

Lyon County
Summary Schedule of Prior Federal Audit Findings
Year ended June 30, 2004

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
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N/A – There were no prior Federal audit findings to report on.

Lyon County
Corrective Action Plan for Federal Audit Findings
Year ended June 30, 2004

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
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N/A – There were no Federal audit findings noted for the major program for fiscal year ended June 30, 2004.

NEWS RELEASE

FOR RELEASE: January 31, 2005

CONTACTS: Wayne Grooters, County Auditor
LeAnn Krull, Deputy County Auditor
(712) 472-3713

Siebrecht Spittler & De Noble PC today released an audit report on Lyon County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$12,572,452 for the year ended June 30, 2004, which included \$744,267 in tax credits from the state. The County forwarded \$8,757,984 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,814,468 of the local tax revenue to finance County operations, a seventeen percent increase from the prior year. Other revenues included charges for service of \$1,071,725, operating grants, contributions and restricted interest of \$4,146,956, unrestricted investment earnings of \$70,773 and other general revenues of \$488,983.

Expenses for County operations totaled \$8,450,020. Expenses included \$2,826,361 for Roads and Transportation, \$1,821,219 for Public Safety and Legal Services and \$838,881 for Mental Health.

Revenues increased significantly due to an increase in the General Basic property tax levy, this is the first year there was a General Supplemental property tax levy, road use tax revenues were higher and the County acted as a flowthrough for a Community Development Block Grant. Significant changes in expenses included an expense for the Community Development Block Grant flowthrough money and a reduction in the amount of road and transportation related expenses.

A copy of the audit report is available for review in the Office of the Auditor of State and the County Auditor's office.

LYON COUNTY

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

June 30, 2004

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LYON COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Landman	Board of Supervisors	December 31, 2004
Marlin Hilbrands	Board of Supervisors	December 31, 2004
Craig Block	Board of Supervisors	December 31, 2006
Jasper Ter Wee	Board of Supervisors	December 31, 2006
Randy Bosch	Board of Supervisors	December 31, 2006
Wayne Grooters	County Auditor	December 31, 2004
Richard Heidloff	County Treasurer	December 31, 2006
Eldon Kruse	County Recorder	December 31, 2006
Blythe Bloemendaal	County Sheriff	December 31, 2004
Carl Petersen	County Attorney	December 31, 2006
Fred Christians	County Assessor	December 31, 2009
Lisa Rockhill	County Central Point Coordinator	Indefinite
Craig Van Otterloo	County Conservation Director	Indefinite
Jeff Williams	County Engineer	Indefinite

Independent Auditor's Report

To the Officials of Lyon County:

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

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

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

As described in Note 17 to the financial statements, during the year ended June 30, 2004, Lyon County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 39, Determining Whether Certain Organizations Are Component Units; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 22, 2004 on our consideration of Lyon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 49 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

Siebrecht Spitler & De Noble PC
Certified Public Accountants

October 22, 2004

Management's Discussion & Analysis

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

Lyon County is implementing new GASB 34 reporting standards for this fiscal year. There are significant changes in content and structure and much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 Financial Highlights

- The County's governmental funds revenues for fiscal year 2004 were \$9,590,811 compared to \$7,917,615 in fiscal year 2003, an increase of 21% or \$1,673,196. Property taxes and other county tax for fiscal year 2004 were \$3,953,748 compared to \$3,302,716 in fiscal year 2003, an increase of \$651,032.
- The County's governmental funds expenditures for fiscal 2004 were \$8,546,869 compared to \$8,962,801 in fiscal year 2003, a decrease of 5% or \$415,932.
- The County's net assets for fiscal year 2004 were \$15,107,559 compared to \$11,925,735 in fiscal year 2003, an increase of 27% or \$3,181,824.

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 Lyon 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 Lyon 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 Lyon County acts solely as an agent or custodian for the benefit of those outside of the government.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- The notes to Financial Statements are followed by a section of Required Supplementary Information that further explains and supports the financial statements with a comparison of the County's budget for the year.

- Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Fiduciary Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

Reporting the County's Financial Activities as a Whole

Government-Wide Financial Statements (Statement of Net Assets and the Statement of Activities)

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increase 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 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 presented 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, non-program activities and small capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental Funds account for most of the County's basic services. These focus on how money flows into and out of these funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the 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 one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for 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. 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 and cannot be used to support the County's own programs. These Fiduciary Funds include Agency Funds that account for E911 Funds, Emergency Management Services Fund, County Assessor's Funds, and all the tax funds necessary to collect and distribute property taxes to schools, cities and all other taxing authorities, to give a sampling.

The required financial statements for Fiduciary Funds include a Statement of Fiduciary Assets and Liabilities.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on net assets and to a limited extent on the changes in the net assets for governmental activities.

Lyon County Net Assets June 30, 2004

Current and Other Assets	\$ 8,701,628	
Capital Assets	13,105,004	
Total Assets	21,806,632	
Long-term Debt Outstanding	2,772,007	
Other Liabilities	3,927,066	
Total Liabilities	6,699,073	
Net Assets:		
Invested in Capital Assets, Net of Related Debt	10,575,428	
Restricted	3,098,410	
Unrestricted	1,433,721	
Total Net Assets	\$ 15,107,559	

Net assets of Lyon County's governmental activities increased from FY03 by approximately \$3,181,824. The beginning balance on the statement of activities was restated due to the implementation of GASB 34 to include capital assets and the changes in assets and liabilities resulting from the conversion to the accrual basis of accounting. The largest portion of Lyon County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements.

Changes in Net Assets of Governmental Activities

	Year Ended June 30, 2004
Revenues:	
Program Revenues:	
Charges for Service	\$ 1,071,725
Operating Grants, Contributions and Restricted Interest	4,146,956
Capital Grants, Contributions and Restricted Interest	2,038,939
General Revenues:	
Property Tax Levied for:	
General Purposes	3,361,065
Debt Service	238,850
Tax Increment Financing Revenues	261
Penalty and Interest on Property Tax	15,780
State Tax Credits	214,292
Local Option Sales Tax	345,675
Grants and Contributions Not Restricted to Specific Purposes	69,871
Unrestricted Investment Earnings	70,773
Rents	41,774
Other General Revenues	15,883
Total Revenues	<u>11,631,844</u>
Program Expenses:	
Public Safety and Legal Services	1,821,219
Physical Health and Social Services	609,294
Mental Health	838,881
County Environment and Education	497,797
Roads and Transportation	2,826,361
Governmental Services to Residents	296,813
Administration	737,736
Non-program	627,685
Interest on Long-term Debt	108,133
Capital Projects	86,101
Total Expenses	<u>8,450,020</u>
Increase in Net Assets	3,181,824
Net Assets Beginning of Year	<u>11,925,735</u>
Net Assets End of Year	<u><u>\$15,107,559</u></u>

Governmental Activities

Lyon County increased countywide property tax rates for fiscal 2004 by approximately 28%. Lyon County decreased rural service property tax rates for fiscal 2004 by approximately 2%. Taxable value and total dollars levied are as follows:

	Taxes Levied FY 2004 Audit Fiscal Year	Taxes Levied FY 2003 Prior Fiscal Year
Countywide Taxable Valuation	\$ 509,884,416	\$ 501,029,153
Countywide Levy Rate Without Debt Service	4.93947	3.61925
Dollars Levied Without Debt	\$ 2,518,559	\$ 1,813,350
Countywide Taxable Valuation for Debt Service	\$ 516,207,605	\$ 505,341,538
Countywide Debt Service Levy	0.48245	0.62321
Dollars Levied for Debt Service	\$ 249,044	\$ 314,934
Total Countywide Levy Rate	5.42192	4.24246
Total Dollars Levied Countywide	\$ 2,767,603	\$ 2,128,284
Rural Taxable Valuation	383,193,457	376,294,755
Rural Service Tax Levy	2.56382	2.61097
Dollars Levied for Rural Area Only	\$ 982,439	\$ 982,494
Total Dollars Levied	\$ 3,750,042	\$ 3,110,778

*Note taxable valuation is value without Gas & Electric Utilities

- An increase in taxable property values is usually an indicator that the economy is strong. Lyon County's FY 2004 taxable valuation was \$509,884,416 compared to FY 2003 taxable valuation of \$501,029,153, this amounts to an increase of \$8,855,263. A new building for one business was approximately 2 million; hog confinements and other new construction also increased the valuation.
- Revenues for governmental activities were \$11,631,844 while expenses amounted to \$8,450,020, due mainly to an increase in tax asking and departments not allowed to spend 2% of their budget. This resulted in an increase in net assets. In a difficult budgeting year, Lyon County did a thorough job trimming expenses to match available revenue.
- The portion of the costs financed by users (charges for services) was \$1,071,725.
- The federal and state government and private contributors subsidized certain functions/ programs with operating grants and contributions totaling \$4,146,956.
- Farm to Market funding paid for resurfacing projects and those costs are capitalized and depreciated in the capital asset listing. These funds did not flow through the county's individual funds. Capital grants for road and transportation projects amounted to \$1,947,171.

COUNTY'S INDIVIDUAL MAJOR FUND ANALYSIS

Lyon County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

As Lyon County completed FY 04, its Governmental Funds reported a combined fund balance of \$4,140,123. This is in comparison to last fiscal year when the fund balance was \$3,095,406. This is a \$1,044,717 increase over last year or 34%. The following are the major reasons for the changes in fund balances of the major Governmental Funds from the prior year.

GENERAL FUND

The General Fund showed an increase in fund balance of \$417,268. The beginning balance for FY04 was approximately \$170,000 higher than anticipated. All departments were asked to generate more income in their budget with charges for service. The Treasurer, Attorney, Sheriff, Health Service, Conservation and Recorder collected approximately \$209,000 more in fees than budgeted. This was partially offset by a decrease in revenue for interest income and the State of Iowa not paying the 405A.4 allocation funds. The Board of Supervisors allocated only 98% of department budgets in FY 03/04. Departments were also asked to hold down their budget lines on wages and equipment purchases. A flowthrough CDBG Block Grant for Rural Water increased receipts and expenditures by \$671,834. This revenue was Federal funding, so a Federal Single Audit was also required for Lyon County.

MENTAL HEALTH FUND

The Mental Health Fund showed an increase in fund balance of \$30,798. Lyon County has several individuals placed at state run facilities, for which the billing has been typically 6 months and sometimes more than that behind in their billing process. Thus, the decrease in accrued expenses can be easily justified by the fact that the state has become more current in their billing, what was typically a 6 month lag a year ago is now only a 3 month lag and so we are accruing only approximately \$25,000 of expenses for these billing compared to almost \$40,000 which were accrued in prior fiscal years. The change in revenues can be explained by the fact that the amount of revenues the County receives from the state is based upon what our accrued fund balance is and by what the fund balances are from the other counties in the State. At the State level, a set amount is budgeted to be passed along to the counties in primarily two funding areas, the MH/DD Community Services Fund, and the MH-DD Allowed Growth Factor. What each county receives is based on the accrued ending fund balance. The problem is that we didn't know until January of the audited year what we were "supposed to have received". We only budgeted what we thought was a reasonable expectation based on prior years. We received approximately \$26,000 more in revenues from these two funding areas than what we had thought we would. We also received more in client co-payments or settlements, approximately \$9,000 more than anticipated, due to a death of the parent of one of the consumers currently served and a settlement agreed on between the family and County.

RURAL SERVICES FUND

The Rural Services Fund showed an increase in fund balance of \$9,037. The sheriff's patrol, weed commissioner, County library funding, zoning and soil & water is budgeted in this fund. Additional revenue collected was from the City of Rock Rapids for law enforcement administration and from local option sales tax. One hundred percent of the local option sales tax revenue is deposited in the Rural Service Fund to reduce property taxes. Expenses were trimmed in fiscal year 2004 for patrol salaries and soil & water allocation.

SECONDARY ROAD FUND

The Secondary Road Fund showed a beginning balance of \$1,909,179 and an ending balance of \$2,469,276; a difference of \$560,097 or 29%. Revenues increased due to changes in the allocation to counties for road use tax and there was an amount received for Road Use Tax SF 451 transfer road jurisdiction. There was a decrease in expenditures. The budgeted disbursements for construction were less by approximately \$121,000. One project was not under contract and moved to the 04-05 budget year. Another project was not completed until July '04. Real estate & buildings were less by approximately \$80,000; looked at putting up a salt sand shed – wasn't sure how bids would come in. Also, had to finish up on Morton buildings – didn't need as much for that. Tools, material and supplies were up approximately \$22,000; purchased more gravel for stockpiling. Equipment Operations was less by approximately \$45,000; easy winter required less fuel, equipment breakdowns and less shop time for employees. New equipment was less by approximately \$70,000; 2% rollback on total budget.

DEBT SERVICE FUND

There were no significant changes in revenues, expenditures and the fund balance of the Debt Service Fund. The Debt Service Fund pays for the interest and principal due on the law enforcement center obligation bonds of \$2,800,000. Income for FY '04 was \$254,597 and expenditures were \$253,585. This breaks down to tax collection and credits of \$254,058 and interest income of \$539. Expenditures were \$145,000 for principal payment, \$108,285 for interest payment and \$300 for bond administration fees.

OTHER SPECIAL REVENUE FUNDS

The other Special Revenue Funds, which include Recorders Transaction, REAP, Health Services Grants, CARES, Co. Govt. Assistance Fund, Recorder's Records Management Fund, Sheriff Forfeiture Fund, CS Projects & Land Acquisitions Trust, Well Closing Trust and County TIF, are classified as nonmajor Special Revenue Funds.

The CS Project and Acquisition Fund is set up for county conservation land purchases and improvements. Conservation purchased three parcels of land in the amount of \$79,016. Revenue received for these purchases included \$59,262 from Iowa Wildlife Habitat Stamp and donations from Pheasants Forever in the amount of \$14,483. Conservation has also started a trail project at Lake Pahoja.

Nonmajor Special Revenue Funds

	<u>FY</u> <u>2003/2004</u>
Beginning Fund Balance	\$ 116,225
Total Revenue	154,321
Total Expenditures	<u>127,816</u>
Ending Fund Balance	<u>\$ 142,730</u>

CAPITAL PROJECT FUND

Construction on the law enforcement center started in FY 2002 and was completed in FY 2003. The capital project fund was not in use for FY 2004.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Lyon County amended its budget two times. The first amendment was made 10/6/2003 and resulted in an increase in budgeted disbursements related to drug dog purchases for law enforcement and land purchases by County Conservation with grant dollars. The second amendment was made on 5/24/2004. This amendment was made to Conservation receiving more grant dollars for land purchase, CDBG related increase in expenditures for year, Mental Health Services, juvenile, medical examiner and court fees increases.

Capital Assets and Debt Administration

Capital Assets

Lyon County concluded FY 2004 with net capital assets of \$13,105,004 invested in a broad range of capital assets, including public safety equipment, buildings, park activities, roads and bridges. GASB 34 required the addition of infrastructure assets and required depreciation on certain capital assets. The capital assets reported last year have been modified as per the county's "Capital Asset Policy". See Note 6 to the financial statements for more information about the County's capital assets.

Capital Assets of Governmental Activities at Year End

	<u>June 30, 2004</u>
Land/Buildings/Improvements	\$ 7,279,714
Machinery, Equipment and Vehicles	7,313,738
Infrastructure	2,763,024
Construction in Progress	<u>237,444</u>
 Total	 <u>\$ 17,593,920</u>

This year's major additions included:

- Sheriff – Two new vehicles \$36,940 (1998 Van & 2004 Chevy Impala)
- Secondary Road – Two new vehicles \$56,755 (2004 Chevy Trailblazer & 2004 Ford Explorer)
- Secondary Road – 2003 CAT Motorgrader \$196,955
- Secondary Road – 2004 Sterling Truck \$105,942
- Secondary Road – Two 2004 Pup Chassis 14' Dump Body \$50,080
- Secondary Road – 2004 Ford F550 Chassis \$31,085
- Secondary Road – CAT 248B Skidloader w/forks \$53,447
- Conservation – Three land parcels \$79,972
- Secondary Road – Two Resurface Projects \$2,073,876
- Secondary Road – Culvert Project \$279,584
- Secondary Road – George Bridge Project \$409,564

The County had depreciation expense of \$723,202 in FY 2004 and total accumulated depreciation of \$4,488,916 as of June 30, 2004.

The County's fiscal year 2004 capital budget included \$553,016 for capital projects, principally for Secondary Road projects of \$455,000 and Conservation Land purchases of \$98,016.

Long-Term Debt

Lyon County issued general obligation bonds on November 1, 2001 in the amount of \$2,800,000 for the law enforcement center. The paying agent is Bankers Trust of Des Moines. On June 30, 2004, Lyon County's outstanding debt for general obligation bonds was \$2,515,000; compared to \$2,660,000 on June 30, 2003.

Lyon County has a 10 year interest free loan with the State of Iowa. The loan is for the expenses of the winter storms of 1996-1997 and is a Disaster Aid Loan. The original loan amount was \$221,865.00, dated July 17, 1998. On June 30, 2004, the remaining balance was \$88,746.00 compared to \$110,932.50 on June 30, 2003.

Outstanding Debt of Governmental Activities at Year-End (Not Shown as Fund Liabilities)

	June 30, 2004
Accrued Interest Payable	\$ 8,423
Disaster Aid Loan Payable	88,746
Land Loan Payable	14,576
Compensated Absences	153,685
General Obligation Bonds	2,515,000
Total	\$ 2,780,430

Lyon County does not have a general obligation bond rating but according to the State Treasurer's Office, Lyon County's general obligation bonds were issued with insurance by MBIA; therefore the bonds assume MBIA's credit rating: AAA. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. (This figure is 100% valuation less military exemptions). Lyon County's outstanding general obligation debt is significantly below its constitutional debt limit of \$32 million. Other obligations include accrued vacation pay and a land loan payable. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Lyon County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and the fees that will be charged for various County activities. Factors include the economy, decline in state funding and decrease in property valuations for fiscal year 2005. Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Total disbursements and transfers in the 2005 operating budget is \$9,467,582, compared to \$10,469,966 for fiscal year 2004; a decrease of 10%. Property tax asking in the 2005 budget is \$3,754,448 compared to \$3,820,893 in 2004; a decrease of \$66,444. Countywide valuations (with utilities) for 2005 are \$450,957,204 compared to \$519,712,928 in 2004, a decrease of \$68,755,724. Rural valuations (with

utilities) for 2005 are \$327,600,666 compared to \$390,043,352 in 2004, a decrease of \$62,442,686. Due to the decrease in valuations, budget cuts were needed. Contributions to organizations were reduced or eliminated, employee salaries were frozen and departments were asked to find more revenue for the county and decrease expenditures. State funding for tax credits is never a sure item until the fiscal year is complete. The county has added no major new programs or initiatives to the 2005 budget.

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

Iowa Code limits the General Fund levy rate to \$3.50 per \$1,000 of taxable value. Lyon County is at the maximum levy rate and does levy in the General Supplemental Fund. The General Supplemental Levy for FY 2005 is 1.71857. The General Supplemental Fund is used for FICA, IPERS, health insurance, Emergency Management County contribution and property, liability and workmen's compensation insurance.

The Rural Basic levy rate limit is \$3.95 per \$1,000 of taxable value. Rural Service also has a supplemental levy for expenditures if the maximum levy rate is met. Lyon County is below the maximum levy rate.

In FY 2005, the taxable value of agricultural land was reduced 20% based on a State formula that determines the taxable value of agricultural land. However, because of new construction, the total decrease in agricultural land was only 16%.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Lyon 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 Lyon County Auditor's Office, 206 South 2nd Avenue, Rock Rapids, Iowa.

Lyon County
Financial Statements

Lyon County
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Cash and Pooled Investments	\$ 4,068,165
Receivables:	
Property Tax:	
Delinquent	722
Succeeding Year	3,577,158
Interest and Penalty on Property Tax	426
Accounts	97,486
Accrued Interest	2,532
Due from Agency Funds	43,200
Due from Other Governments	388,940
Inventories	397,128
Prepaid Expenses	38,411
Prepaid Lease	87,460
Capital Assets (Net of Accumulated Depreciation)	13,105,004
Total Assets	21,806,632
Liabilities	
Accounts Payable	217,708
Accrued Interest Payable	8,423
Salaries and Benefits Payable	35,133
Land Loan Payable	1,822
Due to Other Governments	86,822
Deferred Revenue:	
Succeeding Year Property Tax	3,577,158
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Disaster Aid Loan	22,186
General Obligation Bonds	150,000
Compensated Absences	153,685
Portion Due or Payable After One Year:	
Land Loan Payable	14,576
Disaster Aid Loan	66,560
General Obligation Bonds	2,365,000
Total Liabilities	6,699,073

Lyon County
Statement of Net Assets
June 30, 2004

Net Assets

Invested in Capital Assets, Net of Related Debt	10,575,428
Restricted for:	
Supplemental Levy Purposes	88,993
Mental Health Purposes	146,080
Rural Services	394,450
Secondary Roads Purposes	2,309,033
Debt Service	2,929
Other Purposes	156,925
Unrestricted	<u>1,433,721</u>
Total Net Assets	<u><u>\$ 15,107,559</u></u>

See notes to financial statements.

Lyon County
Statement of Activities
Year Ended June 30, 2004

	Program Revenues				Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	
Functions/Programs:					
Governmental Activities:					
Public Safety & Legal Services	\$ 1,821,219	336,207	148,484	14,611	(1,321,917)
Physical Health and Social Services	609,294	274,947	154,405	0	(179,942)
Mental Health	838,881	29,069	592,990	0	(216,822)
County Environment and Education	497,797	151,061	13,039	77,157	(256,540)
Roads and Transportation	2,826,361	30,717	2,610,445	1,947,171	1,761,972
Governmental Services to Residents	296,813	246,120	169	0	(50,524)
Administration	737,736	3,604	0	0	(734,132)
Non-Program Current	627,685	0	627,424	0	(261)
Interest on Long-Term Debt	108,133	0	0	0	(108,133)
Capital Projects	86,101	0	0	0	(86,101)
Total	\$ 8,450,020	1,071,725	4,146,956	2,038,939	(1,192,400)
General Revenues:					
Property and Other County Tax Levied for:					
General Purpose					3,361,065
Tax Increment Financing					261
Debt Service					238,850
Penalty and Interest on Property Tax					15,780
State Tax Credits					214,292
Local Option Sales Tax					345,675
Grants and Contributions Not Restricted to Specific Purpose					69,871
Unrestricted Investment Earnings					70,773
Rents					41,774
Miscellaneous					15,883
Total General Revenues					4,374,224
Change in Net Assets					3,181,824
Net Assets Beginning of Year					11,925,735
Net Assets End of Year					\$ 15,107,559

See notes to financial statements.

Lyon County
 Balance Sheet
 Governmental Funds
 June 30, 2004

	Special Revenue				Debt Service	Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads			
Assets							
Cash and Pooled Investments	\$ 892,137	246,792	355,990	1,837,632	11,292	139,898	3,483,741
Receivables:							
Property Tax:							
Delinquent	446	47	168	0	61	0	722
Succeeding Year	2,217,707	233,812	853,492	0	238,540	33,607	3,577,158
Interest and Penalty on Property Tax Accounts	426	0	0	0	0	0	426
Accounts	95,562	0	0	338	0	103	96,003
Accrued Interest	2,532	0	0	0	0	0	2,532
Due from Other Funds	0	0	0	1,560	0	0	1,560
Due from Agency Funds	42,345	0	0	0	0	855	43,200
Due from Other Governments	81,343	3,859	55,636	227,546	0	20,556	388,940
Inventories	6,522	0	28	390,578	0	0	397,128
Prepaid Expenditures	11,762	0	0	14,792	0	0	26,554
Prepaid Lease	0	0	0	87,460	0	0	87,460
Total Assets	\$ 3,350,782	484,510	1,265,314	2,559,906	249,893	195,019	8,105,424
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable	\$ 52,064	33,511	290	50,012	0	2,926	138,803
Salaries and Benefits Payable	13,756	0	0	21,377	0	0	35,133
Land Loan Payable	1,822	0	0	0	0	0	1,822
Due to Other Funds	0	0	0	0	0	1,560	1,560
Due to Other Governments	16,367	69,849	0	606	0	0	86,822

Deferred Revenue:							
Succeeding Year Property Tax	2,217,707	233,812	853,492	0	238,540	33,607	3,577,158
Other	88,875	46	2,190	18,635	61	14,196	124,003
Total Liabilities	2,390,591	337,218	855,972	90,630	238,601	52,289	3,965,301
Fund Balances:							
Reserved for:							
Supplemental Levy Purposes	88,849	0	0	0	0	0	88,849
Debt Service	0	0	0	0	11,292	0	11,292
Unreserved:							
Undesignated, Reported In:							
General Fund	698,012	0	0	0	0	0	698,012
Special Revenue Funds	0	147,292	409,342	2,469,276	0	142,730	3,168,640
Designated For:							
Blood Run	100,000	0	0	0	0	0	100,000
Data Processing Replacement	25,500	0	0	0	0	0	25,500
Courthouse Capital Projects	40,000	0	0	0	0	0	40,000
Ambulance Purposes	7,830	0	0	0	0	0	7,830
Total Fund Balances	960,191	147,292	409,342	2,469,276	11,292	142,730	4,140,123
Total Liabilities and Fund Balances	\$ 3,350,782	484,510	1,265,314	2,559,906	249,893	195,019	8,105,424

See notes to financial statements.

Lyon County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Assets
June 30, 2004

Total Governmental Fund Balances (page 19)	\$ 4,140,123
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$17,593,920 and the accumulated depreciation is \$4,488,916.	13,105,004
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	124,003
The Internal Service Fund is used by management to charge the costs of partial self funding of the County’s health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	518,859
Long-term liabilities, including the accrued interest payable, land loan payable (except the current portion), disaster aid loan payable, general obligation bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,780,430)</u>
Net Assets of Governmental Activities (page 16)	<u><u>\$ 15,107,559</u></u>

See notes to financial statements.

Lyon County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	Special Revenue				Debt Service	Nonmajor Special Revenue	Total
	General	Mental Health	Rural Services	Secondary Roads			
Revenues:							
Property and Other County Tax	\$ 2,186,254	233,909	1,293,995	0	239,329	261	3,953,748
Interest and Penalty on Property Tax	15,552	0	0	0	0	0	15,552
Intergovernmental	1,344,391	616,864	159,467	2,591,795	14,729	80,895	4,808,141
Licenses and Permits	32,152	0	1,225	1,430	0	3,993	38,800
Charges for Service	524,053	18,997	0	5,057	0	37,938	586,045
Use of Money and Property	124,346	0	0	0	539	425	125,310
Miscellaneous	7,696	425	40	24,245	0	30,809	63,215
Total Revenues	4,234,444	870,195	1,454,727	2,622,527	254,597	154,321	9,590,811
Expenditures:							
Operating:							
Public Safety and Legal Services	1,244,436	0	418,450	0	0	20,469	1,683,355
Physical Health and Social Services	595,267	0	0	0	0	15,249	610,516
Mental Health	0	839,397	0	0	0	0	839,397
County Environment and Education	370,179	0	80,243	0	0	0	450,422
Roads and Transportation	0	0	0	2,645,446	0	0	2,645,446
Governmental Services to Residents	287,745	0	1,260	0	0	0	289,005
Administration	692,475	0	0	0	0	0	692,475
Non-Program Current	627,424	0	0	0	0	261	627,685
Debt Service	0	0	0	22,187	253,585	0	275,772
Capital Projects	0	0	737	340,222	0	91,837	432,796
Total Expenditures	3,817,526	839,397	500,690	3,007,855	253,585	127,816	8,546,869
Excess (Deficiency) of Revenues Over (Under) Expenditures	416,918	30,798	954,037	(385,328)	1,012	26,505	1,043,942

Other Financing Sources (Uses):

Sale of Capital Assets	350	0	0	425	0	0	775
Operating Transfers In	126,000	0	0	945,000	0	0	1,071,000
Operating Transfers Out	(126,000)	0	(945,000)	0	0	0	(1,071,000)
Total Other Financing Sources (Uses)	350	0	(945,000)	945,425	0	0	775
Net Change in Fund Balances	417,268	30,798	9,037	560,097	1,012	26,505	1,044,717
Fund Balances Beginning of Year	542,923	116,494	400,305	1,909,179	10,280	116,225	3,095,406
Fund Balances End of Year	\$ 960,191	147,292	409,342	2,469,276	11,292	142,730	4,140,123

See notes to financial statements.

Lyon County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement
of Activities
Year Ended June 30, 2004

Net Change in Fund Balances – Total Governmental Funds (page 22) \$ 1,044,717

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

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

Expenditures for capital assets	\$ 646,120	
Capital assets contributed by the Iowa Department of Transportation	1,947,171	
Capital assets contributed by the Lyon County Conservation Foundation	3,412	
Depreciation Expense	<u>(723,202)</u>	1,873,501

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 8,763

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. The resulting timing difference is as follows:

Property Tax	(7,897)	
Other	<u>88,810</u>	80,913

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 169,009

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	(14,282)	
Interest on long-term debt	<u>453</u>	(13,829)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 18,750

Change in Net Assets of Governmental Activities (page 17) \$ 3,181,824

See notes to financial statements.

Lyon County

Statement of Net Assets
 Proprietary Fund
 June 30, 2004

	Internal Service - Employee Group Health
Assets	
Cash and Cash Equivalents	\$584,426
Accounts Receivable	1,483
Prepaid Expenses	11,856
Total Assets	597,765
Liabilities	
Accounts Payable	78,906
Net Assets	
Unrestricted	\$ 518,859

See notes to financial statements.

Lyon County

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

		Internal Service - Employee Group Health
Operating Revenues:		
Reimbursements from Governmental Funds		\$ 557,415
Reimbursements from Agency Funds (Assessor and Special Appraisers)		23,075
Reimbursements from Current Employees		69,020
Reimbursements from Retired Employees		21,020
Insurance Reimbursements		32,298
Pharmacy Rebates		820
Total Operating Revenues		703,648
Operating Expenses:		
Medical Claims	\$ 535,059	
Insurance Premiums	132,115	
Administrative Fees	18,611	
Miscellaneous	2,185	687,970
Operating Income		15,678
Non-operating Revenues:		
Interest Income		3,072
Net Income		18,750
Net Assets Beginning of Year		500,109
Net Assets End of Year		\$ 518,859

See notes to financial statements.

Lyon County

Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2004

	Internal Service - Employee Group Health
Cash Flows from Operating Activities:	
Cash Received from Governmental Fund Reimbursements	\$ 557,415
Cash Received from Agency Fund Reimbursements	23,075
Cash Received from Current and Retired Employees	90,040
Cash Received from Insurance Reimbursements	32,267
Cash Received from Pharmacy Rebates	726
Cash Paid to Suppliers for Services/Charges	(674,437)
Net Cash Provided by Operating Activities	29,086
Cash Flows from Investing Activities:	
Interest on Investments	3,361
Net Increase in Cash and Cash Equivalents	32,447
Cash and Cash Equivalents Beginning of Year	551,979
Cash and Cash Equivalents End of Year	\$ 584,426
 Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 15,678
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
(Increase) in Accounts Receivable	(124)
(Increase) in Prepaid Expenses	(11,856)
Increase in Accounts Payable	25,388
Net Cash Provided by Operating Activities	\$ 29,086

See notes to financial statements.

Lyon County

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

Assets

Cash and Pooled Investments:	
County Treasurer	\$ 552,403
Other County Officials	40,348
Receivables:	
Property Tax:	
Delinquent	2,282
Succeeding Year	8,496,963
Accounts	20,071
Due from Agency Funds	1,455
Due from Other Governments	5,442
Inventories	3,307
Total Assets	<u>9,122,271</u>

Liabilities

Accounts Payable	3,590
Due to County Funds/Agency Funds	44,655
Due to Other Governments	8,995,523
Trusts Payable	70,290
Compensated Absences	8,213
Total Liabilities	<u>9,122,271</u>

Net Assets	<u><u>\$ 0</u></u>
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See notes to financial statements.

Lyon County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Lyon 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. Criteria also can include an organization's fiscal dependency on the County or if it would be significantly misleading to exclude an organization because of its relationship with the County. Lyon County has no component units which meet the Governmental Accounting Standards Board Criteria in order to be included in Lyon County's reporting entity.

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: Lyon County Assessor's Conference Board, Lyon County Emergency Management Commission, Lyon County Joint E911 Service Board, the Northwest Iowa Area Solid Waste Agency, the Lyon County Economic Development Consortium, the Regional Housing Authority, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Iowa County Engineer's Association, and the Northwest Iowa Contracting Consortium. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the

County for the Assessor, Joint E911 Service, and Emergency Management and not reported for the Northwest Iowa Area Solid Waste Agency, the Economic Development Consortium, the Regional Housing Authority, YES (Youth Emergency Services), the Hazardous Material Response Commission (Region III), the Iowa County Engineer's Association, and the Northwest Iowa Contracting Consortium. During the year ended June 30, 2004, the County did not contribute any money to the Assessor, Joint E911 Service, Regional Housing Authority, Region III Hazardous Material Response Commission, Economic Development Consortium, Engineer's Association, Northwest Iowa Area Solid Waste Agency or the Northwest Iowa Contracting Consortium, while the County paid \$20,326 to YES for juvenile services provided and \$30,000 in support for the Emergency Management Services. The Joint E911 Service paid the County \$5,500 for bookkeeping services and signs and the County Assessor (including the Special Appraisers) contributed \$23,075 to participate in the County's health insurance plan.

B. Basis of Presentation

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

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

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.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), charges for services, interest and certain miscellaneous revenues associated with the current fiscal year 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 (except for the short-term portion of the land loan payable), 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, when applicable.

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 revenue of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law or agreement. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and the investment in the Wells Fargo Government Money Market Fund (a money market mutual fund) where the cost and fair market value are considered equal.

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

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

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between governmental funds. To the extent certain transactions between governmental 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 Agency Funds and Due to County Funds/Agency Funds – During the course of its normal operations, the County has numerous transactions between the County’s governmental funds and agency funds and between different agency funds. To the extent that certain transactions between the County’s governmental funds and agency funds and between different agency funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the governmental funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenses/expenditures when consumed or sold rather than when purchased. Inventories in the agency funds consist of expendable supplies held for consumption and commissary items held for sale for the jail.

Prepaid Expenses/Expenditures and Prepaid Lease – Prepaid expenses/ expenditures and prepaid lease represent a lease agreement, insurance coverage and other expenses/expenditures, for other than inventory, that will benefit a future fiscal year. Prepayments are recorded as expenses/expenditures when utilized rather than when paid for.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, drainage systems 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. Only costs related to infrastructure assets that are finished on or after July 1, 2004 are reported. Infrastructure assets finished on or before June 30, 2003 are not reported. 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.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, Buildings and Improvements	5,000
Machinery, Equipment and Vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and Improvements	25 – 50
Land Improvements	10 – 50
Infrastructure	10 – 65
Machinery and Equipment	3 – 15
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 or other requirements are met.

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

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

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

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

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. Designated equity is intended for the following purposes:

<u>Fund</u>	<u>Purpose</u>
General Fund	Specified for the development of the Blood Run site, mainframe computer improvements/updating, courthouse repairs/ improvements and ambulance equipment and vehicle replacement.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the non-program current function before the budget was properly amended and disbursements in five departments exceeded the amounts appropriated before the departmental appropriations were formally allocated to the departments or the appropriation amounts were properly increased.

(2) **Cash and Pooled Investments**

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

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

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

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

The County's investments at June 30, 2004 are as follows:

Type	Pool/Number	Maturity Date	Fair Value
FNMA	#58138	October, 2017	\$ 2,514
FHLMC	SER 2115 CL	January, 2029	257,950
FHLMC	SER 1570 CL	August, 2023	64,980
SBA Loan	#169-485-4001	March, 2018	249,193
			\$ 574,637

In addition, the County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$954,460 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and investments in Wells Fargo Government Money Market Fund (a money market mutual fund) with a carrying and fair value of \$33,583, that are not subject to risk categorization.

(3) Due from and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Well Closing Trust	<u>\$ 1,560</u>

This balance is the result of the time lag between the dates interfund goods and services are provided, the transactions are recorded in the accounting system and the resulting payments between funds are completed.

(4) Due from Agency Funds and Due to County Funds/Agency Funds

The detail of receivables and payables between the County's governmental funds and agency funds and between different agency funds for transactions at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency: County Offices	\$ 33,467
	Auto License and Use Tax	8,878
Special Revenue: County Recorder's Records Management	Agency: County Offices	855
Agency: Other (Co. Recorder's Electronic Fee)	Agency: County Offices	<u>1,455</u>
Total		<u>\$ 44,655</u>

These balances result from the time lag between the dates money is collected in an agency fund, the collection is recorded in the accounting system and the resulting payments are made to the County's appropriate governmental fund or another agency fund.

(5) Interfund Transfers

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

Transfer to	Transfer from	Amount
General (Supplemental)	General (Basic)	\$ 126,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>945,000</u>
Total		<u>\$ 1,071,000</u>

The General Basic Fund transferred money to the General Supplemental Fund (both are reported as part of the General Fund in the financial statements) to provide additional funding for employee benefits, pension costs and payroll taxes. The Rural Services Fund transfer to the Secondary Roads Fund was generally to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(6) 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	\$ 1,384,930	79,972	0	1,464,902
Construction in Progress	789,178	2,211,290	(2,763,024)	237,444
Total Capital Assets Not Being Depreciated	<u>2,174,108</u>	<u>2,291,262</u>	<u>(2,763,024)</u>	<u>1,702,346</u>
Capital Assets Being Depreciated:				
Buildings	5,498,910	5,220	0	5,504,130
Improvements Other Than Buildings	310,682	0	0	310,682
Machinery, Equipment and Vehicles	7,142,223	372,581	(201,066)	7,313,738
Infrastructure	0	2,763,024	0	2,763,024
Total Capital Assets Being Depreciated	<u>12,951,815</u>	<u>3,140,825</u>	<u>(201,066)</u>	<u>15,891,574</u>

Less Accumulated Depreciation For:				
Buildings	823,639	122,926	0	946,565
Improvements Other Than Buildings	170,161	10,356	0	180,517
Machinery, Equipment and Vehicles	2,909,384	551,366 (137,470)	3,323,280
Infrastructure	0	38,554	0	38,554
Total Accumulated Depreciation	<u>3,903,184</u>	<u>723,202 (</u>	<u>137,470)</u>	<u>4,488,916</u>
Total Capital Assets Being Depreciated, Net	<u>9,048,631</u>	<u>2,417,623 (</u>	<u>63,596)</u>	<u>11,402,658</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,222,739</u>	<u>4,708,885 (</u>	<u>2,826,620)</u>	<u>13,105,004</u>

Depreciation expense was charged to the following functions:

Governmental Activities:

Public Safety and Legal Services	\$ 175,072
Physical Health and Social Services	429
County Environment and Education	56,323
Roads and Transportation	436,957
Governmental Services to Residents	6,903
Administration	<u>47,518</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 723,202</u>

(7) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 16,367</u>
Special Revenue:		
Mental Health	Services	69,849
Secondary Roads	Services	<u>606</u>
		<u>70,455</u>
Total for Governmental Funds		<u>\$ 86,822</u>
Agency:		
County Offices	Collections	\$ 7,330
Agricultural Extension Education		100,545
County Assessor		163,752
County Assessor – Special Appraisers		86,188

Schools	5,983,415
Community Colleges	266,951
Corporations	1,958,916
Townships	151,862
Auto License and Use Tax	204,164
Special Assessments	4,623
E911 Surcharge	31,993
E911 Operating	8,008
Emergency Management	24,416
All Other	3,360
	<hr/>
Total for Agency Funds	<u>\$ 8,995,523</u>

(8) Changes in Long-Term Liabilities

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

	General Obligation Bonds	Compensated Absences	Disaster Aid Loan	Land Loan	Total
Balance Beginning of Year	2,660,000	139,403	110,933	16,398	2,926,734
Additions	0	176,370	0	0	176,370
Reductions	145,000	162,088	22,187	1,822	331,097
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance End of Year	\$ 2,515,000	153,685	88,746	14,576	2,772,007
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Due Within One Year	\$ 150,000	153,685	22,186	*0	325,871

* Please see narrative on the next page for this land loan payable.

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%	150,000	102,485	252,485
2006	4.00%	155,000	96,485	251,485
2007	4.00%	160,000	90,285	250,285
2008	4.00%	165,000	83,885	248,885
2009	4.10%	175,000	77,285	252,285
2010	4.10%	185,000	70,110	255,110
2011	4.10%	190,000	62,525	252,525
2012	4.10%	200,000	54,735	254,735
2013	4.10%	210,000	46,535	256,535
2014	4.10%	215,000	37,925	252,925

2015	4.10%	225,000	29,110	254,110
2016	4.10%	235,000	19,885	254,885
2017	4.10%	250,000	10,250	260,250
Total		\$ 2,515,000	781,500	3,296,500

The general obligation bonds, which were issued for the new law enforcement center, were issued at a \$35,000 discount (total general obligation bonds issued = \$2,800,000; net proceeds = \$2,765,000). Taking into consideration the discount amount, the actual net interest rate is 4.219% on these bonds.

During the year ended June 30, 2004, the County retired \$145,000 of the general obligation bonds issued for the new law enforcement center.

Disaster Aid Loan

The County received a Contingency Fund Loan from the State of Iowa on July 17, 1998 for \$221,865. The loan carries a 0% interest rate and is to be paid back at \$22,186.50 per year for ten years. The County paid off \$22,186.50 of the loan during the fiscal year ending June 30, 2004. The loan is for the excessive winter storms during 1997-1998.

A summary of the County's June 30, 2004 disaster aid loan indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal
2005	0%	22,186
2006	0%	22,187
2007	0%	22,186
2008	0%	22,187
		<u>\$ 88,746</u>

The disaster aid loan proceeds were recorded in the Secondary Roads Fund and are being repaid through the Secondary Roads Fund. This loan is recorded as a payable in the Secondary Roads Fund in the Balance Sheet – Governmental Funds only when the payment is legally due.

Land Loan Payable

During the fiscal year ended June 30, 2003, the County purchased real estate for conservation purposes for \$59,620. The County paid for most of the purchase price with a portion of the cost being set up to be paid as a promissory note to the seller. The note carries a 0% interest rate. The promissory note provides for payment of principal in the amount of \$1,822 on the 15th of each October until the note is satisfied. Payments of the \$1,822 are scheduled to be paid annually from October 15, 2004 until October 15, 2012. Accordingly, \$1,822 of the remaining \$16,398 in debt as of June 30, 2004 is shown as a liability of the General Fund in the Balance Sheet – Governmental Funds and \$14,576 is reported as a long-term liability in the Statement of Net Assets.

(9) Conduit Community Economic Betterment Account (CEBA) Loan

The County is acting as a conduit agent for a CEBA loan between a local business in Lyon County and the Iowa Department of Economic Development. The award date for this CEBA Loan Agreement was September 18, 1997. The terms of the loan include a forgivable portion in the amount of \$26,250 with an interest rate of 6% for five years and an unforgivable portion in the amount of \$26,250 with an interest rate of 0% for ten years. The forgivable portion of the loan is dependent upon the business attaining certain requirements relating to job creation/retention. As of June 30, 2004 and the date of this audit report, the business's status toward meeting the requirements was not yet determined. Therefore, the forgivable portion of \$26,250 was still deemed outstanding as of June 30, 2004. The loan balance of the unforgivable portion as of June 30, 2004 was \$13,344.

The County's liability under this loan agreement is limited to those amounts which the County recovers from the business in unused loan proceeds, enforcement of judgments against the business and through its good faith enforcement of the security instruments executed by the business. Nothing shall limit the recovery of principal and interest by the Iowa Department of Economic Development from the County in the event of the County's failure to file, or improper or untimely filing, of any security instrument executed by the business, fraud, negligence or gross mismanagement in the application for, or use of, sums loaned. Based on the County's limited liability, the conduit CEBA loan is not reported on the County's financial statements. Please also see "Schedule of Findings and Questioned Costs – Other Findings Related to Required Statutory Reporting: Comment IV-M-04" for a related comment.

(10) Operating Lease Arrangements

Fair Building

On September 25, 2000, the County entered into a written agreement with the Lyon County Fair Association to share in the costs of constructing a building to be located on the fairgrounds. The building is to be owned by the Lyon County Fair Association, but under the terms of the agreement, the building can be used for storage by the County's Secondary Road Department for the majority of the year. The County agreed to pay up to one-half of the building costs up to \$100,000. The County did pay \$100,000 for the building costs in June and July of 2000.

This agreement will terminate thirty years from September 25, 2000. This agreement may be extended upon such additional terms as is satisfactory to both parties. Any extension agreement and its terms must be executed prior to sixty days of the date of the termination of this agreement. Lyon County shall have the just right to refusal upon the offering of the fair building for sale. In such event, Lyon County shall have thirty days to meet any other offers for purchase.

The \$87,460, reported as an asset for the Secondary Roads Fund as a prepaid lease, represents the amortized value of the lease benefit remaining from July 1, 2004 until September 24, 2030.

Office Building

The Engineer's Office through the Secondary Roads Fund paid the General Fund \$12,000 during fiscal year ended June 30, 2004 for office space in the Lyon County Annex Building.

(11) 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 \$181,579, \$175,686 and \$158,854, respectively, equal to the required contributions for each year.

(12) Risk Management

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

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

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative 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 \$114,813.

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

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

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$2,000,000; employee blanket bonding in the amount of \$20,000; the additional Treasurer's bonding in the amount of \$100,000; inland marine which covers contractors equipment in the amount of \$3,255,119 and certain other equipment and valuable papers and records in the amount of \$1,385,631; and building property insurance in the amount of \$13,788,351. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded the Pool or commercial insurance coverage in any of the past three fiscal years.

(13) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. The County has purchased a stop loss policy from Gerber Life Insurance Company for claims above the \$30,000 per covered person per policy period and for claims above the County's aggregate stop loss limitation (medial maximum costs that vary based on the number of participants).

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, stop loss insurance premiums, and claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's reimbursements from Governmental Funds to this fund for the year ended June 30, 2004 were \$557,415. The County Assessor (Assessor and Special Appraisers) contributed \$23,075 to this fund during the fiscal year.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$78,906, \$76,771 of which is for incurred but not reported (IBNR) and reported but not paid medical claims and \$2,135 for miscellaneous fee expenses. 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 \$518,859 at June 30, 2004 and is reported as a designation of the Internal Service, Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has 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 since the Fund's inception in June 2000. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid medical claims beginning of fiscal year	<u>\$ 53,518</u>
Incurred medical claims (including medical claims incurred but not reported as of June 30, 2004):	
Current year events	539,388
Prior year events	<u>(4,329)</u>
Total incurred medical claims	<u>535,059</u>
Payments:	
Current year events	453,959
Prior year events	<u>57,847</u>
Total payments	<u>511,806</u>
Unpaid medical claims end of fiscal year	<u>\$ 76,771</u>

Please see Note to Financial Statements (16) Subsequent Events for a change in the stop loss coverage as of July 1, 2004.

(14) Intergovernmental Agreement

The County has entered into an agreement with the Northwest Iowa Area Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, for disposal of solid waste from within the County. The County did not have to make any payments under this agreement for the fiscal year ended June 30, 2004.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County by resolution has approved to act as a “Local Government Guarantee” in order to provide a financial assurance mechanism instrument for the Agency. The closure and postclosure costs to the Agency have been estimated at \$1,874,500 as of June 30, 2003 and the portion of the liability that has been recognized by the Agency as of June 30, 2003 is \$836,315. The Agency has begun to accumulate resources to fund these costs. As of June 30, 2003, deposits of \$746,880 are held for these purposes. No estimate has been made as to the effect of any future assessments to the County.

(15) Commitments

The County has an agreement with the City of Sioux City, Iowa for the provision of hazardous materials response services. The agreement is in effect until June 30, 2008, unless terminated for cause earlier. The County is committed to pay or reimburse the City of Sioux City for all costs incurred by the City to staff and equip a HAZMAT team to respond to hazardous condition emergencies in the County. The County is also responsible for an annual base charge. The annual base charges for fiscal years ending June 30, 2005-2008 are \$8,822 per year for a total of \$35,288. The payments for these charges are scheduled to be paid through Lyon County Emergency Management Services. The Emergency Management Services paid \$8,822 on this commitment during the fiscal year ended June 30, 2004.

The County has passed a resolution to continue support of the Family Crisis Center of Northwest Iowa at a minimum amount of \$2,500 per year through fiscal year ending June 30, 2010. The County’s minimum commitment under this resolution for fiscal years ending June 30, 2005-2010 is \$15,000. The County paid \$2,400 on this commitment during the fiscal year ended June 30, 2004. The County does not plan on funding the additional \$100, as stated would be done in the resolution, for the fiscal year ending June 30, 2004.

On June 7, 2004, the County approved contributing \$25,000 to the Lyon County Economic Development Consortium. This amount was paid to the Consortium on July 12, 2004 through the Rural Services Fund.

The County has entered into a contract totaling \$40,571 for construction of a salt storage building. While no costs have been incurred on this project as of June 30, 2004,

\$13,710 was prepaid on this contract during the fiscal year (reported as a prepaid expense/expenditure). The \$26,861 balance remaining on the contract will be paid as construction progresses.

The County has also entered into a contract totaling \$280,475 after change orders for culvert replacement work. As of June 30, 2004, costs of \$214,062 on the project have been incurred. The \$66,413 balance remaining on this project at June 30, 2004 will be paid as work on the project progresses.

(16) Subsequent Events

Events that have occurred subsequent to June 30, 2004 include the following:

- a. As of July 1, 2004, the County changed providers for the stop loss insurance policy for the County's Employee Group Health Fund. Under this new policy, the County assumes liability for claims up to the individual stop loss limitation of \$30,000 per covered person per policy period. The maximum aggregate reimbursement under this policy is \$1,000,000 and the minimum first year aggregate attachment point is \$677,736.
- b. On August 16, 2004, the County approved the purchase of a Series II maintainer for \$177,699 to be purchased through the Secondary Roads Fund.
- c. On September 13, 2004, the County entered into contracts totaling \$151,856 for culvert projects and \$102,700 for a bridge project. These projects will be handled through the Secondary Roads Fund.
- d. On September 27, 2004, the County entered into a contract for \$287,895 for culvert projects to be done through the Secondary Roads Fund.

(17) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units was implemented during the year ended June 30, 2004. This statement establishes additional guidance on the application of existing standards for the assessment of potential component units in determining the financial reporting entity. Based on this statement, the Lyon County Conservation Foundation is no longer included as part of the County's reporting entity. In prior fiscal years, the Lyon County Conservation Foundation was presented as a blended component unit of Lyon County.

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

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis - for State

and Local Governments: Omnibus: Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net Assets June 30, 2003, As Previously Reported	\$ 3,080,424
GASB 39 Adjustment:	
Removal of the Lyon County Conservation Foundation Fund	(12,440)
GASB Interpretation 6 Adjustments	<u>27,422</u>
Net Assets July 1, 2003, As Restated for Governmental Funds	3,095,406
GASB 34 Adjustments:	
Capital Assets of \$15,125,293, Net of Accumulated Depreciation of \$3,903,184	11,222,739
Internal Service Fund	500,109
Long-term Liabilities	(2,935,610)
Deferral of Long-term Assets	<u>43,091</u>
Net Assets July 1, 2003, As Restated	<u>\$ 11,925,735</u>

Lyon County

Required Supplementary Information

Lyon County

Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances—
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2004

	Actual	Budgeted Amounts		Final to Net Variance
		Original	Final	
Receipts:				
Property and Other County Tax	\$ 3,961,858	3,941,567	3,941,567	20,291
Interest and Penalty on Property Tax	15,563	15,200	15,200	363
Intergovernmental	4,816,160	4,542,176	4,682,552	133,608
Licenses and Permits	38,880	40,460	40,460	(1,580)
Charges for Service	588,060	419,261	419,261	168,799
Use of Money and Property	128,715	150,323	150,323	(21,608)
Miscellaneous	63,461	39,006	73,006	(9,545)
Total Receipts	9,612,697	9,147,993	9,322,369	290,328
Disbursements				
Public Safety and Legal Services	1,662,454	1,700,770	1,723,270	(60,816)
Physical Health and Social Services	602,125	669,206	660,706	(58,581)
Mental Health	863,473	808,744	905,644	(42,171)
County Environment and Education	448,570	480,603	480,603	(32,033)
Roads and Transportation	2,831,405	2,996,900	2,996,900	(165,495)
Governmental Services to Residents	293,012	348,649	348,649	(55,637)
Administration	700,117	780,372	780,372	(80,255)
Non-Program Current	672,095	602,000	673,834	(1,739)
Debt Service	275,772	275,972	275,972	(200)
Capital Projects	425,374	455,000	553,016	(127,642)
Total Disbursements	8,774,397	9,118,216	9,398,966	(624,569)
Excess (Deficiency) of Receipts Over (Under) Disbursements	838,300	29,777	(76,597)	914,897
Other Financing Sources, Net	775	0	0	775
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	839,075	29,777	(76,597)	915,672
Balances Beginning of Year	2,644,666	2,062,977	2,062,977	581,689
Balances End of Year	\$ 3,483,741	2,092,754	1,986,380	1,497,361

See accompanying independent auditor's report.

Lyon County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 9,612,697	(21,886)	9,590,811
Expenditures	8,774,397	(227,528)	8,546,869
Net	838,300	205,642	1,043,942
Other Financing Sources, Net	775	0	775
Beginning Fund Balances	2,644,666	450,740	3,095,406
Ending Fund Balances	\$ 3,483,741	656,382	4,140,123

See accompanying independent auditor's report.

Lyon 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 any blended component units, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program current, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and any 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, two budget amendments increased budgeted disbursements by \$280,750. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the 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. These budgets may also be amended during the year utilizing similar statutorily prescribed procedures.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the non-program current function before the budget was properly amended and disbursements in five departments exceeded the amounts appropriated before the departmental appropriations were formally allocated to the departments or the appropriation amounts were properly increased.

Lyon County
Other Supplementary Information

Lyon County

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2004

	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Assets				
Cash and Pooled Investments	\$ 31,864	28,440	14,868	12,768
Receivables:				
Property Tax:				
Succeeding Year	0	0	0	0
Accounts Receivable	0	0	0	7
Due from Agency Funds	0	0	855	0
Due from Other Governments	0	0	0	0
Total Assets	\$ 31,864	28,440	15,723	12,775
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	\$ 0	0	0	139
Due to Other Funds	0	0	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	0	0	0
Other	0	0	0	0
Total Liabilities	0	0	0	139
Fund Equity:				
Fund Balances:				
Unreserved	31,864	28,440	15,723	12,636
Total Liabilities and Fund Equity	\$ 31,864	28,440	15,723	12,775

See accompanying independent auditor's report.

Health Services Grants	County Recorder's Transaction Fee	County Tax Increment Financing	CS Projects & Conservation Land Acquisition Trust	Well Closing Trust	Total
1,321	22,738	0	8,752	19,147	139,898
0	0	33,607	0	0	33,607
0	0	0	96	0	103
0	0	0	0	0	855
0	14,196	0	0	6,360	20,556
1,321	36,934	33,607	8,848	25,507	195,019
0	0	0	0	2,787	2,926
0	0	0	0	1,560	1,560
0	0	33,607	0	0	33,607
0	14,196	0	0	0	14,196
0	14,196	33,607	0	4,347	52,289
1,321	22,738	0	8,848	21,160	142,730
1,321	36,934	33,607	8,848	25,507	195,019

Lyon County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

	County Government Assistance	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff's Asset Forfeiture
Revenues:				
Property and Other County Tax	\$ 0	0	0	0
Intergovernmental	0	9,616	0	3,855
Licenses and Permits	0	0	0	0
Charges for Service	0	0	3,706	0
Uses of Money and Property	0	129	80	93
Miscellaneous	0	0	0	14,611
Total Revenues	0	9,745	3,786	18,559
Expenditures:				
Operating:				
Public Safety and Legal Services	0	0	0	20,469
Physical Health and Social Services	0	0	0	0
Non-Program Current	0	0	0	0
Capital Projects	0	3,822	0	0
Total Expenditures	0	3,822	0	20,469
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	5,923	3,786 (1,910)
Fund Balances Beginning of Year	31,864	22,517	11,937	14,546
Fund Balance End of Year	\$ 31,864	28,440	15,723	12,636

See accompanying independent auditor's report.

Schedule 2

Health Services Grants	County Recorder's Transaction Fee	County Tax Increment Financing	C.A.R.E.S.	CS Project & Conservation Land Acquisition Trust	Well Closing Trust	Total
0	0	261	0	0	0	261
0	0	0	0	59,262	8,162	80,895
0	0	0	0	3,993	0	3,993
0	22,689	0	0	11,543	0	37,938
0	49	0	0	74	0	425
0	0	0	1,715	14,483	0	30,809
0	22,738	261	1,715	89,355	8,162	154,321
0	0	0	0	0	0	20,469
0	0	0	3,108	0	12,141	15,249
0	0	261	0	0	0	261
0	0	0	0	88,015	0	91,837
0	0	261	3,108	88,015	12,141	127,816
0	22,738	0 (1,393)	1,340 (3,979)	26,505
1,321	0	0	1,393	7,508	25,139	116,225
1,321	22,738	0	0	8,848	21,160	142,730

Lyon County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	County Assessor – Special Appraisers
Assets				
Cash and Pooled Investments:				
County Treasurer	\$ 0	1,576	57,214	43,901
Other County Officials	40,348	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	20	23	9
Succeeding Year	0	98,949	114,740	42,496
Accounts	857	0	0	0
Due from Agency Funds	0	0	0	0
Due from Other Governments	0	0	0	0
Inventories	2,242	0	1,065	0
Total Assets	\$ 43,447	100,545	173,042	86,406
Liabilities				
Accounts Payable	\$ 0	0	1,295	0
Due to County Funds/Agency Funds	35,777	0	0	0
Due to Other Governments	7,330	100,545	163,752	86,188
Trusts Payable	340	0	0	0
Compensated Absences	0	0	7,995	218
Total Liabilities	\$ 43,447	100,545	173,042	86,406

Schedule 3

Schools	Colleges	Community Corporations	Townships	Auto License and Use Tax	Special Assessments	E911 Surcharge
92,553	5,360	18,815	3,108	213,042	4,623	13,538
0	0	0	0	0	0	0
1,120	50	1,029	31	0	0	0
5,889,742	261,541	1,939,072	148,723	0	0	0
0	0	0	0	0	0	19,214
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
5,983,415	266,951	1,958,916	151,862	213,042	4,623	32,752
0	0	0	0	0	0	759
0	0	0	0	8,878	0	0
5,983,415	266,951	1,958,916	151,862	204,164	4,623	31,993
0	0	0	0	0	0	0
0	0	0	0	0	0	0
5,983,415	266,951	1,958,916	151,862	213,042	4,623	32,752

Lyon County

Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2004

	E911 Operating	Emergency Management	Other	Total
Assets				
Cash and Pooled Investments:				
County Treasurer	\$ 8,008	19,057	71,608	552,403
Other County Officials	0	0	0	40,348
Receivables:				
Property Tax:				
Delinquent	0	0	0	2,282
Succeeding Year	0	0	1,700	8,496,963
Accounts	0	0	0	20,071
Due from Agency Funds	0	0	1,455	1,455
Due from Other Governments	0	5,442	0	5,442
Inventories	0	0	0	3,307
Total Assets	8,008	24,499	74,763	9,122,271
Liabilities				
Accounts Payable	0	83	1,453	3,590
Due to County Funds/Agency Funds	0	0	0	44,655
Due to Other Governments	8,008	24,416	3,360	8,995,523
Trusts Payable	0	0	69,950	70,290
Compensated Absences	0	0	0	8,213
Total Liabilities	\$ 8,008	24,499	74,763	9,122,271

See accompanying independent auditor's report.

Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	County Assessor – Special Appraisers
Assets and Liabilities				
Balances Beginning of Year	\$ 49,623	95,626	190,662	92,947
Additions:				
Property and Other County Tax	0	98,711	114,402	42,371
E911 Surcharge	0	0	0	0
State Tax Credits	0	5,733	8,047	2,981
Other State Tax Replacements	0	71	98	36
State/Federal Pass-Thru Revenues	0	0	0	0
State Grants and Entitlements	0	0	0	0
Contribution from Lyon County	0	0	0	0
Office Fees and Collections	231,882	0	826	0
Elections	17,893	0	0	0
Electronic Transaction Fee	0	0	0	0
Drivers License Fees	0	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	9,149	0	0	0
Miscellaneous	101	0	100	0
Total Additions	259,025	104,515	123,473	45,388
Deductions:				
Agency Remittances:				
To Other Funds	167,617	0	0	0
To Other Governments	90,910	99,596	141,093	51,929
Trusts Paid Out	6,674	0	0	0
Total Deductions	265,201	99,596	141,093	51,929
Balances End of Year	\$ 43,447	100,545	173,042	86,406

Schedule 4

Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Special Assessments	E911 Surcharge
5,988,970	335,761	1,975,433	169,900	188,276	1,940	33,698
5,623,808	260,714	1,938,012	148,297	0	0	0
0	0	0	0	0	0	73,876
344,392	19,500	139,940	9,263	0	0	0
4,226	3,524	3,033	73	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	3,571
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	21,594	0	0
0	0	0	0	2,393,862	0	0
0	0	0	0	0	49,855	0
0	0	0	0	0	0	0
0	0	0	0	0	0	116
5,972,426	283,738	2,080,985	157,633	2,415,456	49,855	77,563
0	0	0	0	97,961	0	5,500
5,977,981	352,548	2,097,502	175,671	2,292,729	47,172	73,009
0	0	0	0	0	0	0
5,977,981	352,548	2,097,502	175,671	2,390,690	47,172	78,509
5,983,415	266,951	1,958,916	151,862	213,042	4,623	32,752

Lyon County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 Year Ended June 30, 2004

	E911 Operating	Emergency Management	Other	Total
Assets and Liabilities				
Balances Beginning of Year	\$ 8,008	15,771	73,041	9,219,656
Additions:				
Property and Other County Tax	0	0	1,694	8,228,009
E911 Surcharge	0	0	0	73,876
State Tax Credits	0	0	119	529,975
Other State Tax Replacements	0	0	2	11,063
State/Federal Pass-Thru Revenues	0	19,596	0	19,596
State Grants and Entitlements	0	0	0	3,571
Contribution from Lyon County	0	30,000	0	30,000
Office Fees and Collections	0	0	0	232,708
Elections	0	0	0	17,893
Electronic Transaction Fee	0	0	18,505	18,505
Drivers License Fees	0	0	0	21,594
Auto Licenses, Use Tax and Postage	0	0	0	2,393,862
Assessments	0	0	0	49,855
Trusts	0	0	147,061	156,210
Miscellaneous	0	0	1	318
Total Additions	0	49,596	167,382	11,787,035
Deductions:				
Agency Remittances:				
To Other Funds	0	0	261	271,339
To Other Governments	0	40,868	19,091	11,460,099
Trusts Paid Out	0	0	146,308	152,982
Total Deductions	0	40,868	165,660	11,884,420
Balances End of Year	\$ 8,008	24,499	74,763	9,122,271

See accompanying independent auditor's report.

Lyon County

Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds
For the Last Two Years

	2004	2003
Revenues:		
Property and Other County Tax	\$ 3,953,748	3,302,716
Interest and Penalty on Property Tax	15,552	17,093
Intergovernmental	4,808,141	3,600,775
Licenses and Permits	38,800	38,196
Charges for Service	586,045	607,605
Use of Money and Property	125,310	175,541
Miscellaneous	63,215	175,689
	<hr/>	
Total	\$ 9,590,811	7,917,615
	<hr/> <hr/>	
Expenditures:		
Operating:		
Public Safety and Legal Services	\$ 1,683,355	1,707,894
Physical Health and Social Services	610,516	627,654
Mental Health	839,397	897,363
County Environment and Education	450,422	505,595
Roads and Transportation	2,645,446	2,935,233
Governmental Services to Residents	289,005	268,630
Administration	692,475	765,681
Non-Program Current	627,685	86,576
Debt Service	275,772	276,372
Capital Projects	432,796	891,803
	<hr/>	
Total	\$ 8,546,869	8,962,801
	<hr/> <hr/>	

See accompanying independent auditor's report.

Lyon County

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ <u>1,547</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program	14.228	02-WS-045	<u>627,424</u>
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Operations Centers	97.052		<u>5,463</u>
Emergency Management Performance Grants	97.042		<u>9,093</u>
State Domestic Preparedness Equipment Support Program	97.004	ODP-2002-52	26,500
State Domestic Preparedness Equipment Support Program	97.004	ODP-2003-60	<u>8,902</u>
			<u>35,402</u>
State and Local Homeland Security Training Program	97.005	ODP-2003-60	<u>1,000</u>

Lyon County

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283		24,380
Family Support Payments to States – Maternal and Child Health	93.994		536
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		2,009
Refugee and Entrant Assistance - State Administered Programs	93.566		7
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		368
Foster Care - Title IV-E	93.658		916
Adoption Assistance	93.659		244
Medical Assistance Program	93.778		2,016
Social Services Block Grant	93.667		1,321
Social Services Block Grant	93.667		42,722
			44,043
Immunization Grants	93.268		3,923
U.S. Department of Justice:			
Iowa Department of Justice:			
Victims of Crime Act Assistance Program	16.575	VA-04-4762	13,360
Bulletproof Vests Partnership Program	16.607		1,809
Total			\$ 773,540

Lyon County

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

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

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of Lyon County:

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

Compliance

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

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lyon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial

reporting that, in our judgment, could adversely affect Lyon County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

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

Siebrecht Spitler & De Noble PC
Certified Public Accountants

October 22, 2004

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

To the Officials of Lyon County:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Siebrecht Spitler & De Noble PC
Certified Public Accountants

October 22, 2004

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

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

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-04 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 a lack of segregation of duties over financial transactions, record-keeping, and reconciling functions in several offices, including those related to all Federal programs, except for the major Federal program.

Recommendations – The following recommendations should be considered to improve the segregation of duties within the various offices of the County:

- a) All cash receipts should be handled by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The list should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to supporting receipt documentation that should be retained, to the cash receipt records and to the actual deposit made by an independent person.
- b) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- c) A person in the office who has no responsibility for custody of investments should periodically inspect investments, verify County ownership of investments, and reconcile documents to the investment records. In addition, reconciliations of delinquencies, abatement of taxes, and monthly auto license and use tax reports should be done by independent people.
- d) Supplies and fixed assets ordered should be received by someone other than the person who initiated the order.
- e) Authorization of transactions, handling of source documents, and custody of assets should be segregated.
- f) Reconciliations and investigations of unusual reconciling items in the accounting records should be reviewed and approved by a person who is not responsible for receipts and disbursements.
- g) Billings for services, the recordkeeping of accounts receivable, and the handling of cash receipts should be segregated.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

- h) All checks issued should be analyzed by an independent person to verify that the numerical sequence is accurate and all checks are accounted for. This should apply to both computer generated and handwritten checks.
- i) Complete, detailed personnel records should be maintained outside the payroll section. The personnel records should periodically be compared to the actual payroll by an independent person.

We realize that with a limited number of office employees, segregation of duties is difficult. However, each official or person in-charge should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official or person in-charge should utilize current personnel in their office or from another office to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will have each office evaluate these recommendations and attempt to implement them as economically practicable (we will segregate within staff size limitations).

Conclusion – Response Accepted. It is important that you attempt to implement these recommendations.

II-B-04 Accounting Procedures Manual – The County does not have an accounting procedures manual for all aspects of the County’s accounting systems.

Recommendation – An accounting procedures manual should be prepared and implemented for all aspects of the County’s accounting systems.

Response – We will have each applicable office attempt to create an accounting procedures manual for their accounting system.

Conclusion – Response accepted. Please do attempt to have each appropriate office work on this.

II-C-04 Written Job Descriptions – For legal purposes, written job descriptions should possibly be in place. Lyon County does not have written job descriptions for each employee.

Recommendation – For the benefit of the County and its employees, the County should consider establishing written job descriptions for each employee delineating specific duties, reporting relationships, and constraints. Please have the County Attorney address this.

Response – We will consult with the County Attorney as to the need for written job descriptions.

Conclusion – Response accepted. Please do discuss this with the County Attorney.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

II-D-04 Written Disaster Recovery Plan & Prevention Review – The County does not have a written disaster recovery plan. Prevention controls need to be reviewed.

Recommendation – A written disaster plan should be adopted and written confirmations obtained from suppliers for quick replacements. Prevention controls (example: smoke detectors should be in all buildings for fire prevention and detection) should be reviewed for adequacy at all County locations.

Response – We are currently in the process of finalizing a written disaster recovery plan. We will review our prevention controls and take the necessary steps that are deemed needed.

Conclusion – Response accepted.

II-E-04 Capital Assets – During our audit, we came across capital asset transactions that had not been recorded properly to the detailed subsidiary capital asset records. Capital assets are not being marked for identification purposes.

Recommendation – In order to facilitate the maintaining of accurate and complete capital assets records, each County office should be responsible for assisting the Auditor’s Office with adjusting their office’s capital assets records on a perpetual basis.

On a yearly basis, an independent person should be responsible for verifying the existence of the capital assets under each office’s control. Any capital assets disposed of or sold should be adequately documented. Capital assets should be marked for identification purposes to assist in the existence and accountability functions.

Response – We are in the process of fine tuning the continual recordkeeping for capital assets. We will stress the need for security over capital assets.

Conclusion – Response accepted. Please continue to work on these issues.

II-F-04 Off-Site Storage of Data – All County offices should have as a standard policy or procedure the off-site storage of computer backup data, especially for any data not backed up as part of the mainframe computer system. All offices should consider the need to store copies of critical manual records off-site.

Recommendation – Critical manual records should be stored at an off-site location. Computer backups need to be done for all important computer data on a regular basis and this backed up data should be stored at an off-site location.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Response – We will have each office evaluate this recommendation and attempt to implement accordingly.

Conclusion – Response accepted. Please do have each office consider this.

II-G-04 Job Rotations – Financial personnel’s duties are not always rotated for a period of time each fiscal year.

Recommendation – The County should consider the need for financial personnel to annually take a minimum amount of vacation time and each person’s duties should be done by another employee when a person is on vacation.

Response – We will have each department consider this.

Conclusion – Response accepted. Please do have each department consider this.

II-H-04 Meal Charges – Some employee meal reimbursements and meal charges on County credit cards were allowed upon submitting a copy of a credit card slip without any additional supporting documentation (example: the actual bill).

The County does not have any written policies on business related meals.

Recommendations – All credit card charges and employee reimbursements for meals should be supported by an actual receipt that supports the charge/reimbursement in detail.

The County should consider establishing a written policy on limitations for business related meals. The County should take into consideration public purpose criteria when setting the limitations.

Response – We will stress to employees the need to submit the actual receipts and address the meal limitations.

Conclusion – Response accepted. Please make sure these issues are properly addressed.

II-I-04 Vehicle Usage/Fuel Test – When using County credit cards for fueling, the vehicle’s identification and the mileage at the time of fueling are not noted on the credit card receipt. Vehicle mileage should be compared to fuel consumption on a regular basis.

Recommendations – When using County credit cards for fueling, the vehicle’s identification and the mileage at the time of fueling should be noted on the credit card receipt. Mileage logs should be kept on each vehicle and tested against the fuel charged to each vehicle to verify reasonableness.

Response – We will have the appropriate departments address this.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Conclusion – Response accepted. Please make sure the appropriate departments do consider this.

II-J-04 Cellular Phone Policy – The County does not have a standard policy regarding limitations on use of cellular phones.

Recommendation – The County should strongly consider adopting a policy that sets parameters for use of cellular phones.

Response – We are considering getting a countywide plan for cellular phones. We will set a standard policy regarding use of cellular phones.

Conclusion – Response accepted.

II-K-04 Information Systems – During our review of internal control, the existing control activities in the computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the computer based systems were noted:

There are no written policies for:

- automatic log-off provisions when left unattended for a period of time. Upon log-off, the user should have to again enter a password to re-access information.
- requiring password changes because the software does not require the user to change log-ins/passwords periodically.
- requiring all computer users to set up passwords to limit access to certain software programs.
- requiring password length to be set at a minimum of at least six characters.
- maintaining a security awareness program. Programs should be scanned against the anti-virus software before being loaded on the system. Downloaded files from bulletin boards and the Internet should be scanned before uncompressing or opening the files.

Recommendation – Written policies should be developed addressing the above procedures in order to improve the control over computer based systems.

Response – We will evaluate this recommendation.

Conclusion – Response accepted. Please attempt to implement these recommendations.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

II-L-04 Payroll Approval – The payroll time cards for the County Extension Office for the January 31, 2004 payroll were not signed by the Extension director as being reviewed.

Recommendations – All employees’ time cards should be signed as reviewed by the Extension director before payroll can even be processed.

Response – This was an oversight by the director. We will make sure all time cards get reviewed before payroll processing is done in the future.

Conclusion – Response accepted.

II-M-04 Assessor’s Office Claims – There is no documentation that the Conference Board or any Conference Board member is reviewing the Assessor’s Office claims.

Recommendations – In order to provide an additional level of control and ensure accountability, procedures should be established to ensure Assessor’s Office claims are being reviewed before payment by the Conference Board, a Conference Board member or an independent person appointed by the Conference Board. Evidence of the review of the claims needs to be documented (example: initialed by the reviewer).

Response – We will have the Assessor’s Conference Board address this recommendation.

Conclusion – Response accepted.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No reportable conditions were reported.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-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, except for deposits at Premier Bank. The maximum amount of \$1,500,000 was exceeded from February 2004 to June 2004 by approximately an average of \$2,000,000.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – We will have the Board of Supervisors increase the maximum authorized deposit amount at Premier Bank.

Conclusion – Response accepted.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the non-program current function before the budget was properly amended. Disbursements in five departments exceeded the amounts appropriated before the departmental appropriations were formally allocated to the departments or the appropriation amounts were properly increased.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Department appropriations should be awarded before disbursements exceed the appropriated amounts in accordance with Chapter 331.437 of the Code of Iowa. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be allocated and changed before being exceeded in the future.

Conclusion – Response accepted.

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

IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted. However, please see “Finding Related to the Financial Statements: II-H-04” for a possibly related comment.

Lyon County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2004

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

Name, Title and Business Connection	Transaction Description	Amount
Roberta Hodgson, Sister of Ed Hodgson, Sheriff's Deputy, Owner of Quality 1 Graphics	E911 sign lettering	\$ 5,272
Jerry Smit, Husband of Jennifer Smit, Auditor's Office Clerk	Custodial services	10,850
Randy Koll, Husband of Kandi Koll, Nurse Administrator, Owner of Kern's Electric	Electrical work, repairs and supplies	122
Art Van Otterloo, Uncle of Craig Van Otterloo, Conservation Director, Owner of Art's Electric, Inc.	Supplies	99
Todd Reinke, Conservation Board Member, Owner of Todd's True Value	Supplies	1,208
Arthur Flier, Husband of Roberta Flier, Dispatcher	Snow removal	2,360

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Kern's Electric, Art's Electric and Todd's True Value do not appear to represent conflicts of interest since the total transactions with each were less than \$1,500 during the fiscal year. The transactions with Quality 1 Graphics, Jerry Smit and Arthur Flier do not appear to represent conflicts of interest since the transactions were entered into through competitive bidding.

IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. However, the bond coverage amounts have not been changed in many years and there is no documentation to support that the coverage has been reviewed for adequacy.

Recommendation – The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations and meets statutory provisions in all respects.

Response – We will review bond coverages for adequacy and statutory compliance.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Conclusion – Response accepted. Please do review your surety bond coverage for adequacy and statutory compliance.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board of Supervisors minutes but were not. However, the minutes of the Board’s April 5, 2004 meeting were never published.

Recommendation – The Board of Supervisors minutes for all meetings should be published in accordance with Chapter 349.18 of the Code of Iowa.

Response – This was an oversight. We always attempt to publish the Board minutes as required and will do so in the future.

Conclusion – Response accepted.

IV-H-04 Deposits and Investments – The County complied with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy except for the improper allocation of interest to the Sheriff’s Asset Forfeiture Fund.

Recommendation – Except as specifically provided by Chapter 12C.7 of the Code of Iowa, interest earned on investments should be credited to the General Fund. The Sheriff’s Asset Forfeiture Fund does not meet one of the statutory exceptions in order to be receiving interest earnings.

Response – We will implement your recommendation immediately.

Conclusion – Response accepted.

IV-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).

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

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

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

The County Extension needs to review the “Findings Related to the Financial Statements” for reportable conditions that related to the Extension or could improve the Extension’s internal control also.

We noted that all of the checks issued in June 2004 were never approved in the Extension Council’s minutes. One employee who was given a credit card never received authorization to receive a credit card from the Council in the minutes as all the other employees did.

All employees should be covered by a surety bond. There is one employee that is not included under the surety bond coverage.

Recommendations– All checks issued should be approved by the Extension Council in the minutes. Credit cards should only be issued to those authorized in accordance with the Council’s directives.

The Council needs to strongly consider making sure all employees are covered under the Extension’s surety bond policy.

Response – We will implement your recommendations.

Conclusion – Response accepted.

IV-K-04 Joint E911 Service Board Minutes – There is no notation in the Joint E911 Service Board minutes that the claims were approved as issued since the last meeting.

Recommendation – A list of all claims that have been paid since the last meeting should be included as part of the minutes. Any concerns/comments regarding the claims paid should be included as part of the minutes.

Response – We will attempt to have this Board comply with your recommendation.

Conclusion – Response accepted.

IV-L-04 Internal Revenue Service Reporting Compliance – The County is currently not reporting on employees’ W-2s the non-cash taxable fringe benefit for any personal use, including commuting, of County provided vehicles that do not qualify as non-personal use vehicles in accordance with Internal Revenue Service standards.

Recommendation – The County should be determining the actual value of this fringe benefit for each employee and include this taxable value on the employee’s W-2 income.

Response – We will evaluate this compliance issue.

Lyon County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Conclusion – Response accepted. The County should comply with the Internal Revenue Service Code.

IV-M-04 CEBA Loan Agreement – The County is a conduit participant in a CEBA loan between the Iowa Department of Economic Development and a local business. Contrary to what the CEBA loan agreement states, the County has been informed by a CEBA project manager that the County's only responsibility is to monitor the payments made by the company.

Recommendation – The County needs to receive written confirmation from the Iowa Department of Economic Development that the County's only requirement to be considered in good standing with the CEBA loan agreement is to monitor the payments made by the Company. This written confirmation could be critical if the company defaults on the loan.

Response – We will continue to attempt to receive this confirmation in writing.

Conclusion – Response accepted.

IV-N-04 County Treasurer's Report – The County Treasurer's report of receipts, disbursements and ending cash balances, including the checks outstanding at June 30, 2004, did not properly report the County TIF Fund as its own separate fund.

Recommendation – The County Treasurer's report of receipts, disbursements and ending cash balances, including the checks outstanding against each fund, needs to be published listing each separate fund in accordance with Chapter 349.16(3) of the Code of Iowa.

Response – We misinterpreted what kind of fund the Count TIF Fund is. We will publish this report properly in the future.

Conclusion – Response accepted.

IV-O-04 Tax Sale Certificates – The County is not destroying tax sale certificates and all associated tax sale records after ten years have elapsed.

Recommendation – The County should comply with Chapter 331.552(34) of the Code of Iowa and destroy all tax sale certificates and all associated tax sale records after ten years have elapsed from the end of the fiscal year in which the certificate was redeemed/cancelled.

Response – We will implement this recommendation.

Conclusion – Response accepted.

Lyon County

Staff

This audit was performed by:

David De Noble, CPA, Senior Auditor
Myron Siebrecht, CPA, Senior Auditor
Robert Ferreira, CPA, Assistant Auditor
James Fisher, Assistant Auditor
Jerry Stubbe, Assistant Auditor

Siebrecht Spitler & De Noble PC
Certified Public Accountants