

**TAMA COUNTY**

**Independent Auditors' Reports  
Basic Financial Statements and Supplementary Information  
Schedule of Findings**

**June 30, 2004**

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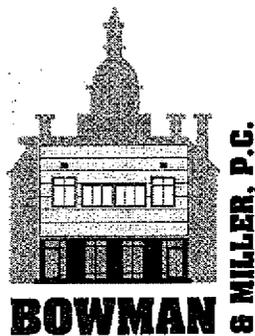
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# Tama County

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Keith Sash	Board of Supervisors	January 2005
James Ledvina	Board of Supervisors	January 2005
Larry Vest	Board of Supervisors	January 2007
John A. Adams	County Auditor	January 2005
Sandra K. Fowler	County Treasurer	January 2007
Marlene Thiessen	County Recorder	January 2007
Dennis Kucera	County Sheriff	January 2005
Brent D. Heeren	County Attorney	January 2007
Beth Weeks	County Assessor	January 2005



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366  
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com  
Elizabeth A. Miller, CPA • beth@syscompia.com  
Debra J. Osborn, CPA • deb@syscompia.com  
Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report

To the Officials of Tama County:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Tama 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 accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2004 on our consideration of Tama County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 19 and 47 through 50 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 supplementary information. We did not audit the information and express no opinion on it.

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

*Bowman and Miller, P.C.*

October 19, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Board of Supervisors of Tama County will now provide a Management's Discussion and Analysis to accompany Tama County's 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 the analysis.

This new reporting standard began last year with the 2003 fiscal year report so readers will be able to compare year to year trends more easily from now on. This narrative will help explain the County's financial position and discuss the financial results of its operations.

The Financial Reporting Procedures adopted by Tama County reflect the implementation of the Governmental Accounting Standards Board (GASB) Statement 34 which established new requirements for annual financial reports for state and local governments. GASB 34 was developed nationally to promote uniformity in reporting standards. Hopefully, the new reporting format will make annual reports easier to understand and more useful to the people who use governmental financial information such as managers, legislative officials, creditors, financial analysts, citizen groups and the general public. The minimum required financial presentation under GASB 34 includes the five (5) following criteria:

### **2004 FINANCIAL HIGHLIGHTS**

County revenues from other governmental sources (State grants and reimbursements and local governmental reimbursements ) increased \$392,681 from \$5,801,538 to \$6,194,219 or 6.8% from fiscal year 2003 to 2004. Property taxes increased \$188,064 or 3.6% from \$5,209,361 to \$5,397,425. Federal grants (\$364,380) remained about the same compared to last fiscal year. State Shared revenues decreased in fiscal year 2004 because the Community Development Block Grants (CDBG) for the Homeownership program were postponed until fiscal year 2005. The CDBG revenues (\$383,996) in fiscal year 2003 were identified with the State \ Federal Pass through revenues. This program was administered by Region Six Planning Commission for Tama County in fiscal year 2003 for improving 11 houses in participating cities in the county. During the second year of this program, another 11 houses for first time homeowners will be improved. The maximum allowed per house is \$24,999 with 10 percent matching funds provided by the participating city. Region Six is allowed to retain an administration fee.

County program expenses totaled \$12,708,852 in fiscal year 2004, an increase from \$12,051,238 in fiscal year 2003. This was an increase of \$657,614 or 5.46%. Of this total, Secondary Road Fund expenses increased \$754,631 from \$4,646,408 in fiscal year 2003 to \$5,401,039 (16.24%). This increase is attributed to planned road projects that were delayed from the prior fiscal year.

The County's net assets were initially reported in fiscal year 2003 at \$17,195,261. These assets include capital assets used in governmental activities that are not current financial resources and, therefore, are not reported in the funds. The 2004 cost of assets is \$33,933,284 and the accumulated depreciation is \$15,704,640. This leaves a net capital asset value of \$18,228,644, an increase of \$1,033,383 for fiscal year 2004.

## **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tama 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 Tama 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 the County acts solely as an agent or custodian for the benefit of those outside of the government (Agency Funds).

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The 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.

Other Supplementary Information provides detailed information about the non-major special revenue and the individual agency funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *The Statement of Net Assets and the Statement of Activities*

Two questions can be asked in order to help determine the County's ability to plan its financial future. The first question, "Is the County prepared to provide the required and desired services to its citizens in accordance with sound fiscal policy?" suggests that the County's policy for providing services must be well funded to continue responsibly. Inadequate funding is a detriment to consistent and reliable services. The second question, "Is the County committed to continue this level of service while maintaining its sound fiscal responsibility to its employees and citizens?" recognizes the County has current obligations to support its programs. Increases or reductions in services should reflect the needs of the community as well as the citizens' ability and desire to fund the services. The second question also extends to the County's employees. Is the County prepared to attract, hire, and keep qualified personnel to satisfactorily administer the public service programs delivered to its citizens? To this end employees should be afforded a fiscally sound, reliable, and respectable employer that is able to meet its obligations and provide for a steady workplace in the future. The public also demands assurances from Tama County that it will responsibly plan and perform its activities in order to promote a stable community service base.

The following Statements of Activities and Net Assets report information about the County as a whole, and about its activities, which will assist in evaluating these questions. 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, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

#### *Fund Financial Statements*

The fund financial statement provides data and information about the major funds individually and the non-major funds in the aggregate.

The County has three groups of funds: Governmental, Proprietary and Fiduciary.

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending during the following fiscal year. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

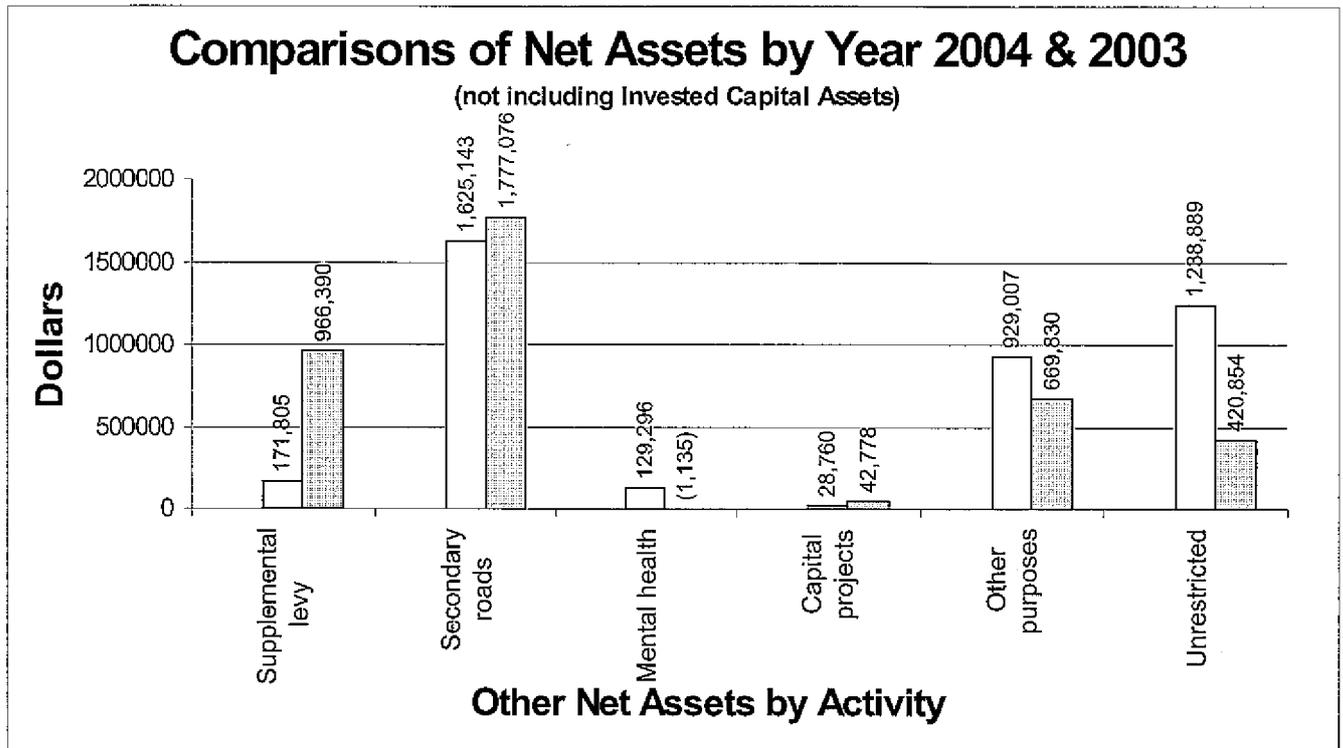
2) Proprietary funds account for the County's Internal Service Funds, Employee Group Health Insurance and Risk Pool Insurance. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management agency, E911, economic development, empowerment board, county assessor and the landfill commission to name a few. The fiduciary funds required financial statements include a statement of fiduciary assets and liabilities. A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Assets

The year to year net asset reporting and changes in net assets of the County's governmental activities may serve as a useful indicator of the County's financial position. The County's combined net assets include capital assets and other assets identified by activity. Investment in capital assets in fiscal year 2004, net of related debt, is \$18,214,765. Other net assets are listed by activity in the chart below:



### Capital Assets

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The County's capital assets were initially reported in the fiscal year 2003 audit. The 2004 cost of assets is \$33,933,284 and the accumulated depreciation is \$15,704,640. This leaves a net capital asset value of \$18,228,644.

Fiscal year 2004, Tama County reports \$18,214,765 in net capital assets (after depreciation and related debt) representing the amount of value for the County's infrastructure. These capital assets (land, roads, roadsides, and buildings) have been purchased over several decades and are now being reported as part of the County's financial operation in accordance with GASB Statement 34. Increases or decreases in capital asset values will allow the management and the public to compare variations in quality over time. Construction and re-construction of capital assets such as roadways can add to the net asset value base.

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. 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 the governmental activities in the statement of activities.

Long-term liabilities, including lease purchase agreements and compensated absences, are not due and payable in the current period, and therefore, are not reported in the funds.

Unrestricted net assets are net assets that can be used to finance day-to-day operations without constraints relating to legislation, general obligation bonds, or other legal requirements. Funds used to purchase major equipment or construct roadways are budgeted annually for ongoing infrastructure enhancements to lengthen the useful life of the County's capital asset investments. The County adopts a new 5 year road construction plan each year to recognize the current needs for road maintenance and bridge replacement.

The Secondary Road fund increased its expenditures for roadway construction in fiscal year 2004 to \$476,092 compared to \$341,598 in this category of the fund last fiscal year. Ongoing commitments to construction dollars from the Secondary Road fund may vary depending upon the availability of other funds from the State and from the Iowa Department of Transportation farm-to-market account.

**REVENUES**

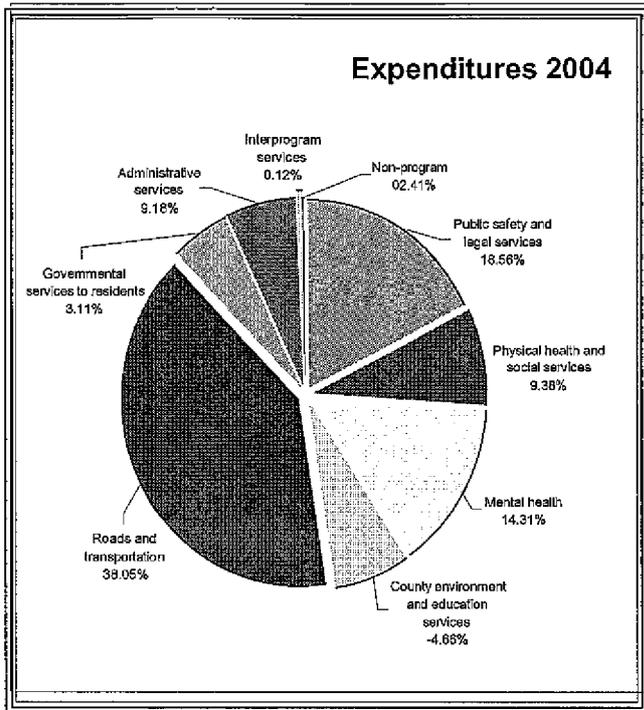
County revenues are described in categories noted in this audit as property tax; interest and penalty on property tax; charges for services, operating grants, capital grants and unrestricted investment earnings. The table below can be used as a comparison for the significance and change of each type of revenue.

<b>Revenue Activity</b>		
	June 30,	
	2004	2003
Revenues:		
Program Revenues:		
Charges for services	\$ 1,971,120	1,689,962
Operating grants, contributions and restricted interest	4,539,222	4,082,455
Capital grants, contributions and restricted interest	238,002	404,871
General Revenues:		
Property tax	5,572,846	5,215,907
Penalty and interest on property tax	57,401	63,028
State tax credits	377,406	383,171
Local option sales tax	356,360	-
Grants and contributions not restricted to specific purpose	13,274	11,704
Unrestricted investment earnings	70,303	88,182
Other general revenues	(14,327)	162,212
Total revenues	<u>\$ 13,181,607</u>	<u>12,101,492</u>

The County on July 1, 2003 began collecting local option sales tax, which accounted for an additional \$356,360 in revenue in fiscal year 2004. The increase in charges for services was due primarily to increases in the sheriff's office including additional contract law enforcement charges and additional civil fees collected. The increase in operating grants is due to a state payment to the Mental Health Fund for allowable growth in the amount of \$388,459. The amount received in fiscal year 2003 was \$181,699.

## EXPENDITURES

The County's budget for expenditures is defined by areas of service as required by the State of Iowa. The services categorized in the county budgets are Public Safety and Legal Services; Physical Health and Social Services; Mental Health; County Environment and Education; Roads and Transportation; Government Services to Residents; Administration; Non-program; and Capital Projects. The chart below can be used as a quick comparison for the significance of each type of service area expense.



Expenditures largely represent statutorily required services provided by county government for the State of Iowa. The Roads and transportation portion of the budget (38.05%) represents one of the most visible of county services, and predictably the most used. The rural transportation system is at the heart of the agricultural community in Iowa.

Public safety and legal services (18.56%) provides for law enforcement and court related activities. Several local communities including the Sac and Fox Settlement contract for patrol services.

Mental health (14.31%) is an activity supported largely by State shared revenue. The county's share of support (38%) is supplied by property tax. Local health programs (8%) are also largely supported by fees charged to customers utilizing nursing care and related services. In addition to private fees, federal funds are also received for services to eligible clients. Other health related grants from the State also help support ongoing programs for families and the elderly.

The following table compares expenses between fiscal years 2004 and 2003. Expenses are listed by service activity area.

Expenditure Activity	June 30,	
	2004	2003
<b>Program Expenses:</b>		
Public safety and legal services	\$ 2,201,811	\$ 2,078,815
Physical health and social services	1,112,427	1,075,469
Mental health	1,697,332	1,726,460
County environment and education	552,428	845,003
Roads and transportation	4,514,406	5,621,477
Government services to residents	409,276	375,802
Administration	1,088,909	987,167
Non-program	287,032	304,624
<b>Total expenditures</b>	<b>\$ 11,863,621</b>	<b>\$ 13,014,817</b>
<b>Increase (decrease) in expenses over prior year</b>	<b>\$ (1,151,196)</b>	<b>\$ 925,054</b>

Most of the increase in expenditures is due to capital projects and road construction. The remaining increase is largely due to wages, and other inflationary factors.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **General Fund**

The General Fund is the operating fund of Tama County. It is used to account for most financial resources. The Rural Services Fund, Mental Health Fund, and Secondary Road Fund are legally required to be separate funds for accounting and auditing purposes.

The General Fund is comprised of two separate funds, the General Basic and the General Supplemental. The General Basic has a maximum levy rate of \$3.50 per \$1,000 of taxable valuation. The General Supplemental fund is for specific uses as defined in Section 331.424 of the *Code of Iowa*. If the General Fund has reached its levy limit the County may use the General Supplemental Fund to budget for certain expenditures deemed to be mandated services or to budget for employee benefits. General Supplemental Fund activities include providing court facilities, court related expenses, juvenile court services, juvenile detention and shelter care services, elections and voter registration, employee health insurance benefits, unemployment insurance, and tort liability and property insurance. In fiscal year 2003, the General Fund received \$2,789,859 or 55.6% of the total property taxes received. In fiscal year 2004, the Board of Supervisors levied \$3,175,675 in property tax dollars to help cover a \$5,193,678 General Fund budget. This 13.8 % tax increase in the General Fund represents all of the total increase in taxes for all funds in fiscal year 2004. This increase was largely due to an increase in employee health insurance benefits. Projected reductions in the county's taxable valuation for the General Fund may require the Board to budget for other allowable expenses in the General Supplemental Fund for fiscal year 2005 and 2006.

Legislation adopted during the 1998 legislative session, Senate File 2416, removed the property taxation valuation for gas and electric utilities and changed the way gas and electric utility companies are taxed. The property taxes have been replaced with a "Utility Tax Replacement Excise Tax" based upon energy delivered. Fiscal year 2001 was the first year that the legislation was in effect. Dollars apportioned to counties could be limited by the State's budget constraints. Any loss of excise taxes from the State for gas and electrical utilities is a direct shift of property taxes to other classes of property. The General Fund received \$104,196 in excise tax in fiscal 2002 and \$102,259 in fiscal year 2003. In fiscal 2004, the General Fund received \$102,036 in excise tax.

A combined year-end balance in the General Fund and General Supplemental Fund of \$1,154,859 was reported in the audit for fiscal 2003, a decrease of 29% from the prior year actual fund balance. This reserve represents about 18% of budgeted expenditures for fiscal 2004, a lower than anticipated level planned over the past three years. This unexpected decrease was largely due to health insurance costs for employees. A budgeted increase of \$394,012 in property taxes represents the plan to grow the balance by \$80,000 for fiscal 2004 with a year-end fund balance reported at \$1,106,927 or 21.8% of expenditures. Future additions to property taxes are planned in order to reach a 25% fund balance reserve in the fund by fiscal year 2005 or 2006. In the six (6) fiscal years 1999 to 2004, the ending fund balances vs. percent of actual expenditures were \$2,365,299 (59.26%), \$2,069,281 (44.5%), \$1,326,052 (28.8%), \$1,406,174 (30.5%), \$1,093,049 (20.8%) and 1,106,927 (21.8%) respectively.

Increases or decreases to the budgeted fund balance for the General Basic and General Supplemental funds will be limited to the amount necessary to maintain the targeted fund balance. An adequate fund balance is necessary for proper cash flow at the beginning of the new fiscal year and for contingency purposes in accordance with the County's financial policies.

The County's capital improvement plan to existing facilities is limited to projects related to building security, technology, remodeling and normal maintenance. In the fiscal 2004 budget process, this funding was reduced to \$19,000 in the General Fund due to budget constraints related to increased health insurance costs. A few small projects are planned for 2005.

For accounting purposes, the County has established special revenue funds to report the revenues, transfers, and expenditures for some maintenance and equipment budgets. For fiscal year 2004, the Board budgeted \$50,000 for technology maintenance and enhancements. The County used the Sheriff's Security Services Fund for most repairs to the jail and jail roof replacement during fiscal year 2004. Remodeling of the South Annex building was delayed due to unexpected reductions in the General Fund ending balance. However, the Board of Supervisors plans to replace the main furnace in the South Annex in fiscal year 2005.

The annual transfer from the General Basic fund to the Secondary Roads fund was \$123,027 for fiscal 2004, based on the formula provided in the *Code of Iowa*. The budgeted transfer for fiscal year 2005 is \$115,169. The Board intends to levy the maximum allowed dollars each year from the General Fund for its support of the Secondary Road Fund. In fiscal 2005, the agriculture land values will be reduced by 13.68% due to an equalization order imposed by the State Department of Revenue. This reduction will reduce the amount of funds that can be transferred to the Secondary Road Fund from the General Fund by approximately \$8,000.

### **Special Revenue Funds**

Special Revenue Funds are used to account for the specific budgeted revenues and expenditures not identified as a general county administration or programs that are restricted by State statute for specified purposes. Special revenue fund balances are combined for reporting and auditing purposes. However, the activity represented by each special revenue fund is distinct and unrelated. The MH-DD fund and the Rural Services fund are the only special revenue funds that have a separate tax levy. Each special revenue fund is also audited for its particular function. A brief description of the major special revenue funds follows.

**1. The MH/DD Services Fund** is used to provide mental health, mental retardation, and developmental disabilities services to county residents as defined in Section 331.424A of the *Code of Iowa*. The single entry point of process (Section 331.440, *Code of Iowa*) for persons applying for MH/DD services is administered by the county's Central Point of Coordination office (CPC). The CPC is responsible for using the available dollars to serve individuals diagnosed with mental illness, mental retardation, or developmental disabilities. When costs for services exceed the estimated budget, the CPC authorizes a waiting list for client applications until additional funding becomes available.

The MH/DD Fund is limited by State statute in the amount of significant revenue that it may receive. State funding requirements for fiscal 2003 stipulate that county MH/DD ending fund balances must not exceed 10% of expenditures on an accrual basis. Tama County's base year property tax relief is \$548,319. This is a State appropriation. The property tax relief funding will save residents \$0.75 per thousand on their property tax bills in fiscal years 2003 and 2004.

The maximum property tax levy is \$568,799. State funds received in excess of the \$1,117,118 base year expenditure limit for MH/DD Fund (a combination of the State's property tax relief payment and County property taxes levied) is provided as community service grants and allowable growth funding from the State. Fees charged for case management and supported employment offset direct and indirect costs associated with these services. State funds for the allowed growth factor adjustment addresses the costs associated with new clients, service cost inflation, and investments for economy and efficiency. In developing the service cost inflation recommendation, the State considers the cost trends indicated by the gross expenditure amount reported in the County's annual expenditure report. The County becomes eligible for allowable growth funding when the ending balance is less than 10 percent.

The Board of Supervisors has determined that the MH/DD fund balance must be adequate to begin the new fiscal year and stay within the State's guidelines. The desired ending balance is estimated to be \$170,000 (or about 10% of expenditures). If the ending balance is projected to be considerably lower than the 10% level, the CPC must reduce expenditures that are not supported by service fees or grants. In recent years the CPC has initiated a waiting list for client applications for services. Fiscal year 2002 ended with an accrual balance of \$127,047 (8%); fiscal year 2003 ended with an accrual balance of \$3,495 (0.2%); fiscal year 2004 ended with an accrual balance of \$137,152 (8.1%). The 2005 MH/DD Fund ending fund balance is projected to be \$97,936 (5.6%).

During fiscal year 2003, the CPC began to provide supported employment services to Marshall County through a 28E agreement. A similar service agreement has been expanded to serve clients in Poweshiek and Hardin counties in 2004 (fiscal year 2005). Providing services to other counties was not intended to supplement revenues for Tama County's MH/DD Fund. The CPC and Board of Supervisors were concerned that any increase in the fund balance, as a result of revenues from providing supported employment and job coaching services to other counties, would cause the fund balance to be artificially overstated. This overstatement would thereby reduce the county's portion of allowable growth dollars appropriated by the State for counties with fund balances reported at less than ten (10) percent of expenditures. Providing services to other counties' clients was not intended to harm Tama County. After discussions with the State of Iowa in 2004, counties can now isolate out-of-county service programs, such as Tama County's supported employment program, into a separate fund. The separate fund allows Tama County's MH/DD Fund to be considered for its proper portion of State shared revenues when such revenue is based on the ending fund balance.

**2. The Secondary Road Fund** receives funds from the State's Road Use Tax Fund (RUTF) and transfers from the County's General Fund and Rural Fund for the majority of its operating budget. Construction and maintenance of secondary roads and bridges are the main services provided by the fund. The year-end balance can vary widely from year to year depending on the expenses related to winter weather snow removal. The fiscal year end at June 30<sup>th</sup> also occurs in the middle of the construction season. This seasonal timing can vary the amount of funds on hand at the end of the fiscal year. The Board anticipates adjustments to expenditure line items and construction projects toward the end of the fiscal year. Major adjustments are authorized by budget amendment procedures to comply with State statutes. Beginning with fiscal year 2003 Tama County will report values for infrastructure assets to comply with Governmental Accounting Standards Board Statement 34 (GASB 34).

This new reporting requirement is used to estimate depreciated values for the County's infrastructure (i.e. - real estate, buildings, public roads, bridges and other road structures) attributable to Tama County's secondary road activities.

The maximum levy amount transferred from the General Fund cannot exceed the equivalent of a property tax of sixteen and seven-eighths cents (\$.16875) per thousand dollars of assessed value on all taxable property in the County. The maximum levy amount from the Rural Services Fund cannot exceed the equivalent of a property tax of three dollars and three-eighths cents (\$3.00375) per thousand dollars of assessed value on property located in the unincorporated area of the County.

For fiscal year 2004, \$123,027 was transferred from the General Fund and \$1,571,532 was transferred from the Rural Services Fund. This represents the maximum allowable operating transfers from the General Fund and the maximum allowable operating transfers from the Rural Services Fund. The Board intends to levy the maximum dollars each year from the General Fund and Rural Service Fund for support of the Secondary Road Fund.

RUTF revenue is budgeted at \$3,045,363 in fiscal year 2005. In fiscal 2004 the Secondary Road Fund received \$3,018,909; in fiscal 2003, \$2,839,501. The allocations from the State decreased in fiscal 2000 after the state legislature changed the distribution formula. A new formula has been offered for legislative approval in 2005 which is proposed to be a more predictable and equitable guide for distribution of the RUTF.

**3. The Rural Services Fund** tax levy is used to provide rural county services as defined in Section 331.428 of the *Code of Iowa*. The primary purpose of this fund is to provide for the transfer of funds to the Secondary Road Fund. Other uses include funding for rural services such as libraries, ambulance, road clearing, roadside vegetation management, road and bridge improvement projects (specifically those funded with Local Option Sales Tax revenue after fiscal year 2003), landfill support, township officer fees and weed control.

This levy is applied only to taxable property located in the unincorporated areas. The Rural Services Fund levy for fiscal year 2004 was \$1,888,038. This levy was applied against a rural taxable valuation base of \$507,994,338. In fiscal year 2005, \$1,418,189 was levied against \$466,758,301 in taxable rural valuation. The reduction in taxes in 2005 is due to the lower taxable valuation for agricultural land and the addition of the Local Option Sales Tax (LOST) to the Rural Services Fund.

Taxable value for agricultural land is computed on a five-year productivity average as opposed to actual market value. The reduction in rural taxable valuation in fiscal year 2001 is the result of a utilities tax legislation that removed the property tax levy on natural gas and electric utilities and replaced it with an excise tax based upon energy delivered. The County's fiscal year 2003 Rural Services Fund taxable valuation grew by 1.7% from the prior year. In fiscal 2005, the agriculture land values will be reduced by 13.68% due to an equalization order imposed by the State Department of Revenue. This reduction reduced the amount of funds transferred to the Secondary Road Fund from the Rural Services Fund by approximately \$200,000.

In fiscal year 2004, Tama County received its first local option sales and service tax revenues. The tax revenue will be used to support Rural Services Fund with property tax relief (50%), road and bridge improvement projects (35%), and other rural services (15%). The funds are receipted directly into the Rural Services Fund, reducing the reliance on property taxes for rural support of landfill, ambulance, weed control and road clearing.

### **Capital Projects Narrative**

Capital projects are budgeted in the General Fund and the Secondary Road Fund. The Conservation Board uses the General Fund for capital projects in the 0021 service area of the General Fund. Capital Projects Funds can be used as a policy making and management tool to facilitate the planning, scheduling and budgeting of public improvements for buildings and grounds over several fiscal years.

The Board established a Capital Improvements Fund to help finance building improvement projects based upon need and importance within the constraints of the County's ability to provide proper financing without borrowing money. Projects such as roads, bridges and certain conservation projects are not financed through the Capital Improvement Fund.

The Board of Supervisors adopted a strategic plan in 1997 to study the sufficient needs of office space for county officials and any related improvements to County buildings to improve efficiency. The administrative offices for the County Assessor, Auditor, Board of Supervisors, Recorder, and Treasurer (including a driver licensing station) were relocated in October 2000 to 104 W. State Street, Toledo. The court system and county attorney's office were moved into renovated offices and courtrooms in the courthouse. Improvements to the second floor of the courthouse are planned for the courtroom access area, jury room, waiting area, hallway and stairway.

Other considerations for capital improvements:

- A. Financial constraints including reductions in federal and state funding, property tax limitations and the impact of inflation can cause uncertainty in the capital improvement planning process during the years in which projects are scheduled to be financed.
- B. A Capital Projects Fund should be used to maintain the County buildings and grounds in order to protect the County's capital investments, minimize future maintenance and replacement costs while providing for an adequate level of service.
- C. Each fiscal year's capital improvement budget and projects should be based upon continued analysis of the improvement plan and approved annually by the Board of Supervisors after consultation with departments. Consideration of prioritized projects that would best enhance the County's facilities and services to the citizens of Tama County should be coordinated with other County programs and activities.
- D. Expenditures identified for the Capital Projects Fund must not exceed projected funding sources.

## **Debt Service Narrative**

The County does not currently have general obligation bond indebtedness. The County has not used the Debt Service Fund since 1988, after retiring general obligation bonds for the construction of a new care facility built in 1977. The construction of the county jail in 1989 was funded by capital loan notes with payments budgeted in the General Fund in accordance with Iowa statutes. The final notes for the jail facility were paid in fiscal year 2000.

In 2000, the County issued \$90,000 capital loan notes for computer and software related expenditures for the health department. The remaining debt will be paid in fiscal year 2005. Payments in fiscal 2004 were \$24,841.32. A lease agreement for computer equipment was obtained in November 2002 to fund a planned upgrade to the server and network connectivity in the Administration Building. The \$28,648.89 lease will be paid over three years. The annual payments are made in February 2003: \$9,549.63; 2004: \$9,549.63; and 2005: \$9,549.63.

## **Other Non-major Special Revenue Funds**

### **Recorder's Records Management Fund (331.605A - Document management fee)**

In 1993, the Iowa Legislature created a County Recorder's Records Management Fund for the purpose of preserving public records. The legislation requires that a \$1.00 fee per each recorded instrument be deposited into this fund. The fees collected, along with the interest earnings, are to be used for the enhancement of technological storage, retrieval, and transmission capabilities related to archival quality records. The Recorder collects about \$4,500 to \$5,300 annually for these fees. The Recorder purchased computer equipment and software for \$13,786 in fiscal 2003. Future purchases will include scanning equipment and related software.

### **Land Acquisition and Development Fund (formerly the Conservation Reserve Fund)**

Upon request of the County Conservation Board, the Board of Supervisors established a reserve for county conservation land acquisition and capital improvement projects as provided in section 350.6 of the *Code of Iowa*. The Board of Supervisors periodically credits money to the LAD Fund at the request of the Tama County Conservation Board. The balance in the fund was \$180,400 at the end of fiscal 2004. The Board has transferred \$14,400 each year, from 1996 to 2004, into the fund for the County's share in a project to remove silt from Otter Creek Lake. This project is not yet budgeted.

### **Conservation Resource Enhancement and Protection (REAP) Fund**

The Iowa Resources Enhancement and Protection Fund was created pursuant to section 455A.18 of the *Code of Iowa*. A portion of the State funds is allocated to Iowa county conservation accounts. Thirty percent of that amount is allocated equally to each county, thirty percent is allocated to each county on a per capita basis and forty percent is held in an account to award selected projects on a competitive grant basis. Funds may be used for land purchases, capital improvements, stabilization and protection of resources, repairs and upgrading of facilities, environmental education and equipment; however, the State de-appropriated the REAP funds in fiscal year 2003. The balance of the fund at June 30, 2003, was \$63,254. Some of the county funding has been reinstated for 2004 and Tama County received \$10,815 plus interest to bring the balance to \$75,0512 as of June 30, 2004.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Tama County Administration Building, 104 West State Street, P.O. Box 61, Toledo, Iowa, 52342.

## GLOSSARY OF TERMINOLOGY

The following is a listing of terms and their definitions that were used throughout this discussion.

**Accrual Basis:** The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and other circumstances occur rather than only in the periods in which cash is received or paid by the government.

**Appropriation:** An authorization made by the Board of Supervisors which permits the County to incur obligations and to make expenditures of resources.

**Appropriation Resolution:** The official enactment by the Board of Supervisors to establish legal authority for County officials to obligate and expend resources.

**Assessed Valuation:** A value that is established for real or personal property for use as a basis for levying property taxes. (Note: Property values are established by the County Assessor.)

**Audit:** A comprehensive investigation of the manner in which the government's resources were actually utilized. A financial audit is a review of the accounting system and financial information to determine how government funds were spent and whether expenditures were in compliance with the legislative body's appropriations.

**Balance Sheet:** A financial statement that discloses the assets, liabilities, reserves and balances of an entity at a specified date in accordance with GAAP.

**Bond:** A written promise to pay a sum of money on a specific date at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond resolution. The most common types of bonds are general obligation and revenue bonds. These are most frequently used for construction of large capital projects, such as buildings, park improvements, roads and bridges.

**Budget:** A financial plan for a specified period of time (fiscal year) that matches all planned revenues and expenditures with various County services.

**Budget Amendment:** A legal procedure utilized by the Board of Supervisors to revise a budgeted service area expenditure appropriation. The Code of Iowa also requires Board approval through the adoption of a resolution for any inter-departmental or inter-fund adjustments.

**Budget Calendar:** The schedule of key dates or events which County departments and authorized agencies follow in the preparation, adoption, and administration of the budget.

**Budget Document:** The instrument used by a county department to request or present a proposed budget program to the Board of Supervisors prior to final budget preparation.

**Budgeted Funds:** Funds that are planned for certain uses and have been legally appropriated by the Board of Supervisors after the annual budget is adopted.

**Budget Message:** A general discussion of the budget presentation written by the Board of Supervisors, or budget officer as part of a budget document. The budget message contains an explanation of the primary issues addressed in the budget process, expectations of the County budget resources to support expenditures along with information related to changes from the previous fiscal year, such as health insurance premiums, and other inflationary considerations.

**Budgetary Control:** The control or management of a governmental unit or enterprise in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

**Capital Improvement Plan:** A separate plan from the operating budget is included in the annual budget preparation for construction projects designed to improve the value of the government assets. Examples of capital improvement projects include new roads, new buildings, recreational facilities, and major renovations or remodeling to existing buildings.

**Cash Basis:** A basis of accounting in which transactions are recorded when cash is either received or disbursed. The budget document is prepared on the cash basis. The annual audit is prepared on the modified accrual basis of accounting for governmental and agency funds and the accrual basis for proprietary funds.

**Cash Management:** The management of cash necessary to pay for government services while investing temporary cash excesses in order to earn interest revenue. Cash management refers to the activities of forecasting the inflows and outflows of cash, mobilizing cash to improve its availability for investment, establishing and maintaining banking relationships, and investing funds in order to achieve the highest interest while maintaining safety of capital and liquidity.

**Current Taxes:** Taxes that are levied and due within one year.

**Debt Services:** The County's obligation to pay the principal and interest of all bonds and other debt instruments according to a pre-determined payment schedule.

**Delinquent Taxes:** Taxes that remain unpaid on and after the date on which a penalty for non-payment is attached.

**Department:** A major administrative division of the County which indicates overall management responsibility for an operation or a group of related operations as defined by Iowa law or county ordinance.

**Disbursement:** Payment in cash.

**Estimated Revenue:** The amount of projected revenue to be collected during the fiscal year. Certain types of revenue offset similar expenses and are budgeted accordingly by the department with approval by the Board of Supervisors. The Board does not have to amend the budget for additional revenue the County receives in excess of revenue projections.

**Expenditure:** This term refers to the decreases in net financial resources such as for an asset obtained or goods and services received. This term applies to all governmental funds. The Board must not exceed the approved expenditures that have been officially budgeted without an amendment authorizing the County to spend at a higher amount.

**Fiscal Year:** The time period designated by the County signifying the beginning and ending period for recording financial transactions. The State of Iowa has determined that County government shall operate on a fiscal year from July 1 to June 30.

**Fixed Assets:** Tangible assets of long-term character which are intended to continue to be held or used, such as land, buildings, machinery, furniture and other equipment.

**FTE:** Full-time equivalent; an authorized position equivalent to working 2,080 hours in a year.

**Fund:** An accounting entity that has a set of self-balancing accounts and that records all financial transactions for specific activities or government functions. Eight commonly used funds in governmental accounting are: general fund, special revenue funds, debt service fund, capital projects fund, enterprise funds, trust and agency funds, internal service funds, and special assessment funds.

**Fund Balance:** Fund balance is the excess of assets over liabilities and is therefore also known as surplus funds or cash reserves.

**Full Faith and Credit:** A pledge of the general taxing power of a government to repay debt obligations (typically used in reference to bonds).

**General Fund:** The fund used to account for all financial resources, except those required to be accounted for in another fund.

**General Obligation Bonds:** Bonds that finance a variety of public projects such as roads, buildings, and improvements; the repayment of these bonds is usually made from the Debt Service Fund, and are backed by the full faith and credit of the County.

**Generally Accepted Accounting Principles (GAAP):** Uniform minimum standards and guidelines for financial accounting and reporting. The primary authoritative body on the application of GAAP to the County is the Governmental Accounting Standards Board.

**Grant:** A contribution by a government or other organization to support a particular function. Grants may be classified as either categorical or block depending upon the amount of discretion allowed the grantee.

**Intergovernmental Revenue:** Revenue received from another government for a specified purpose.

**Internal Service Fund:** Funds used to account for the financing of goods or services provided by one department to another department on a cost reimbursement basis, such as self-funded insurance premiums and related activities.

**Levy:** To impose taxes, special assessments, or service charges for the support of County activities.

**Line-Item Budget:** A budget that lists each expenditure account (salary, materials, telephone service, travel, etc.) separately, along with the dollar amount budgeted for each specified category.

**Modified Accrual Basis:** The accrual basis of accounting adapted to the governmental fund-type measurement focus. Revenues and other financial resources increments are recognized when susceptible to accrual, that is, when they become both “measurable” and “available to finance expenditures of the current period.” “Available” means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred, except for inventories when the purchase method is used and prepaid insurance. All governmental funds are accounted for using the modified accrual basis of accounting.

**Operating Budget:** The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel.

**Operating Transfers:** All inter-fund transfers other than residual equity transfers (e.g., legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended).

**Property Tax:** Taxes levied according to the property's taxable value and the tax rate.

**Property Tax Credit:** A credit given against taxes on eligible property under the *Code of Iowa*.

**Property Tax Replacement:** Moneys apportioned by the state each year to replace all or a portion of the tax that would be due on property eligible for a credit under the *Code of Iowa*.

**Reserved Fund Balance:** Portion of a fund balance legally restricted for a specific purpose and is not available for general appropriation.

**Revenue:** Increases in net current assets other than expenditure refunds and transfers. It includes such items as tax payments, fees from specific services, receipts from other governments, grants, shared revenues and interest income.

**Risk Management:** All ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

**Special Revenue Fund:** A fund used to account for the proceeds of specific revenue sources, other than capital projects, that are legally restricted to expenditures for specified purposes. GAAP only requires the use of special revenue funds when legally mandated.

**Warrant:** An order drawn by the County upon the County Treasurer directing the Treasurer to pay a specified amount to the person named or to the bearer. A warrant is payable upon demand and circulates the same as a bank check.

Tama County  
Statement of Net Assets  
June 30, 2004

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 4,100,117
Receivables:	
Property tax:	
Delinquent	10,649
Succeeding year	6,248,732
Interest and penalty on property tax	22,962
Accounts	14,778
Due from other governments	439,847
Inventories	569,927
Capital assets (net of accumulated depreciation)	18,228,644
<b>Total assets</b>	<b>29,635,656</b>
<b>Liabilities</b>	
Accounts payable	540,751
Accrued interest payable	488
Salaries and benefits payable	155,159
Due to other governments	126,354
Deferred revenue:	
Succeeding year property tax	6,248,732
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	13,879
Compensated absences	212,628
<b>Total liabilities</b>	<b>7,297,991</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	18,214,765
Restricted for:	
Supplemental levy purposes	171,805
Secondary roads purposes	1,625,143
Mental health purposes	129,296
Capital projects	28,760
Other purposes	929,007
Unrestricted	1,238,889
<b>Total net assets</b>	<b>\$ 22,337,665</b>

Tama County  
Statement of Activities  
June 30, 2004

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:	\$			
Public safety and legal services	2,201,811	502,296	44,582	-
Physical health and social services	1,112,427	310,193	312,817	-
Mental health	1,697,332	164,673	1,099,566	-
County environment and education	552,428	34,916	43,562	-
Roads and transportation	4,514,406	288,613	3,038,433	238,002
Government services to residents	409,276	316,124	262	-
Administration	1,088,909	63,122	-	-
Non-program	287,032	291,183	-	-
Total	\$ 11,863,621	1,971,120	4,539,222	238,002

**General Revenues:**

Property and other county taxes levied for:

- General purposes
- Penalty and interest on property tax
- State tax credits
- Local option sales tax
- Grants and contributions not restricted to specific purpose
- Unrestricted investment earnings
- Gain (loss) on sale of property and equipment
- Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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Net (Expense)  
Revenue and Changes  
in Net Assets

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(1,654,933)  
(489,417)  
(433,093)  
(473,950)  
(949,358)  
(92,890)  
(1,025,787)  
4,151  

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(5,115,277)  

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5,572,846  
57,401  
377,406  
356,360  
13,274  
70,303  
(14,834)  
507  

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6,433,263  

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1,317,986

21,019,679  

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\$ 22,337,665  

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Tama County  
Balance Sheet  
Governmental Funds  
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,135,488	295,062	336,900	1,133,183
Receivables:				
Property tax:				
Delinquent	7,457	1,204	1,988	-
Succeeding year	4,282,081	548,462	1,418,189	-
Interest and penalty on property tax	22,962	-	-	-
Accounts	14,458	320	-	-
Due from other governments	86,057	39,900	-	310,939
Inventories	-	-	-	569,927
<b>Total assets</b>	<b>\$ 5,548,503</b>	<b>884,948</b>	<b>1,757,077</b>	<b>2,014,049</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 40,970	62,162	101	216,214
Salaries and benefits payable	65,711	12,164	8,856	68,428
Due to other governments	1,643	123,862	-	849
Deferred revenue:				
Succeeding year property tax	4,282,081	548,462	1,418,189	-
Other	51,171	1,146	1,978	-
<b>Total liabilities</b>	<b>4,441,576</b>	<b>747,796</b>	<b>1,429,124</b>	<b>285,491</b>
Fund balances:				
Reserved for:				
Supplemental levy purposes	171,805	-	-	-
Unreserved, reported in:				
General fund	935,122	-	-	-
Special revenue funds	-	137,152	327,953	1,728,558
Capital projects fund	-	-	-	-
<b>Total fund balances</b>	<b>1,106,927</b>	<b>137,152</b>	<b>327,953</b>	<b>1,728,558</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,548,503</b>	<b>884,948</b>	<b>1,757,077</b>	<b>2,014,049</b>

Capital Projects	Nonmajor Special Revenue	Total
28,760	670,337	3,599,730
-	-	10,649
-	-	6,248,732
-	-	22,962
-	-	14,778
-	2,951	439,847
-	-	569,927
<u>28,760</u>	<u>673,288</u>	<u>10,906,625</u>
-	4,389	323,836
-	-	155,159
-	-	126,354
-	-	6,248,732
-	-	54,295
-	<u>4,389</u>	<u>6,908,376</u>
-	-	171,805
-	-	935,122
-	668,899	2,862,562
28,760	-	28,760
<u>28,760</u>	<u>668,899</u>	<u>3,998,249</u>
<u>28,760</u>	<u>673,288</u>	<u>10,906,625</u>

Tama County  
 Reconciliation of the Balance Sheet -  
 Governmental Funds to the Statement of Net Assets  
 June 30, 2004

Exhibit D

**Total governmental fund balances (page 24)** \$ 3,998,249

*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$33,933,284 and the accumulated depreciation is \$15,704,640. 18,228,644

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 54,294

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 the governmental activities in the Statement of Net Assets. 283,473

Long-term liabilities, including capital lease purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (226,995)

**Net assets of governmental activities (page 20)** \$ 22,337,665

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

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 3,282,891	530,200	2,118,703	-
Interest and penalty on property tax	53,806	-	-	-
Intergovernmental	1,185,464	1,297,592	115,040	3,520,938
Licenses and permits	13,050	-	-	595
Charges for service	510,155	2,809	-	-
Use of money and property	86,189	-	-	-
Miscellaneous	1,001	321	-	43,515
Total revenues	<u>5,132,556</u>	<u>1,830,922</u>	<u>2,233,743</u>	<u>3,565,048</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	2,127,914	-	23,100	-
Physical health and social services	1,102,767	-	-	-
Mental health	-	1,697,265	-	-
County environment and education	380,246	-	86,286	-
Roads and transportation	-	-	289,012	5,401,039
Governmental services to residents	390,477	-	3,705	-
Administration	1,018,353	-	-	-
Non-program	973	-	-	-
Capital projects	49,921	-	-	-
Total expenditures	<u>5,070,651</u>	<u>1,697,265</u>	<u>402,103</u>	<u>5,401,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,905</u>	<u>133,657</u>	<u>1,831,640</u>	<u>(1,835,991)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	13,190	-	-	500
Operating transfers in	-	-	-	1,694,559
Operating transfers out	(123,027)	-	(1,571,532)	-
Total other financing sources (uses)	<u>(109,837)</u>	<u>-</u>	<u>(1,571,532)</u>	<u>1,695,059</u>
Net change in fund balances	(47,932)	133,657	260,108	(140,932)
Fund balances beginning of year	<u>1,154,859</u>	<u>3,495</u>	<u>67,845</u>	<u>1,869,490</u>
Fund balances end of year	<u>\$ 1,106,927</u>	<u>137,152</u>	<u>327,953</u>	<u>1,728,558</u>

Capital Projects	Nonmajor Special Revenue	Total
-	-	5,931,794
-	-	53,806
-	75,186	6,194,220
-	-	13,645
-	29,190	542,154
-	8,291	94,480
170	10,010	55,017
170	122,677	12,885,116

-	51,897	2,202,911
-	-	1,102,767
-	-	1,697,265
-	4,967	471,499
-	-	5,690,051
-	-	394,182
-	42,520	1,060,873
-	-	973
14,188	24,224	88,333
14,188	123,608	12,708,854

(14,018)	(931)	176,262
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-	-	13,690
-	-	1,694,559
-	-	(1,694,559)
-	-	13,690

(14,018)	(931)	189,952
42,778	669,830	3,808,297
28,760	668,899	3,998,249

Tama 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 27) \$ 189,952

*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 exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 1,974,591	
Depreciation expense	<u>(912,685)</u>	1,061,906

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (28,524)

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

Property tax	1,007	
Other	<u>19,305</u>	20,312

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

Issued	-	
Repaid	<u>32,567</u>	32,567

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	(26,332)	
Interest on long-term debt	<u>1,090</u>	(25,242)

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. 67,015

Change in net assets of governmental activities (page 22) \$ 1,317,986

Tama County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

Exhibit G

	Internal Service- Health Insurance	Risk Pool Insurance	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 496,589	3,798	500,387
<b>Liabilities</b>			
Accounts payable	216,915	-	216,915
<b>Net Assets</b>			
Unrestricted	\$ 279,674	3,798	283,472

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

	Internal Service- Health Insurance	Risk Pool Insurance	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,565,903	-	1,565,903
Reimbursements from others	88,994	-	88,994
Insurance reimbursements	100,994	-	100,994
Total operating revenues	1,755,891	-	1,755,891
Operating expenses:			
Health claims and administrative services	1,694,001	-	1,694,001
Operating income	61,890	-	61,890
Non-operating revenues:			
Interest income	5,124	-	5,124
Net income	67,014	-	67,014
Net assets beginning of year	212,660	3,798	216,458
Net assets end of year	\$ 279,674	3,798	283,472

Tama County  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2004

Exhibit I

	Internal Service- Health Insurance	Risk Pool Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,602,850	-	1,602,850
Cash received from employees and others	88,994	-	88,994
Cash received from insurance reimbursements	100,994	-	100,994
Cash paid to suppliers for services	(1,655,003)	-	(1,655,003)
Net cash provided by operating activities	137,835	-	137,835
Cash flows from investing activities:			
Interest	5,124	-	5,124
Net increase in cash and cash equivalents	142,959	-	142,959
Cash and cash equivalents at beginning of year	353,630	3,798	357,428
Cash and cash equivalents at end of year	<u>\$ 496,589</u>	<u>3,798</u>	<u>500,387</u>
<b>Reconciliations of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 61,890	-	61,890
Adjustments to reconcile operating income to net cash provided by operating activities:			
Decrease in accounts receivable	36,947	-	36,947
Increase in accounts payable	38,998	-	38,998
Net cash provided by operating activities	<u>\$ 137,835</u>	<u>-</u>	<u>137,835</u>

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

Exhibit J

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 993,848
Other County officials	10,984
Receivables:	
Property tax:	
Delinquent	36,320
Succeeding year	12,483,756
Accounts	62,264
<b>Total assets</b>	<b>13,587,172</b>

**Liabilities**

Accounts payable	18,760
Salaries and benefits payable	23,626
Due to other governments	13,531,922
Trusts payable	605
Compensated absences	12,259
<b>Total liabilities</b>	<b>13,587,172</b>

<b>Net Assets</b>	<b>\$ -</b>
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Tama County  
Notes to Financial Statements  
June 30, 2004

**(1) Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

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

Drainage District #3 has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Tama County Board of Supervisors. This drainage district is reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported in an agency fund. Financial information of the individual drainage districts can be obtained from the Tama County Auditor's office.

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

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

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Heartland Risk Pool Insurance, Tama County Solid Waste Disposal Commission, Multi-County Cooperative Child Support Agreement, County Case Management Services, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Central Iowa Juvenile Detention Center and Region VI Planning Commission.

B. Basis of Presentation

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

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

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

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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.

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(1) **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation (continued)

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is 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. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

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	20 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	5 – 20
Vehicles	7 – 10

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of 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 for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Fund.

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

E. Budgets and Budgetary Accounting

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

(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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$465,557 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 123,027
	Special Revenue: Rural Services	<u>1,571,532</u>
		\$ <u>1,694,559</u>

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

**(4) Changes in Long-Term Liabilities**

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

	Capital Loan Notes	Compensated Absences	Total
Balance beginning of year	\$ 46,446	186,296	232,742
Increases	-	26,332	26,332
Decreases	<u>32,567</u>	-	<u>32,567</u>
Balance end of year	<u>\$ 13,879</u>	<u>212,628</u>	<u>226,507</u>
Due within one year	<u>\$ 13,879</u>	<u>212,628</u>	<u>226,507</u>

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

(5) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 321,889	-	-	321,889
Total capital assets not being depreciated	<u>321,889</u>	<u>-</u>	<u>-</u>	<u>321,889</u>
Capital assets being depreciated:				
Buildings	5,004,705	-	21,500	4,983,205
Equipment and vehicles	6,907,262	394,231	98,704	7,202,789
Infrastructure, road network	19,845,041	1,580,360	-	21,425,401
Total capital assets being depreciated	<u>31,757,008</u>	<u>1,974,591</u>	<u>120,204</u>	<u>33,611,395</u>
Less accumulated depreciation for:				
Buildings	1,508,205	101,034	7,525	1,601,714
Equipment and vehicles	3,934,352	139,853	84,155	3,990,050
Infrastructure, road network	9,441,079	671,797	-	10,112,876
Total accumulated depreciation	<u>14,883,636</u>	<u>912,684</u>	<u>91,680</u>	<u>15,704,640</u>
Total capital assets being depreciated, net	<u>16,873,372</u>	<u>1,061,907</u>	<u>28,524</u>	<u>17,906,755</u>
Governmental activities capital assets, net	<u>\$ 17,195,261</u>	<u>1,061,907</u>	<u>28,524</u>	<u>18,228,644</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 65,961
Physical health and social services	40,083
Mental health	215
County environment and education	22,918
Roads and transportation	719,987
Governmental services to residents	20,880
Administration	42,640
Total depreciation expenses - governmental activities	<u>\$ 912,684</u>

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ <u>1,643</u>
Special Revenue:		
Secondary Roads	Services	849
Mental Health	Services	<u>123,862</u>
		<u>124,711</u>
Total for governmental funds		\$ <u>126,354</u>
Agency:		
County Assessor	Collections	465,626
Schools		8,718,049
Community Colleges		454,153
Corporations		2,963,642
Townships		233,986
Auto License and Use Tax		336,347
E-911		88,713
All other		<u>271,406</u>
Total for agency funds		\$ <u>13,531,922</u>

**(7) Tama County Employee Group Health Fund**

The Internal Service, Tama County Employee Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with Gallagher Benefits, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$32,500. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Tama County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Gallagher Benefits, Inc. from the Tama County Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$1,565,903.

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

**(7) Tama County Employee Group Health Fund (continued)**

Amounts payable from the Health Insurance Fund at June 30, 2004 total \$216,915, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$283,472 at June 30, 2004 and is reported as a designation of the Internal Service, Employee Group Health Fund retained earnings. 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 in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims as of July 1, 2003	\$ <u>177,917</u>
Incurred claims (including claims incurred but not reported as of June 30, 2004)	1,446,098
Payments on claims during the fiscal year	<u>1,407,100</u>
Unpaid claims at June 30, 2004	\$ <u><u>216,915</u></u>

**(8) Capital Lease Purchase Agreements**

The County has entered into capital lease purchase agreements to lease a computer system and computer equipment with historical costs of \$106,822 and \$26,005, respectively, and amortization of \$64,469 and \$5,201, respectively. The following is a schedule of the future minimum lease payments, including interest ranging from 5.0% to 5.25% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

Year Ending June 30,	Computer system	Computer equipment	Total
2005	\$ 4,818	9,548	14,366
Total minimum lease payments	<u>4,818</u>	<u>9,548</u>	<u>14,366</u>
Less amount representing interest	(33)	(454)	(487)
Present value of net minimum lease payments	\$ <u>4,785</u>	<u>9,094</u>	<u>13,879</u>

Payments under capital lease purchase agreements for the year ended June 30, 2004 totaled \$32,567.

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

**(9) 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 contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$262,394, \$257,463 and \$239,994, respectively, equal to the required contributions for each year.

**(10) Risk Management**

Tama County is a member in the Heartland Risk Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Heartland Risk Pool (Pool) is a local government risk-sharing pool with ten counties as members. The Pool was formed July 1, 1987 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 insurance coverage from prior years.

Member contributions to the Pool are recorded as expenditures from the operating funds at the time of payment to the Pool. In the event of payment of any loss by the Pool, the Pool is subrogated to the extent of such payment to all the rights of the member county against any person or other entity legally responsible for damages for said loss, and in such event, the member County is responsible for rendering all reasonable assistance, other than pecuniary assistance, to affect recovery. The Pool is responsible for paying the premiums on the insurance policies when due; to pay claims in accordance with the various coverages and to make other payments as required by applicable law; to establish and accumulate a reserve or reserves in amounts which are deemed advisable or required by law to carry out the purposes of the Pool; and to pay all reasonable and necessary expenses for administering the Pool and fund.

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2004 which covers exposures of specific losses in excess of \$350,000 per occurrence up to a maximum of \$10,000,000 per occurrence for workers' compensation, including the retention of the pool, and in excess of \$250,000 per occurrence up to a maximum of \$1,000,000 per occurrence, including the retention of the pool, for general and automobile liability. The policy obtained for the year ended June 30, 2004 covered exposures of \$350,000 and \$250,000, respectively, up to the above stated maximums including retention of the

Tama County  
Notes to Financial Statements (Continued)  
June 30, 2004

**(10) Risk Management (continued)**

pool. The Pool records a liability for unpaid claims based on estimates of reported and incurred but not reported claims and related loss adjustments expenses.

Member Counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and the amount of surplus maintained in the Pool, by means of an assessment that would be charged to the member County in addition to the premium contributions. As of June 30, 2004, settled claims have not exceeded the Pool or reinsurance company coverage since commencement of the Pool.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$244,499.

Initial membership into the Pool is for a mandatory three year period. Subsequent to the initial term, a member County may withdraw at the end of any given fiscal year. The initial membership period for Tama County commenced July 1, 1987 and is subject to renewal every three years. The County also carries commercial insurance purchased from other insurers for coverage associated with property inland marine, data processing, boiler/machinery, police professional and public official liability insurance programs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**(11) Contingent Liability**

During the year ended June 30, 1994 an underground storage tank investigation classified three former underground storage tank sites in Tama County as high risk, requiring the County to submit plans for remedial action to the Iowa Department of Natural Resources. The County is currently contesting the high risk classification for two of the three sites. The County estimates the costs to remediate the sites under the proposed plans to be approximately \$75,000 per site. As a result, a liability for \$150,000 has been recorded in accounts payable in the Secondary Roads Fund at June 30, 2004.

The environmental impact of the sites is currently unknown and the potential liability, if any, for additional costs associated with the sites is indeterminable.

**(12) Special Investigation**

Tama County officials requested Bowman and Miller, P.C. conduct a special investigation as a result of concerns with certain financial transactions in the County Emergency Management and E-911 Offices. The special investigation has not been completed as of the date of this report. When completed the report will be filed with the appropriate officials and agencies.

Tama 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	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 5,932,854	-
Interest and penalty on property tax	53,960	-
Intergovernmental	6,115,882	-
Licenses and permits	12,385	-
Charges for services	520,171	-
Use of money and property	93,493	-
Miscellaneous	68,387	-
Total receipts	<u>12,797,132</u>	-
Disbursements:		
Public safety and legal services	2,206,932	-
Physical health and social services	1,103,887	-
Mental health	1,691,724	-
County environment and education	468,400	-
Roads and transportation	5,216,601	-
Governmental services to residents	390,385	-
Administration	1,021,556	-
Non-program	973	-
Capital projects	601,588	-
Total disbursements	<u>12,702,046</u>	-
Excess (deficiency) of receipts over (under) disbursements	95,086	-
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	95,086	-
Balance beginning of year	<u>3,488,546</u>	859
Balance end of year	<u>\$ 3,583,632</u>	<u>859</u>

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
5,932,854	5,968,434	5,968,434	(35,580)
53,960	50,000	50,000	3,960
6,115,882	5,940,148	5,983,002	132,880
12,385	200	200	12,185
520,171	665,000	680,000	(159,829)
93,493	164,140	164,140	(70,647)
68,387	664,100	664,600	(596,213)
12,797,132	13,452,022	13,510,376	(713,244)
2,206,932	2,480,074	2,482,574	(275,642)
1,103,887	1,210,251	1,250,605	(146,718)
1,691,724	1,721,110	1,721,110	(29,386)
468,400	613,089	613,547	(145,147)
5,216,601	5,378,575	5,878,575	(661,974)
390,385	459,569	479,569	(89,184)
1,021,556	1,115,749	1,125,749	(104,193)
973	1,500	2,000	(1,027)
601,588	1,524,865	1,249,865	(648,277)
12,702,046	14,504,782	14,803,594	(2,101,548)
95,086	(1,052,760)	(1,293,218)	1,388,304
-	28,370	28,370	(28,370)
95,086	(1,024,390)	(1,264,848)	1,359,934
3,487,687	2,923,443	3,400,690	86,997
3,582,773	1,899,053	2,135,842	1,446,931

Tama 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	\$ 12,797,132	87,984	12,885,116
Expenditures	12,702,046	6,808	12,708,854
Net	95,086	81,176	176,262
Other financing sources, net	-	13,690	13,690
Beginning fund balances	3,488,546	319,751	3,808,297
Ending fund balances	\$ 3,583,632	414,617	3,998,249

Tama County  
Notes to Required Supplementary Information-  
Budgetary Reporting  
June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents functions disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$298,812. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements in certain departments exceeded the amounts appropriated.

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

	Resource Enhancement and Protection	Vehicle Replacement / Computer Maintenance	Medicaid Reimburse- ment	Conservation Land Acquisition Trust
<b>Assets</b>				
Cash and pooled investments	\$ 75,141	62,884	21,720	180,637
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 75,141</b>	<b>62,884</b>	<b>21,720</b>	<b>180,637</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	4,080	-	-
Fund equity:				
Fund balances:				
Unreserved	75,141	58,804	21,720	180,637
<b>Total liabilities and fund equity</b>	<b>\$ 75,141</b>	<b>62,884</b>	<b>21,720</b>	<b>180,637</b>

Tama County Nature Center	Security Services	County Recorder's Records Management	County Sheriff's Forfeiture Fund	County Sheriff's DARE Monies	County Recorder's Electronic Transaction Fee	Drainage District	Total
68,394	181,651	34,994	14,704	4,855	24,498	859	670,337
-	2,951	-	-	-	-	-	2,951
68,394	184,602	34,994	14,704	4,855	24,498	859	673,288
-	-	-	-	309	-	-	4,389
68,394	184,602	34,994	14,704	4,546	24,498	859	668,899
68,394	184,602	34,994	14,704	4,855	24,498	859	673,288

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

	Resource Enhancement and Protection	Vehicle Replacement / Computer Maintenance	Medicaid Reimburse- ment
Revenues:			
Intergovernmental	\$ 11,113	13,113	-
Charges for service	-	-	-
Use of money and property	723	-	-
Miscellaneous	-	-	-
Total revenues	<u>11,836</u>	<u>13,113</u>	<u>-</u>
Expenditures:			
Operating:			
Public safety	-	34,581	-
County environment and education	-	-	-
Administration	-	42,520	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>77,101</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	11,836	(63,988)	-
Fund balances beginning of year	<u>63,305</u>	<u>122,792</u>	<u>21,720</u>
Fund balances end of year	<u>\$ 75,141</u>	<u>58,804</u>	<u>21,720</u>

Conservation Land Acquisition Trust	Tama County Nature Center	Security Services	County Recorder's Records Management	County Sheriff's Forfeiture Fund	County Sheriff's DARE Monies	County Recorder's Electronic Transaction Fee	Drainage District	Total
16,650	-	34,310	-	-	-	-	-	75,186
-	-	-	4,701	-	-	24,489	-	29,190
2,658	4,650	-	251	-	-	9	-	8,291
-	8,484	-	26	-	1,500	-	-	10,010
19,308	13,134	34,310	4,978	-	1,500	24,498	-	122,677
-	-	16,437	-	-	879	-	-	51,897
-	4,967	-	-	-	-	-	-	4,967
-	-	-	-	-	-	-	-	42,520
24,224	-	-	-	-	-	-	-	24,224
24,224	4,967	16,437	-	-	879	-	-	123,608
(4,916)	8,167	17,873	4,978	-	621	24,498	-	(931)
185,553	60,227	166,729	30,016	14,704	3,925	-	859	669,830
180,637	68,394	184,602	34,994	14,704	4,546	24,498	859	668,899

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

	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	-	1,834	231,787
Other county officials	10,379	605	-	-
Receivables:				
Property tax:				
Delinquent	-	-	212	699
Succeeding year	-	-	120,001	240,110
Accounts	2,013	-	-	314
<b>Total assets</b>	<b>\$ 12,392</b>	<b>605</b>	<b>122,047</b>	<b>472,910</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	757
Salaries and benefits payable	-	-	-	6,527
Due to other governments	12,392	-	122,047	465,626
Trusts payable	-	605	-	-
Compensated absences	-	-	-	-
<b>Total liabilities</b>	<b>\$ 12,392</b>	<b>605</b>	<b>122,047</b>	<b>472,910</b>

Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	Special Assessments	Auto License and Use Tax
168,858	11,322	38,983	2,668	49	866	336,347
-	-	-	-	-	-	-
19,599	1,384	14,216	210	-	-	-
8,529,592	441,447	2,910,443	231,108	2,730	-	-
-	-	-	-	-	-	-
8,718,049	454,153	2,963,642	233,986	2,779	866	336,347
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,718,049	454,153	2,963,642	233,986	2,779	866	336,347
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,718,049	454,153	2,963,642	233,986	2,779	866	336,347

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

<b>Assets</b>	Empowerment	Emergency Management Services	E911
Cash and pooled investments:			
County Treasurer	\$ 45,208	(21,375)	67,460
Other county officials	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	1,084	-	25,934
<b>Total assets</b>	<b>\$ 46,292</b>	<b>(21,375)</b>	<b>93,394</b>
<b>Liabilities</b>			
Accounts payable	\$ -	3,186	4,681
Salaries and benefits payable	-	11,650	-
Due to other governments	46,292	(44,763)	88,713
Trusts payable	-	-	-
Compensated absences	-	8,552	-
<b>Total liabilities</b>	<b>\$ 46,292</b>	<b>(21,375)</b>	<b>93,394</b>

Fire Districts	Tax Sale Redemption	Drainage Districts	Economic Development	Sanitary Landfill	Total
353	24,625	6,852	9,483	68,528	993,848
-	-	-	-	-	10,984
-	-	-	-	-	36,320
8,325	-	-	-	-	12,483,756
-	-	-	-	32,919	62,264
<u>8,678</u>	<u>24,625</u>	<u>6,852</u>	<u>9,483</u>	<u>101,447</u>	<u>13,587,172</u>
-	-	-	5,743	4,393	18,760
-	-	-	1,690	3,759	23,626
8,678	24,625	6,852	810	90,828	13,531,922
-	-	-	-	-	605
-	-	-	1,240	2,467	12,259
<u>8,678</u>	<u>24,625</u>	<u>6,852</u>	<u>9,483</u>	<u>101,447</u>	<u>13,587,172</u>

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

	County Offices			Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff	
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ -	6,982	7,283	102,307
Additions:				
Property and other county tax	-	-	-	113,189
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	6,414
Interest	-	-	-	-
Office fees and collections	3,678	255,320	435,227	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	125,463	-
Reimbursements from other governments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	3,678	255,320	560,690	119,603
Deductions:				
Agency remittances:				
To other funds	3,678	116,944	434,986	-
To other governments	-	132,966	5,724	99,863
Trusts paid out	-	-	126,658	-
Total deductions	3,678	249,910	567,368	99,863
Balances end of year	\$ -	12,392	605	122,047

County Assessor	Schools	Community Colleges	Corporations	Townships	Brucellosis and Tuberculosis Eradication	Special Assessments	Auto License and Use Tax
579,643	9,148,763	795,119	2,764,245	226,662	2,993	3,172	330,351
217,819	7,912,064	237,661	2,865,475	216,156	2,524	-	-
-	-	-	-	-	-	-	-
7,459	577,605	39,665	197,133	13,514	188	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	3,775,140
-	-	-	-	-	-	18,329	-
-	-	-	-	-	-	-	-
6,027	-	-	-	-	-	-	-
231,305	8,489,669	277,326	3,062,608	229,670	2,712	18,329	3,775,140
-	-	-	-	-	-	-	148,153
338,038	8,920,383	618,292	2,863,211	222,346	2,926	20,635	3,620,991
-	-	-	-	-	-	-	-
338,038	8,920,383	618,292	2,863,211	222,346	2,926	20,635	3,769,144
472,910	8,718,049	454,153	2,963,642	233,986	2,779	866	336,347

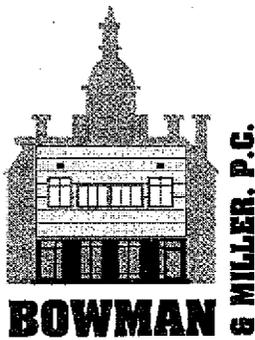
Tama County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds (Continued)  
Year Ended June 30, 2004

	Empower- ment	Emergency Management Services	E-911
<b>Assets and Liabilities</b>			
Balances beginning of year	\$ 65,980	27,245	87,765
Additions:			
Property and other county tax	-	-	-
E-911 surcharge	-	-	106,768
State tax credits	-	-	-
Interest	-	-	554
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	-	-	-
Reimbursements from other governments	-	432,250	-
Miscellaneous	140,167	11,989	-
Total additions	<u>140,167</u>	<u>444,239</u>	<u>107,322</u>
Deductions:			
Agency Remittances:			
To other funds	-	-	-
To other governments	159,855	492,859	101,693
Trusts paid out	-	-	-
Total deductions	<u>159,855</u>	<u>492,859</u>	<u>101,693</u>
Balances end of year	<u>\$ 46,292</u>	<u>(21,375)</u>	<u>93,394</u>

Fire Districts	Tax Sale Redemption	Drainage Districts	Economic Development	County Recorder's Electronic Transaction Fee	Sanitary Landfill	Total
7,510	15,846	6,098	7,424	-	68,113	14,253,501
7,735	-	754	-	-	-	11,573,377
-	-	-	-	-	-	106,768
531	-	-	-	-	-	842,509
-	-	-	-	-	-	554
-	-	-	-	21,680	-	715,905
-	-	-	-	-	-	3,775,140
-	-	-	-	-	-	18,329
-	330,099	-	-	-	-	455,562
-	-	-	122,156	-	-	554,406
-	-	-	1,587	-	441,718	601,488
8,266	330,099	754	123,743	21,680	441,718	18,644,038
-	-	-	-	-	-	703,761
7,098	-	-	121,684	21,680	408,384	18,158,628
-	321,320	-	-	-	-	447,978
7,098	321,320	-	121,684	21,680	408,384	19,310,367
8,678	24,625	6,852	9,483	-	101,447	13,587,172

Tama County  
 Schedule of Revenues By Source and Expenditures By Function -  
 All Governmental Funds  
 For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
<b>Revenues:</b>				
Property and other county tax	\$ 5,931,794	5,211,802	4,747,824	4,434,697
Interest and penalty on property tax	53,806	58,411	53,772	45,311
Intergovernmental	6,194,220	5,803,803	5,297,022	5,028,399
Licenses and permits	13,645	6,712	4,772	3,890
Charges for service	542,154	533,987	651,744	597,378
Use of money and property	94,480	120,038	170,579	316,028
Miscellaneous	55,017	120,108	64,832	86,037
<b>Total</b>	<b>\$ 12,885,116</b>	<b>11,854,861</b>	<b>10,990,545</b>	<b>10,511,740</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,202,911	2,116,423	1,886,482	1,808,236
Physical health and social services	1,102,767	1,009,196	998,613	1,047,870
Mental health	1,697,265	1,737,208	1,560,067	1,609,005
County environment and education	471,499	841,820	329,472	325,188
Roads and transportation	5,690,051	4,819,756	4,650,243	4,475,333
Governmental services to residents	394,182	616,975	426,239	279,420
Administration	1,060,873	798,186	828,318	829,662
Non-program	973	48,324	236,278	243
Capital projects	88,333	52,904	206,745	1,150,558
<b>Total</b>	<b>\$ 12,708,854</b>	<b>12,040,792</b>	<b>11,122,457</b>	<b>11,525,515</b>



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366  
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6366  
4949 PLEASANT STREET • SUITE 206 • WEST DES MOINES, IOWA 50266 • 515-309-5461 • FAX 515-278-0287

James R. Bowman, CPA • jim@syscompia.com  
Elizabeth A. Miller, CPA • beth@syscompia.com  
Debra J. Osborn, CPA • deb@syscompia.com  
Suzanne M. Mead, CPA • suzanne@syscompia.com

Independent Auditors' Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of Tama County:

We have audited the financial statements of Tama County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Tama County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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 item III-B-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tama 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 Tama 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.

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

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

*Bowman and Miller. P.C.*

October 19, 2004

Tama County  
Schedule of Findings  
Year Ended June 30, 2004

**Part I: Summary of the Independent Auditors' 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 a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Tama County  
 Schedule of Findings (Continued)  
 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 the internal control structure, the existing control procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) All incoming mail should be opened 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 mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.
- (2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.
- (3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.

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Applicable  
Offices

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Treasurer,  
Recorder

Treasurer,  
Recorder,  
Sheriff

Treasurer,  
Recorder,  
Sheriff

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel 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.

Tama County  
Schedule of Findings (Continued)  
Year Ended June 30, 2004

**REPORTABLE CONDITIONS (continued):**

Response – Each office will be reminded to segregate duties to practically accomplish internal controls.

Conclusion – Response accepted.

- II-B-04 Warrants Prepared and Held at Year End – Warrants were prepared and signed in payment of equipment or other items not received. The warrants were then held until the items were received. Board approval was received prior to the preparation of those warrants.

Recommendation – The procedure described in the above comment weakens the control that the Board has over disbursements since not all of the supporting documentation was available for the Board to examine and support their authorization for payment. Therefore, it is recommended that no warrants be prepared for claims that have not been properly audited and approved.

Response – In the future we will not approve warrants in advance of receiving the item or the performance of the work involved.

Conclusion – Response accepted.

Tama County  
 Schedule of Findings (Continued)  
 Year Ended June 30, 2004

**Part III: Other Findings Related to Required Statutory Reporting:**

III-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.

III-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated.

Recommendation – Chapter 331.435 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 continue to monitor appropriations to the departments to insure that they are not exceeded.

Conclusion – Response accepted.

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

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

III-E-04 Business Transactions – The following business transactions between the County and County officials or employees were noted.

Name, Title, and Business Connection	Transaction Description	Amount
Rick Raymond, Secondary Road Employee Owner, Raymond’s Wash and Stow	Vehicle Maintenance	<u>\$615</u>

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

Tama County  
Schedule of Findings (Continued)  
Year Ended June 30, 2004

- III-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- III-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-H-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).
- III-I-04 Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policies were noted.
- III-J-04 Financial Condition – The Emergency Management Fund had a deficit balance at June 30, 2004 of \$21,375.

Recommendation – The Emergency Management Commission should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We have a new Emergency Management director who will be monitoring this more closely in the future.

Conclusion – Response accepted.

- III-K-04 County Assessor Special Appraisal Budget – Disbursements for the County Assessor Special Appraisal Fund exceeded the amount budgeted.

Recommendation – The budget should have been amended by the County Assessor Conference Board before disbursements were allowed to exceed the budget.

Response – I will watch closely how the Special Appraisal Fund is published and how much is spent annually.

Conclusion – Response accepted.

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

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

Tama County  
Audit Staff

This audit was performed by:

Bowman and Miller, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

Personnel:

Elizabeth A. Miller, CPA, Principal

Debra J. Osborn, CPA, Staff

NEWS RELEASE

FOR RELEASE \_\_\_\_\_

Bowman and Miller, P.C. today released an audit report on Tama County, Iowa.

The County had local tax revenue of \$18,725,086 for the year ended June 30, 2004, which included \$1,219,915 in tax credits from the state. The County forwarded \$12,415,886 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,309,200 of the local tax revenue to finance County operations, a 12.8 percent increase from the prior year. Other revenues included \$4,726,993 from the state, including indirect federal funding, \$375,661 from direct federal grants and entitlements, and \$74,650 in interest on investments.

Expenditures for County operations totaled \$12,708,854, a 5.5 percent increase from the prior year. Expenditures included \$5,690,051 for Roads and Transportation, \$2,202,911 for Public Safety and \$1,697,265 for Mental Health.

This report contained recommendations to the Board of Supervisors and other County officials. For example, to continue reviewing segregation of duties and monitor the budget and fund balances. The County agreed with the recommendations and will make the necessary changes.

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