Seabury & Smith Co. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Louisa County 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 Seabury & Smith Co. from the Louisa County Employee Group Health Fund. The County records the plan assets and related liabilities of the Louisa County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004, was \$472,644.

Amounts payable from the Employee Group Health Fund at June 30, 2004, total \$47,645, 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 \$6,946 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 Number 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. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Unpaid claims, June 30, 2002	\$ 34,794
Incurred claims (including IBNRs)	424,469
Claim payments	<u>(399,359)</u>
Unpaid claims, June 30, 2003	59,904
Incurred claims (including IBNRs)	305,374
Claim payments	<u>(317,633)</u>
Unpaid claims, June 30, 2004	<u>\$ 47,645</u>

NOTE 10 – CONSTRUCTION COMMITMENTS

The County has entered into a contract totaling \$150,209 for a box culvert project. As of June 30, 2004, costs of \$9,369 on the project have been incurred. The balance remaining on the project at June 30, 2004, (\$140,840) will be paid as work on the project progresses.

The County has also entered into contracts totaling \$983,706 for two paving projects. As of June 30, 2004, no costs on the project have been incurred. The \$983,706 balance remaining on the project at June 30, 2004, will be paid as work on the projects progresses.

NOTE 11 – CONDUIT DEBT

In January 2003, the County participated in the issuance of a note payable as part of the Community Economic Betterment Act (CEBA) Program of the state of Iowa. The note was issued to a business in the County. The repayment of the loan is made directly from the business back to the State. The note is payable solely from the business participating in the CEBA program. The outstanding balance on the note at June 30, 2004, is \$33,750.

NOTE 12 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by Louisa County. The statements, which might impact Louisa 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.

LOUISA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

LOUISA COUNTY

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

	Governmental Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance - Positive (Negative)
				Original	Final	
Receipts:						
Property and other County tax	\$ 3,974,289	\$ 4,026	\$ 3,970,263	\$ 4,007,174	\$ 4,007,174	\$ (36,911)
Interest and penalty on property tax	53,457	-	53,457	40,350	40,350	13,107
Intergovernmental	3,078,448	-	3,078,448	3,011,508	3,051,368	27,080
Licenses and permits	13,535	-	13,535	5,525	5,525	8,010
Charges for service	570,534	-	570,534	360,210	378,210	192,324
Use of money and property	89,992	-	89,992	60,339	60,339	29,653
Miscellaneous	126,512	-	126,512	17,960	40,900	85,612
Total receipts	<u>7,906,767</u>	<u>4,026</u>	<u>7,902,741</u>	<u>7,503,066</u>	<u>7,583,866</u>	<u>318,875</u>
Disbursements:						
Public safety and legal services	1,419,751	-	1,419,751	1,563,733	1,578,233	158,482
Physical health and social services	514,329	-	514,329	640,003	658,003	143,674
Mental health	995,470	-	995,470	1,304,636	1,304,636	309,166
County environment and education	413,510	-	413,510	436,539	503,789	90,279
Roads and transportation	2,404,721	-	2,404,721	2,405,700	2,405,700	979
Governmental services to residents	228,550	-	228,550	280,406	280,406	51,856
Administration	753,276	-	753,276	801,765	821,389	68,113
Debt service	57,940	-	57,940	57,940	57,940	-
Capital projects	377,588	-	377,588	792,992	792,992	415,404
Total disbursements	<u>7,165,135</u>	<u>-</u>	<u>7,165,135</u>	<u>8,283,714</u>	<u>8,403,088</u>	<u>1,237,953</u>
Excess (deficiency) of receipts over (under) disbursements	741,632	4,026	737,606	(780,648)	(819,222)	1,556,828
Other financing sources, net	<u>718</u>	<u>-</u>	<u>718</u>	<u>1,000</u>	<u>1,000</u>	<u>(282)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	742,350	4,026	738,324	(779,648)	(818,222)	1,556,546
Balance beginning of year	<u>2,804,698</u>	<u>16,221</u>	<u>2,788,477</u>	<u>2,788,477</u>	<u>2,788,477</u>	<u>-</u>
Balance end of year	<u>\$ 3,547,048</u>	<u>\$ 20,247</u>	<u>\$ 3,526,801</u>	<u>\$ 2,008,829</u>	<u>\$ 1,970,255</u>	<u>\$ 1,556,546</u>
Reconciliation between cash and modified accrual basis:						
	Governmental Funds					
	Cash Basis	Accrual Adjustments	Modified Accrual Basis			
Revenues	\$ 7,906,767	\$ 1,934	\$ 7,908,701			
Expenditures	<u>7,165,135</u>	<u>(67,701)</u>	<u>7,097,434</u>			
Net	741,632	69,635	811,267			
Other financing sources, net	718	1	719			
Beginning fund balances	<u>2,804,698</u>	<u>(100,000)</u>	<u>2,704,698</u>			
Ending fund balances	<u>\$ 3,547,048</u>	<u>\$ (30,364)</u>	<u>\$ 3,516,684</u>			

LOUISA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Agency Funds, and Internal Service Fund, 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 Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$119,374. This budget amendment is reflected in the final budgeted amounts.

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

OTHER SUPPLEMENTARY INFORMATION

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

Schedule 1

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental</u>
ASSETS			
Cash and pooled investments	\$ 242,650	\$ -	\$ 242,650
Accounts receivable	45	-	45
Note receivable	-	355,000	355,000
Total assets	<u>\$ 242,695</u>	<u>\$ 355,000</u>	<u>\$ 597,695</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,015	\$ -	\$ 11,015
Due to other governments	639	-	639
Deferred revenue:			
Other	-	355,000	355,000
Total liabilities	<u>11,654</u>	<u>355,000</u>	<u>366,654</u>
Fund balances:			
Unreserved - undesignated	<u>231,041</u>	<u>-</u>	<u>231,041</u>
 Total liabilities and fund balances	 <u>\$ 242,695</u>	 <u>\$ 355,000</u>	 <u>\$ 597,695</u>

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

Schedule 2

	Special Revenue	Debt Service	Total Nonmajor Governmental
Revenues:			
Property and other County tax	\$ 4,026	\$ -	\$ 4,026
Intergovernmental	18,365	-	18,365
Licenses and permits	4,800	-	4,800
Charges for service	41,309	-	41,309
Use of money and property	330	-	330
Miscellaneous	<u>5,262</u>	<u>57,940</u>	<u>63,202</u>
Total revenues	<u>74,092</u>	<u>57,940</u>	<u>132,032</u>
Expenditures:			
Operating:			
Public safety and legal services	13,387	-	13,387
Physical health and social services	5,474	-	5,474
Governmental services to residents	10,094	-	10,094
Debt service	-	57,940	57,940
Capital projects	<u>14,297</u>	<u>-</u>	<u>14,297</u>
Total expenditures	<u>43,252</u>	<u>57,940</u>	<u>101,192</u>
Excess of revenues over expenditures	30,840	-	30,840
Other financing sources:			
Transfers in	<u>52,076</u>	<u>-</u>	<u>52,076</u>
Net change in fund balances	82,916	-	82,916
Fund balances beginning of year	<u>148,125</u>	<u>-</u>	<u>148,125</u>
Fund balances end of year	<u>\$ 231,041</u>	<u>\$ -</u>	<u>\$ 231,041</u>

**LOUISA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2004**

	<u>County Recorder's Records Management</u>	<u>Resource Enhancement and Protection</u>	<u>Drainage Districts</u>
ASSETS			
Cash and pooled investments	\$ 24,232	\$ 16,015	\$ 20,247
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 24,232</u>	<u>\$ 16,015</u>	<u>\$ 20,247</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,094	\$ -	\$ -
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	10,094	-	-
Fund balances:			
Unreserved - undesignated	<u>14,138</u>	<u>16,015</u>	<u>20,247</u>
Total liabilities and fund balances	<u>\$ 24,232</u>	<u>\$ 16,015</u>	<u>\$ 20,247</u>

<u>Confidential Investigation</u>	<u>Sheriff Patrol</u>	<u>Conservation Land Acquisition Trust</u>	<u>Well Abandonment Trust</u>	<u>Well Testing Trust</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Total</u>
\$ 42,989	\$ 5,780	\$ 90,438	\$ 5,956	\$ 14,242	\$ 22,751	\$ 242,650
45	-	-	-	-	-	45
<u>\$ 43,034</u>	<u>\$ 5,780</u>	<u>\$ 90,438</u>	<u>\$ 5,956</u>	<u>\$ 14,242</u>	<u>\$ 22,751</u>	<u>\$ 242,695</u>
\$ 1	\$ 789	\$ 131	\$ -	\$ -	\$ -	\$ 11,015
39	-	-	-	600	-	639
40	789	131	-	600	-	11,654
<u>42,994</u>	<u>4,991</u>	<u>90,307</u>	<u>5,956</u>	<u>13,642</u>	<u>22,751</u>	<u>231,041</u>
<u>\$ 43,034</u>	<u>\$ 5,780</u>	<u>\$ 90,438</u>	<u>\$ 5,956</u>	<u>\$ 14,242</u>	<u>\$ 22,751</u>	<u>\$ 242,695</u>

LOUISA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

	County Recorder's Records Management	Resource Enhancement and Protection	Drainage Districts
Revenues:			
Property and other County tax	\$ -	\$ -	\$ 4,026
Intergovernmental	-	9,715	-
Licenses and permits	-	-	-
Charges for service	2,733	-	-
Use of money and property	256	53	-
Miscellaneous	-	-	-
Total revenues	<u>2,989</u>	<u>9,768</u>	<u>4,026</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	-	-
Governmental services to residents	10,094	-	-
Capital projects	-	-	-
Total expenditures	<u>10,094</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(7,105)	9,768	4,026
Other financing sources:			
Transfers in:			
General	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(7,105)	9,768	4,026
Fund balances beginning of year	<u>21,243</u>	<u>6,247</u>	<u>16,221</u>
Fund balances end of year	<u>\$ 14,138</u>	<u>\$ 16,015</u>	<u>\$ 20,247</u>

Confidential Investigation	Sheriff Patrol	Conservation Land Acquisition Trust	Well Abandonment Trust	Well Testing Trust	County Recorder's Electronic Transaction Fee	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,026
4,294	-	-	2,925	1,431	-	18,365
-	-	-	-	4,800	-	4,800
10,695	5,151	-	-	-	22,730	41,309
-	-	-	-	-	21	330
5,262	-	-	-	-	-	5,262
<u>20,251</u>	<u>5,151</u>	<u>-</u>	<u>2,925</u>	<u>6,231</u>	<u>22,751</u>	<u>74,092</u>
9,487	3,900	-	-	-	-	13,387
-	-	-	4,137	1,337	-	5,474
-	-	-	-	-	-	10,094
-	-	14,297	-	-	-	14,297
<u>9,487</u>	<u>3,900</u>	<u>14,297</u>	<u>4,137</u>	<u>1,337</u>	<u>-</u>	<u>43,252</u>
10,764	1,251	(14,297)	(1,212)	4,894	22,751	30,840
-	-	52,076	-	-	-	52,076
10,764	1,251	37,779	(1,212)	4,894	22,751	82,916
<u>32,230</u>	<u>3,740</u>	<u>52,528</u>	<u>7,168</u>	<u>8,748</u>	<u>-</u>	<u>148,125</u>
<u>\$ 42,994</u>	<u>\$ 4,991</u>	<u>\$ 90,307</u>	<u>\$ 5,956</u>	<u>\$ 13,642</u>	<u>\$ 22,751</u>	<u>\$ 231,041</u>

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

Schedule 5

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
COUNTY AUDITOR				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ -	\$ 1,080	\$ 1,080	\$ -
LIABILITIES:				
Due to other funds	\$ -	\$ 1,080	\$ 1,080	\$ -
COUNTY RECORDER				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ 3,732	\$ 145,019	\$ 144,831	\$ 3,920
Accounts receivable	6	50	6	50
Total assets	\$ 3,738	\$ 145,069	\$ 144,837	\$ 3,970
LIABILITIES:				
Due to other funds	\$ -	\$ 67,907	\$ 67,907	\$ -
Due to other governments	3,738	77,156	76,924	3,970
Total liabilities	\$ 3,738	\$ 145,063	\$ 144,831	\$ 3,970
COUNTY SHERIFF				
ASSETS:				
Cash and pooled investments:				
Other County officials	\$ -	\$ 146,569	\$ 146,569	\$ -
LIABILITIES:				
Due to other funds	\$ -	\$ 34,638	\$ 34,638	\$ -
Due to other governments	-	303	303	-
Trusts payable	-	111,628	111,628	-
Total liabilities	\$ -	\$ 146,569	\$ 146,569	\$ -

(continued)

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

Schedule 5
(continued)

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
AGRICULTURAL EXTENSION EDUCATION FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 1,643	\$ 112,820	\$ 112,756	\$ 1,707
Property tax receivable:				
Delinquent	178	249	178	249
Succeeding year	113,000	108,000	113,000	108,000
Total assets	<u>\$ 114,821</u>	<u>\$ 221,069</u>	<u>\$ 225,934</u>	<u>\$ 109,956</u>
LIABILITIES:				
Due to other governments	<u>\$ 114,821</u>	<u>\$ 221,069</u>	<u>\$ 225,934</u>	<u>\$ 109,956</u>
COUNTY ASSESSOR FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 85,727	\$ 331,329	\$ 323,011	\$ 94,045
Property tax receivable:				
Delinquent	333	723	333	723
Succeeding year	328,329	319,883	328,329	319,883
Prepaid expenses	4,751	8	4,751	8
Total assets	<u>\$ 419,140</u>	<u>\$ 651,943</u>	<u>\$ 656,424</u>	<u>\$ 414,659</u>
LIABILITIES:				
Accounts payable	\$ 1,164	\$ -	\$ 1,164	\$ -
Salaries and benefits payable	561	1,678	561	1,678
Due to other governments	417,415	650,265	654,699	412,981
Total liabilities	<u>\$ 419,140</u>	<u>\$ 651,943</u>	<u>\$ 656,424</u>	<u>\$ 414,659</u>
SCHOOLS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 115,553	\$ 7,801,332	\$ 7,800,343	\$ 116,542
Property tax receivable:				
Delinquent	12,777	16,965	12,777	16,965
Succeeding year	7,818,177	7,833,961	7,818,177	7,833,961
Total assets	<u>\$ 7,946,507</u>	<u>\$ 15,652,258</u>	<u>\$ 15,631,297</u>	<u>\$ 7,967,468</u>
LIABILITIES:				
Due to other governments	<u>\$ 7,946,507</u>	<u>\$ 15,652,258</u>	<u>\$ 15,631,297</u>	<u>\$ 7,967,468</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
COMMUNITY COLLEGES FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 6,181	\$ 394,175	\$ 394,037	\$ 6,319
Property tax receivable:				
Delinquent	601	813	601	813
Succeeding year	<u>395,072</u>	<u>361,356</u>	<u>395,072</u>	<u>361,356</u>
Total assets	<u>\$ 401,854</u>	<u>\$ 756,344</u>	<u>\$ 789,710</u>	<u>\$ 368,488</u>
LIABILITIES:				
Due to other governments	<u>\$ 401,854</u>	<u>\$ 756,344</u>	<u>\$ 789,710</u>	<u>\$ 368,488</u>
CORPORATIONS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 25,707	\$ 1,077,960	\$ 1,080,271	\$ 23,396
Property tax receivable:				
Delinquent	2,815	4,585	2,815	4,585
Succeeding year	<u>1,082,042</u>	<u>982,208</u>	<u>1,082,042</u>	<u>982,208</u>
Total assets	<u>\$ 1,110,564</u>	<u>\$ 2,064,753</u>	<u>\$ 2,165,128</u>	<u>\$ 1,010,189</u>
LIABILITIES:				
Due to other governments	<u>\$ 1,110,564</u>	<u>\$ 2,064,753</u>	<u>\$ 2,165,128</u>	<u>\$ 1,010,189</u>
TOWNSHIPS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 2,676	\$ 183,945	\$ 183,731	\$ 2,890
Property tax receivable:				
Delinquent	264	398	264	398
Succeeding year	<u>187,045</u>	<u>189,601</u>	<u>187,045</u>	<u>189,601</u>
Total assets	<u>\$ 189,985</u>	<u>\$ 373,944</u>	<u>\$ 371,040</u>	<u>\$ 192,889</u>
LIABILITIES:				
Due to other governments	<u>\$ 189,985</u>	<u>\$ 373,944</u>	<u>\$ 371,040</u>	<u>\$ 192,889</u>
AUTO LICENSE AND USE TAX FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 182,924	\$ 2,407,951	\$ 2,426,580	\$ 164,295
LIABILITIES:				
Due to other governments	<u>\$ 182,924</u>	<u>\$ 2,407,951</u>	<u>\$ 2,426,580</u>	<u>\$ 164,295</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 29	\$ 2,004	\$ 2,002	\$ 31
Property tax receivable:				
Delinquent	3	4	3	4
Succeeding year	2,006	1,882	2,006	1,882
Total assets	<u>\$ 2,038</u>	<u>\$ 3,890</u>	<u>\$ 4,011</u>	<u>\$ 1,917</u>
LIABILITIES:				
Due to other governments	<u>\$ 2,038</u>	<u>\$ 3,890</u>	<u>\$ 4,011</u>	<u>\$ 1,917</u>
FIRE DISTRICTS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 1,587	\$ 112,573	\$ 112,716	\$ 1,444
Property tax receivable:				
Delinquent	160	190	160	190
Succeeding year	110,785	105,816	110,785	105,816
Total assets	<u>\$ 112,532</u>	<u>\$ 218,579</u>	<u>\$ 223,661</u>	<u>\$ 107,450</u>
LIABILITIES:				
Due to other governments	<u>\$ 112,532</u>	<u>\$ 218,579</u>	<u>\$ 223,661</u>	<u>\$ 107,450</u>
E911 SURCHARGE FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 203,905	\$ 70,483	\$ 111,960	\$ 162,428
Accounts receivable	10,976	14,356	10,976	14,356
Prepaid expenses	-	40,000	-	40,000
Total assets	<u>\$ 214,881</u>	<u>\$ 124,839</u>	<u>\$ 122,936</u>	<u>\$ 216,784</u>
LIABILITIES:				
Accounts payable	\$ 1,638	\$ 10,429	\$ 1,638	\$ 10,429
Due to other governments	213,243	114,410	121,298	206,355
Total liabilities	<u>\$ 214,881</u>	<u>\$ 124,839</u>	<u>\$ 122,936</u>	<u>\$ 216,784</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
JOINT DISASTER SERVICES FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 7,977	\$ 31,111	\$ 33,367	\$ 5,721
Due from other governments	-	2,545	-	2,545
Total assets	<u>\$ 7,977</u>	<u>\$ 33,656</u>	<u>\$ 33,367</u>	<u>\$ 8,266</u>
LIABILITIES:				
Accounts payable	\$ 385	\$ -	\$ 385	\$ -
Salaries and benefits payable	69	205	69	205
Due to other governments	7,523	33,451	32,913	8,061
Total liabilities	<u>\$ 7,977</u>	<u>\$ 33,656</u>	<u>\$ 33,367</u>	<u>\$ 8,266</u>
CITY SPECIAL ASSESSMENTS FUND				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 9,476	\$ 25,130	\$ 20,844	\$ 13,762
Special assessments receivable	2,531	983	2,531	983
Total assets	<u>\$ 12,007</u>	<u>\$ 26,113</u>	<u>\$ 23,375</u>	<u>\$ 14,745</u>
LIABILITIES:				
Due to other governments	<u>\$ 12,007</u>	<u>\$ 26,113</u>	<u>\$ 23,375</u>	<u>\$ 14,745</u>
UNCLAIMED FEES AND BANKRUPTCY				
ASSETS:				
Cash and pooled investments:				
County Treasurer	<u>\$ 133</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 171</u>
LIABILITIES:				
Trusts payable	<u>\$ 133</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 171</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
DRAINAGE DISTRICTS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 246,013	\$ 390,873	\$ 365,045	\$ 271,841
Drainage districts	225,127	-	-	225,127
Drainage assessments receivable	213	120	213	120
Total assets	<u>\$ 471,353</u>	<u>\$ 390,993</u>	<u>\$ 365,258</u>	<u>\$ 497,088</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 14,213	\$ -	\$ 14,213
Due to other governments	441,353	376,780	350,258	467,875
Drainage warrants payable	30,000	-	15,000	15,000
Total liabilities	<u>\$ 471,353</u>	<u>\$ 390,993</u>	<u>\$ 365,258</u>	<u>\$ 497,088</u>
EMPOWERMENT BOARD				
ASSETS:				
Cash and pooled investments:				
County Treasurer	<u>\$ 160,877</u>	<u>\$ 608</u>	<u>\$ 161,485</u>	<u>\$ -</u>
LIABILITIES:				
Accounts payable	\$ 85,785	\$ -	\$ 85,785	\$ -
Due to other governments	75,092	608	75,700	-
Total liabilities	<u>\$ 160,877</u>	<u>\$ 608</u>	<u>\$ 161,485</u>	<u>\$ -</u>
FLEXIBLE BENEFITS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	<u>\$ -</u>	<u>\$ 9,763</u>	<u>\$ 6,286</u>	<u>\$ 3,477</u>
LIABILITIES:				
Due to other governments	<u>\$ -</u>	<u>\$ 9,763</u>	<u>\$ 6,286</u>	<u>\$ 3,477</u>
COUNTY RECORDER'S ELECTRONIC FEE				
ASSETS:				
Cash and pooled investments:				
County Treasurer	<u>\$ -</u>	<u>\$ 12,554</u>	<u>\$ 12,554</u>	<u>\$ -</u>
LIABILITIES:				
Due to other governments	<u>\$ -</u>	<u>\$ 12,554</u>	<u>\$ 12,554</u>	<u>\$ -</u>

(continued)

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

Schedule 5
(continued)

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
TOTAL COMBINED FUNDS				
ASSETS:				
Cash and pooled investments:				
County Treasurer	\$ 1,050,408	\$ 12,964,649	\$ 13,146,988	\$ 868,069
Other County officials	3,732	292,668	292,480	3,920
Drainage districts	225,127	-	-	225,127
Receivables:				
Property tax:				
Delinquent	17,131	23,927	17,131	23,927
Succeeding year	10,036,456	9,902,707	10,036,456	9,902,707
Accounts	10,982	14,406	10,982	14,406
Drainage assessments	213	120	213	120
Special assessments	2,531	983	2,531	983
Due from other governments	-	2,545	-	2,545
Prepaid expenses	4,751	40,008	4,751	40,008
	<u>4,751</u>	<u>40,008</u>	<u>4,751</u>	<u>40,008</u>
 Total assets	 <u>\$ 11,351,331</u>	 <u>\$ 23,242,013</u>	 <u>\$ 23,511,532</u>	 <u>\$ 11,081,812</u>
LIABILITIES:				
Accounts payable	\$ 88,972	\$ 24,642	\$ 88,972	\$ 24,642
Salaries and benefits payable	630	1,883	630	1,883
Due to other funds	-	103,625	103,625	-
Due to other governments	11,231,596	23,000,191	23,191,671	11,040,116
Trusts payable	133	111,666	111,628	171
Drainage warrants payable	30,000	-	15,000	15,000
	<u>30,000</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
 Total liabilities	 <u>\$ 11,351,331</u>	 <u>\$ 23,242,007</u>	 <u>\$ 23,511,526</u>	 <u>\$ 11,081,812</u>

LOUISA COUNTY

Schedule 6

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Property and other County tax	\$ 3,974,544	\$ 3,565,777	\$ 3,234,444	\$ 3,230,963
Interest and penalty on property tax	53,614	44,767	46,314	41,085
Intergovernmental	3,102,185	2,936,091	2,833,171	2,849,382
Licenses and permits	13,536	6,306	6,835	7,712
Charges for service	543,139	531,469	514,165	410,342
Use of money and property	94,856	74,963	130,236	280,959
Miscellaneous	<u>126,827</u>	<u>176,335</u>	<u>117,765</u>	<u>119,887</u>
Total revenues	<u>\$ 7,908,701</u>	<u>\$ 7,335,708</u>	<u>\$ 6,882,930</u>	<u>\$ 6,940,330</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,395,700	\$ 1,299,527	\$ 1,333,264	\$ 1,410,677
Physical health and social services	500,516	557,905	560,544	499,397
Mental health	980,403	1,066,924	1,090,925	1,101,153
County environment and education	412,848	590,961	430,828	416,935
Roads and transportation	2,415,685	1,954,414	2,206,303	2,512,470
Governmental services to residents	242,403	232,307	219,644	214,311
Administration	750,025	893,410	801,807	808,767
Non-program	-	95	452,175	95
Debt service	57,940	54,165	53,241	-
Capital projects	<u>341,914</u>	<u>933,419</u>	<u>1,279,187</u>	<u>899,682</u>
Total expenditures	<u>\$ 7,097,434</u>	<u>\$ 7,583,127</u>	<u>\$ 8,427,918</u>	<u>\$ 7,863,487</u>

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



**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 Louisa County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Louisa County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise Louisa County's basic financial statements and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of Louisa County in a separate letter dated September 15, 2004. Prior year reportable conditions items I-A-04 through I-D-04 have not been resolved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisa 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.

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. All prior year statutory comments have been resolved except comment II-J-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Louisa County and other parties to whom Louisa 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 Louisa 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 black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
September 15, 2004

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

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS

I-A-04 Sheriff's Office – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Over the past years, the Sheriff's Office has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the Sheriff's Office is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions, and reconciliation functions from receipt and disbursement functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, we recommend that the Sheriff's Office should continue to review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – As said, with the limited number of office employees, segregation of duties is difficult. The Sheriff does play an active role in the office procedures. The Sheriff will continue to play an active role by overlooking incoming and outgoing monies and will continue to review operating procedures.

Conclusion – Response accepted.

I-B-04 County Recorder – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that there is no clear segregation of duties. All three employees perform all record-keeping and reconciling functions, and they are authorized to sign checks.

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

Response – All employees in the Recorder's Office are trained for the various jobs performed in the office. Also each one is checked by another employee on the jobs which they do. We will continue to segregate as much as possible.

Conclusion – Response accepted.

I-C-04 Treasurer's Office – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Over the past years, the Treasurer's Office has implemented various procedures to enhance their internal controls.

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

However, due to time and staffing constraints, the Treasurer's Office is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions, and reconciliation functions from receipt and disbursement functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, we do recommend that County officials should continue to review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – As mentioned in last year's response, we have a new policy so that checks are signed by someone other than the individual who makes them out. We will continue to segregate as much as possible.

Conclusion – Response accepted.

I-D-04 Auditor's Office – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. In some circumstances, procedures of the Auditor's Office allow the same person to perform various functions related to payroll. Over the past years, the Auditor's Office has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the Auditor's Office is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions, and reconciliation functions from receipt and disbursement functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the County Auditor should continue to review the operating procedures of the office as additional functions are added to obtain the maximum internal control possible under the circumstances.

Response – We will continue to monitor segregation of duties.

Conclusion – Response accepted.

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 or appropriated.

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.

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

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>
Sherry Parkhurst, general relief office employee, spouse is owner of Parkhurst Construction	Fan installation	\$ 300
Randy Orr, secondary roads employee, owner of Orr Tractor and Equipment Painting and Orr Sandblasting and Painting	Painting and sandblasting	\$ 700

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total transactions were less than \$1,500 during the fiscal year.

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. However, the minutes did not indicate the vote of all members present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure that the vote of all members present is documented in the minutes to comply with Chapter 21.3 of the Code of Iowa.

Response – At the beginning of fiscal year 2005, we began putting in a disclaimer at the beginning of all minutes which states that unless otherwise indicated, the vote was unanimous.

Conclusion – Response accepted.

II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 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).

LOUISA COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

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.

A resolution naming official depositories has been adopted by the Agricultural Extension Office's Board. The Agricultural Extension Office's maximum authorized amount of \$100,000 was exceeded in October 2003 by approximately \$4,000.

Recommendation – The Agricultural Extension Office's Board should adopt a new resolution in amounts sufficient to cover anticipated balances at all approved depositories.

Response – On January 5, 2004, the Louisa County Extension Council approved to increase the Extension operation fund in the State Bank of Wapello from \$100,000 to \$150,000.

Conclusion – Response accepted.