

BUCHANAN COUNTY
Independence, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005

BUCHANAN COUNTY, IOWA
Independence, Iowa

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 10
Statement of Activities.....	B 11
Governmental Funds Financial Statements:	
Balance Sheet	C 12-13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 14
Statement of Revenues, Expenditures and Changes in Fund Balances	E..... 15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F..... 17
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 18
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 19
Statement of Cash Flows.....	I 20
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 21
Notes to Financial Statements	22-34
 REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds35
Budget to GAAP Reconciliation36
Notes to Required Supplementary Information – Budgetary Reporting ...	37

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	<u>Page</u>
Non-Major Special Revenue Funds:		
Combining Balance Sheet.....	1.....	38-39
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2.....	40-41
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3.....	42-43
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4.....	44-45
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds.....	5.....	46
Schedule of Expenditures of Federal Awards	6.....	47
 INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....		 48-49
 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133		 50-51
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS		 52-54

BUCHANAN COUNTY
Independence, Iowa

OFFICIALS
Before January 2005

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Leo Donnelly	January 2007	Board of Supervisors
Ellen Gaffney	January 2005	Board of Supervisors
Ralph Kremer	January 2007	Board of Supervisors
Cindy Witt	January 2005	Auditor
Judy Harland	January 2007	Treasurer
Diane Curry	January 2007	Recorder
Leonard Davis	January 2005	Sheriff
Allan Vander Hart	January 2007	Attorney
Virginia Sleeper	Appointed.....	Assessor

After January 2005

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Leo Donnelly	January 2007	Board of Supervisors
Ellen Gaffney	January 2009	Board of Supervisors
Ralph Kremer	January 2007	Board of Supervisors
Cindy Witt	January 2009	Auditor
Judy Harland	January 2007	Treasurer
Diane Curry	January 2007	Recorder
Bill Wolfgram	January 2009	Sheriff
Allan Vander Hart	January 2007	Attorney
Virginia Sleeper	Appointed.....	Assessor

Independent Auditors' Report

To the Officials of Buchanan County
Independence, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Buchanan County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County at June 30, 2005, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2006 on our consideration of Buchanan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report (Continued)

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 9 and 35 - 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buchanan County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The two years ended June 30, 2003 were given a qualified opinion due to the lack of material and supplies inventory pertaining to Secondary Roads. The supplementary information included in Schedules 1 through 6 including the accompanying Schedule of Expenditures of Federal Awards required by US Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

April 4, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Buchanan County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

Revenues of the County's governmental activities decreased 14%, or approximately \$2,124,080, from fiscal 2004 to fiscal 2005. Property tax decreased approximately \$232,480, operating grants, and capital grants and contributions decreased approximately \$3,223,160.

Program expenses were 20% or approximately \$2,115,454, more in fiscal 2005 than in fiscal 2004. Roads and transportation expense increased approximately \$1,860,614.

The County's net assets increased 6% or approximately \$952,964, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, 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 change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 and emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Buchanan County’s combined net assets were increased from a year ago, increasing from \$18 million to \$19 million. The net assets at the beginning of the year were restated to include a net \$8.6 million in assets (infrastructure) that were not included in the prior year balance. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2005	2004
Current and Other Assets	\$10,452	\$9,088
Capital Assets (Net of Depreciation)	17,030	16,627
Total Assets	27,482	25,715
Long-Term Debt Outstanding	643	315
Other Liabilities	7,229	6,743
Total Liabilities	7,872	7,058
Net Assets:		
Invested in Capital Assets, Net of Related Debt	17,030	16,627
Restricted	2,396	2,396
Unrestricted	184	(366)
Total Net Assets	\$19,610	\$18,657

Net assets of Buchanan County’s governmental activities increased 6% (\$18.6 million compared to \$19.6 million). The largest portion of the County’s net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from a deficit of approximately \$366,325 at June 30, 2004 to 184,417 the end of this year, a substantial increase.

This increase of approximately \$550,742 in unrestricted net assets was a result of decreased expenditures in some areas, also due to an increase in property tax. The County increased its investment in roadway equipment and road construction by approximately \$1,082,923 over the prior year.

Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30, 2005	Year ended June 30, 2004
Revenues:		
Program Revenues:		
Charges for Service	\$1,713	\$1,160
Operating Grants, Contributions and Restricted Interest	4,089	4,277
Capital Grants, Contributions and Restricted Interest	902	3,938
General Revenues:		
Property Tax	5,577	5,342
Penalty and Interest on Property Tax	65	57
State Tax Credits	335	308
Local Option Sales Tax	815	437
Franchise Tax	9	18
Unrestricted Investment Earning	65	29
Other General Revenues	147	275
Total Revenues	13,717	15,841
Program Expenses:		
Public Safety and Legal Services	2,445	2,188
Physical Health and Social Services	170	156
Mental Health	2,513	2,373
County Environment and Education	687	641
Roads and Transportation	4,996	3,136
Governmental Services to Residents	400	335
Administration	1,510	1,707
Non-Program	29	101
Interest on Long-term Debt	14	12
Total Expenses	12,764	10,649
Increase in Net Assets	953	5,192
Net Assets Beginning of Year	18,657	13,465
Net Assets End of Year	\$19,610	\$18,657

The results of governmental activities for the year resulted in Buchanan County's net assets increasing by approximately \$952,964. Revenues for governmental activities decreased by approximately \$2.1 million from the prior year, with property tax revenue up from the prior year by approximately \$232,480 or 5%.

The County increased property tax rates for 2005 by an average of 15%. This increase raised the County's property tax revenue by approximately \$183,365 in 2005.

The cost of all governmental activities this year was \$12.7 million compared to \$10.6 million last year. However, as shown in the Statement of Activities the amount taxpayers ultimately financed for these activities was only \$7 million because some of the cost was paid by those directly benefiting from the programs (\$1.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.99 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2005 from approximately \$5.85 million to \$6.5 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$5.6 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Buchanan County completed the year, its governmental funds reported a combined fund balance of \$3.54 million, a increase of more than \$.94 million above last year's total of \$2.6 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased when compared to the prior year. The ending fund balance showed an increase of \$897,501 from the prior year to \$927,913.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2.5 million, a increase of 6% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$153,986 over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$1.79 million over the prior year, due principally to new bridges and roads, and flooding. The Secondary Roads Fund ending balance decreased approximately by \$199,977.
- The Debt Service Fund ending balance decreased by approximately \$53. The deficit balance is due to delinquent taxes.
- During the year ended June 30, 2005 the County issued \$420,000 of general obligation notes to purchase computer equipment and voting machines. The proceeds from the note issue were placed in the General Fund and will be spent from the General Fund in fiscal 2006.

BUDGETARY HIGHLIGHTS

Over the course of the year, Buchanan County amended its budget two times. The amendments were made in March and May 2006. These amendments were made for some additional intergovernmental revenues and an increase in operational expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At June 30, 2005, Buchanan County had approximately \$17 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$950,000 or 3% over last year.

Capital Assets of Governmental Activities at Year End
(Expressed in Thousands)

	June 30, 2005	June 30, 2004
Land	\$786	\$786
Buildings and Improvements	606	606
Equipment and Vehicles	6,033	5,938
Infrastructure	14,598	13,872
Construction in Process	162	32
Total	\$22,185	\$21,234

This year's major additions include (expressed in thousands)

Capital Assets Contributed by the IA Department of Transportation	\$287
Roads & Bridges	438
Replacement Secondary Road Equipment	357
County Sheriff/Vehicles	26
Total	\$1,108

The County had depreciation expense of \$795,314 in fiscal year 2005 and total accumulated depreciation of \$5.15 million at June 30, 2005.

The County's fiscal year 2005 capital budget included \$773,750 for capital projects, principally for the conservation projects and upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005 Buchanan County has approximately \$875,605 in general obligation notes and other debt outstanding compared to approximately \$536,000 at June 30, 2004, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2005	2004
General Obligation Notes	\$ 643	\$ 315
Compensated Absences	223	221
Total	\$875	\$ 536

Debt increased as a result of issuing general obligation bonds for the computers and voting equipment.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Buchanan County's outstanding general obligation debt is significantly below its constitutional debt limit of \$49.9 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Buchanan County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the fees that will be charged for various County services. One of those factors is the economy. Unemployment in the County now stands at 6.4% versus 4.8% a year ago. This compares with the State's unemployment rate of 4.5% and the national rate of 5.1%.

These indicators were taken into account when adopting the budget for fiscal year 2006. With the decrease in valuation, due to utilization of TIF valuation by the City of Independence, the tax rate increased. Increased cost of health insurance, cost-of-living adjustments, and increases in road construction and maintenance, due to flooding represent the largest increases. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Buchanan 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 Buchanan County Auditor's Office, 210 – 5th Avenue NE, City of Independence, Iowa.

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF NET ASSETS
June 30, 2005**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$3,879,823
Receivables	
Property Tax	
Delinquent	12,612
Succeeding Year	5,813,127
Interest & Penalty On Property Tax	
Accounts	16,195
Accrued Interest	8,432
Due From Other Governments	347,675
Inventories	336,035
Prepaid Insurance	37,762
Capital Assets (Net of Accumulated Depreciation)	17,030,676
TOTAL ASSETS	27,482,337
LIABILITIES	
Accounts Payable	827,344
Accrued Interest Payable	4,216
Salaries & Benefits Payable	99,980
Due To Other Governments	252,840
Deferred Revenue	
Succeeding Year Property Tax	5,813,127
Long Term Liabilities	
Portion Due Or Payable Within One Year	
General Obligation Notes & Loans	176,668
Compensated Absences	231,930
Portion Due Or Payable After One Year	
General Obligation Notes & Loans	466,007
TOTAL LIABILITIES	7,872,112
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	17,030,676
Restricted For:	
Mental Health Purposes	671,099
Secondary Roads Purposes	814,954
Debt Service	(4,536)
Internal Service Funds	(101,993)
Other Purposes	1,015,608
Unrestricted	184,417
TOTAL NET ASSETS	\$19,610,225

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues				Revenue & Changes In Net Assets
		Charges for Service	Contributions, & Restricted Interest	Operating Grants, Capital Grants, & Restricted Interest	Contributions, & Restricted Interest	
GOVERNMENTAL ACTIVITIES:						
Public Safety and Legal Services	\$2,445,120	\$880,564	\$122,013	\$0		\$(1,442,543)
Physical Health and Social Services	170,199	6,335	60,386	0		(103,478)
Mental Health	2,512,968	225,771	804,020	0		(1,483,177)
County Environment and Education	686,898	103,812	68,867	0		(514,219)
Roads and Transportation	4,995,604	63,532	3,031,506	902,239		(998,327)
Governmental Services to Residents Administration	399,779	322,410	493	0		(76,876)
Administration	1,510,172	29,411	0	0		(1,480,761)
Nonprogram	29,224	81,356	776	0		52,908
Interest on Long-Term Debt	14,105	0	0	0		(14,105)
TOTAL	\$12,764,069	\$1,713,191	\$4,088,061	\$902,239		(6,060,578)
GENERAL REVENUES:						
Property and Other County Tax Levied For:						
General Purposes						5,490,486
Debt Service						85,671
Penalty and Interest on Property Tax						65,401
State Tax Credits						335,029
Local Option Sales Tax						815,065
Franchise Tax						9,589
Unrestricted Investment Earnings						65,635
Miscellaneous						146,666
TOTAL GENERAL REVENUES						7,013,542
CHANGE IN NET ASSETS						952,964
NET ASSETS, BEGINNING OF YEAR (as restated Note 14)						18,657,261
NET ASSETS END OF YEAR						\$19,610,225

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Special Revenue Mental Health
ASSETS		
Cash and Pooled Investments		
County Treasurer	\$988,047	\$974,767
Receivables		
Property Tax		
Delinquent	7,930	3,136
Succeeding Year	3,381,324	1,001,498
Accounts	8,482	3,992
Accrued Interest	8,092	0
Due From Other Governments	65,074	0
Prepaid Insurance	26,172	0
Inventories	0	0
TOTAL ASSETS	\$4,485,121	\$1,983,393

LIABILITIES AND FUND BALANCES

Liabilities		
Accounts Payable	\$120,953	\$48,616
Salaries and Benefits Payable	35,477	6,204
Due To Other Governments	0	252,840
Deferred Revenue		
Succeeding Year Property Tax	3,381,324	1,001,498
Other	19,454	3,136
Total Liabilities	3,557,208	1,312,294
Fund Balances		
Reserved For:		
Inventories	0	0
Unreserved	927,913	671,099
Total Fund Balances	927,913	671,099
TOTAL LIABILITIES & FUND BALANCES	\$4,485,121	\$1,983,393

See Notes To Financial Statements

Special Revenue Funds		Debt Service	Nonmajor Special Revenue	Total
Rural Services	Secondary Roads			
\$589,469	\$896,017	\$(555)	\$398,990	\$3,846,735
1,312	0	234	0	12,612
1,259,080	0	171,225	0	5,813,127
0	3,556	0	165	16,195
0	0	0	340	8,432
47,916	231,626	0	3,059	347,675
0	11,590	0	0	37,762
0	336,035	0	0	336,035
<u>\$1,897,777</u>	<u>\$1,478,824</u>	<u>\$170,904</u>	<u>\$402,554</u>	<u>\$10,418,573</u>
\$6,755	\$515,939	\$0	\$0	\$692,263
17,576	40,723	0	0	99,980
0	0	0	0	252,840
1,259,080	0	171,225	0	5,813,127
1,312	0	234	0	24,136
<u>1,284,723</u>	<u>556,662</u>	<u>171,459</u>	<u>0</u>	<u>6,882,346</u>
0	336,035	0	0	336,035
613,054	586,127	(555)	402,554	3,200,192
<u>613,054</u>	<u>922,162</u>	<u>(555)</u>	<u>402,554</u>	<u>3,536,227</u>
<u>\$1,897,777</u>	<u>\$1,478,824</u>	<u>\$170,904</u>	<u>\$402,554</u>	<u>\$10,418,573</u>

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total Governmental Fund Balances – Page 12-13 (Exhibit C) \$3,536,227

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 the assets is \$22,185,218 and the accumulated depreciation is \$5,154,542. 17,030,676

Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds. 24,136

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. (101,993)

Long-term liabilities, including bonds 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. (878,821)

Net Assets of Governmental Activities – Page 10 (Exhibit A) \$19,610,225

See Notes To Financial Statements.

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Special Revenue Mental Health
REVENUES		
Property and Other County Tax	\$3,135,301	\$1,237,547
Interest and Penalty on Property Tax	65,401	0
Intergovernmental	1,028,560	1,105,396
Licenses and Permits	803	0
Charges for Services	410,201	359
Use of Money and Property	77,482	0
Miscellaneous	58,927	8,575
Total Revenues	4,776,675	2,351,877
EXPENDITURES		
Operating		
Public Safety and Legal Services	2,094,335	0
Physical Health and Social Services	139,850	0
Mental Health	0	2,505,863
County Environment and Education	386,102	0
Roads and Transportation	0	0
Governmental Services to Residents	382,989	0
Administration	1,422,123	0
Nonprogram	29,224	0
Debt Service	15,655	0
Capital Projects	49,560	0
Total Expenditures	4,519,838	2,505,863
Excess (Deficiency) of Revenues Over (Under) Expenditures	256,837	(153,986)
Other Financing Sources (Uses)		
Sale of Capital Assets	0	0
Operating Transfers In	227,188	0
Operating Transfers Out	0	0
General Obligation Note Issued	420,000	0
Discount on Bonds Issued`	(6,524)	0
Total Other Financing Sources (Uses)	640,664	0
Net Change in Fund Balances	897,501	(153,986)
Fund Balances – Beginning of Year, as Restated (Note 14)	30,412	825,085
Decrease in Reserve For Inventories	0	0
Fund Balances – End of Year	\$927,913	\$671,099

See Notes To Financial Statements

Exhibit E

Special Revenue Funds			Nonmajor	
Rural	Secondary	Debt Service	Special	Total
Services	Roads		Revenue	
\$1,932,275	\$0	\$85,658	\$0	\$6,390,781
0	0	0	0	65,401
61,837	3,645,916	5,075	66,299	5,913,083
9,169	3,935	0	0	13,907
1,840	191	0	207,245	619,836
71,411	0	0	1,794	150,687
0	69,064	0	59,684	196,250
2,076,532	3,719,106	90,733	335,022	13,349,945
302,735	0	0	0	2,397,070
30,139	0	0	0	169,989
0	0	0	0	2,505,863
237,617	0	0	0	623,719
0	4,398,858	0	0	4,398,858
3,765	0	0	0	386,754
0	0	0	0	1,422,123
0	0	0	0	29,224
0	0	90,786	0	106,441
0	884,862	0	0	934,422
574,256	5,283,720	90,786	0	12,974,463
1,502,276	(1,564,614)	(53)	335,022	375,482
0	12,800	0	0	12,800
0	1,222,477	0	0	1,449,665
(1,222,477)	0	0	(227,188)	(1,449,665)
0	0	0	0	420,000
0	0	0	0	(6,524)
(1,222,477)	1,235,277	0	(227,188)	426,276
279,799	(329,337)	(53)	107,834	801,758
333,255	1,122,139	(502)	294,720	2,605,109
0	129,360	0	0	129,360
\$613,054	\$922,162	\$(555)	\$402,554	\$3,536,227

**BUCHANAN COUNTY
Independence, Iowa**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds – Page 15-16 (Exhibit E) \$801,758

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

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

Expenditures for capital assets	\$981,710	
Capital assets contributed by the Iowa Department of Transportation	287,829	
Depreciation Expense	<u>(795,314)</u>	474,225

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. (70,651)

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	441	
Other	<u>(2,834)</u>	(2,393)

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 repayments are as follows:

Issued	(420,000)	
Repaid	<u>92,668</u>	(327,332)

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	(11,365)	
Interest on long-term debt	<u>(332)</u>	(11,697)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 129,360

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. (40,306)

Change in Net Assets of Governmental Activities – Page 11 (Exhibit B) \$952,964

See Notes to Financial Statements

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005**

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$33,088
<hr/>	
LIABILITIES	
Accounts Payable	135,081
<hr/>	
NET ASSETS	
Unrestricted	\$(101,993)
<hr/> <hr/>	

See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	Internal Service Employee Group Health
<hr/>	
OPERATING REVENUES	
Reimbursements From Operating Funds	\$1,091,745
Reimbursements From Employees	60,990
Miscellaneous	41,327
Total Operating Revenues	<hr/> 1,194,062 <hr/>
 OPERATING EXPENSES	
Medical Claims	997,642
Insurance Premiums	231,125
Administrative Fees	5,896
Total Operating Expenses	<hr/> 1,234,663 <hr/>
 Operating Loss	 (40,601)
 NON-OPERATING REVENUES	
Interest on Investments	 <hr/> 295 <hr/>
 Net Loss	 (40,306)
 Net Assets Beginning of Year	 <hr/> (61,687) <hr/>
 Net Assets End of Year	 <hr/> \$(101,993) <hr/>

See Notes To Financial Statements

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005**

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Operating Fund Reimbursements	\$1,091,745
Cash Received From Employees and Others	102,318
Cash Payments To Suppliers For Services	(1,212,722)
Net Cash Used in Operating Activities	<u>(18,659)</u>
CASH FLOWS FORM INVESTING ACTIVITIES	
Interest on Investments	<u>295</u>
Net Decrease in Cash and Cash Equivalents	(18,364)
Cash & Cash Equivalents at Beginning of Year	<u>51,452</u>
Cash & Cash Equivalents at End of Year	<u><u>\$33,088</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	\$(40,601)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Increase In Accounts Payable	<u>21,942</u>
Net Cash Used in Operating Activities	<u><u>\$(18,659)</u></u>

See Notes To Financial Statements

**BUCHANAN COUNTY
Independence, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005**

ASSETS

Cash & Pooled Investments	
County Treasurer	\$827,690
Other County Officials	45,795
Receivables	
Property Tax	
Succeeding Year	14,268,842
Accounts	17,612
Accrued Interest	69
Due from Other Governments	1,303
<u>TOTAL ASSETS</u>	<u>15,161,311</u>

LIABILITIES

Accounts Payable	784
Due To Other Governments	15,108,728
Trusts Payable	44,476
Compensated Absences	7,323
<u>TOTAL LIABILITIES</u>	<u>15,161,311</u>

<u>NET ASSETS</u>	<u>\$0</u>
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See Notes To Financial Statements

BUCHANAN COUNTY
Independence, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

For financial reporting purposes, Buchanan 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 Buchanan 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 that are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

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 Buchanan County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission, and Buchanan County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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

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

The County reports the following major governmental funds:

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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 the secondary road construction and maintenance.

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

Additionally the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) 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, 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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 the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds 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 or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is 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 purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Equipment	\$25,000
Equipment and Vehicles	\$5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-65
Building Improvements	20-50
Infrastructure	10-65
Equipment	2-20
Vehicles	3-10

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary 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, 2005. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. 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, 2005, disbursements exceeded amounts budgeted in the debt service and Capital Projects functions.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at amortized cost of \$3,474,852, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the need and use of the County.

Credit Risk. The investment in Iowa Public Agency Investment Trust is unrated.

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2005 is as follows:

Transfer To	Transfer From	Amount
General Basic	Special Revenue:	
	Conservation Reserve	\$38,200
	Jail Room & Board	150,000
	Records Management	1,988
	Recorders Electronic Transaction	37,000
Special Revenue:		
Secondary Roads	Rural Services	<u>1,222,477</u>
Total		<u><u>\$1,449,665</u></u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$786,134	\$0	\$0	\$786,134
Construction in progress	31,500	130,188	0	161,688
Total capital assets not being depreciated	817,634	130,188	0	947,822
Capital assets being depreciated:				
Buildings	606,453	0	0	606,453
Machinery and equipment	5,054,937	386,969	292,079	5,149,827
Vehicles	883,350	26,900	27,032	883,218
Infrastructure, road network	13,872,416	725,482	0	14,597,898
Total capital assets being depreciated	20,417,156	1,139,351	319,111	21,237,396
Less accumulated depreciation for:				
Buildings	143,979	17,662	0	161,641
Machinery and equipment	2,327,629	327,998	221,429	2,434,198
Vehicles	562,911	88,457	27,031	624,337
Infrastructure, road network	1,573,169	361,197	0	1,934,366
Total accumulated depreciation	4,607,688	795,314	248,460	5,154,542
Total capital assets being depreciated, net	15,809,468	344,037	70,651	16,082,854
Governmental activities capital assets, net	\$16,627,102	\$474,225	\$70,651	\$17,030,676

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$50,517
Mental health	3,399
County environment and education	34,346
Roads and transportation	696,715
Governmental services to residents	3,532
Administration	6,805
Total depreciation expense – governmental activities	<u>\$795,314</u>

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

Fund	Description	Amount
Special Revenue:		
Mental Health	Services	\$252,840
Total for governmental funds		<u>\$252,840</u>
Agency:		
Agricultural Extension	Collections	\$150,759
Assessor & Special Appraisal		487,466
Schools		8,640,100
Community Colleges		649,795
Corporations		3,959,248
Auto License & Use Tax		365,242
All Others		856,118
Total for agency funds		<u>\$15,108,728</u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005, is as follows:

	General Obligation Notes	Conservation Note	Compensated Absences	Total
Balance beginning of year	\$250,000	\$65,343	\$227,886	\$543,229
Increases	420,000	0	8,772	428,772
Decreases	83,334	9,335	0	92,669
Balance end of year	<u>\$586,666</u>	<u>\$56,008</u>	<u>\$236,658</u>	<u>\$879,332</u>
Due within one year	<u>\$167,333</u>	<u>\$9,335</u>	<u>\$236,658</u>	<u>\$413,326</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities (Continued)

Notes Payable

During the year ended June 30, 2005, the County issued \$420,000 of General Obligation County Purpose Notes for the purpose of providing funds to pay the cost of acquiring voting and computer equipment and improving the parking lot at the Courthouse. The notes are general obligations of the County and will be paid with taxes levied on all taxable property in the County. Interest is payable semiannually commencing on December 1, 2005, principal is due annually commencing June 1, 2006. The note is to be paid in full on June 1, 2010. No payments were made in fiscal 2005. The County was in compliance in the issuance of the notes. A summary of the General Obligation Note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	4.50%	\$84,000	\$22,995	\$106,995
2007	4.50%	84,000	15,120	99,120
2008	4.50%	84,000	11,340	95,340
2009	4.50%	84,000	7,560	91,560
2010	4.50%	84,000	3,780	87,780
		<u>\$420,000</u>	<u>\$60,795</u>	<u>\$480,795</u>

During the year ended June 30, 2004, the County issued a \$250,000 General Obligation Health Insurance Note. The note bears interest of 2.1%, payable May 1 and November 1, commencing on November 1, 2004. Principal is also due semi-annually, due on November 1, 2004 through November 1, 2006 with a final amount on May 1, 2007. The note was issued for the purpose of providing funds to pay a portion of the cost of providing health insurance coverage for County employees.

A summary of the County's General Obligation Note debt is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	2.1%	\$83,333	\$3,066	\$86,399
2007	2.1%	83,334	1,316	84,650
		<u>\$166,667</u>	<u>\$4,382</u>	<u>\$171,049</u>

During the year ended June 30, 2001, the Executive Council of Iowa approved a loan from the Contingency Fund for the Fontana Dam Restoration Project to the Buchanan County Conservation Board. The loan is free of interest and is due in 10 annual installments of \$9,335, the first payment due on December 4, 2001.

A summary of debt is as follows:

Year Ending June 30,	Principal
2006	\$9,335
2007	9,335
2008	9,335
2009	9,335
2010	9,335
2011	9,333
	<u>\$56,008</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities (Continued)

Notes Payable (Continued)

During the year ended June 30, 2001, the County issued General Obligation E-911 Communication Equipment Notes for the purchase of E-911 equipment. The note is due on April 1, 2006 at 4.4% per annum with quarterly principal and interest payments beginning July 1, 2001. The debt is not included in the County's debt as it is paid from sources other than County funds. A summary of the debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$24,577	\$680	\$25,257

Payment during the year totaled \$25,237.

Note 7: Pension and Retirement Benefits

Buchanan County is a member in 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 member 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, 2005 are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48% respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05% respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$231,714, \$221,869, and \$208,868, respectively, equal to the required contributions for each year.

Note 8: Risk Management

Buchanan County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$122,458.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond in excess of \$500,000 and \$20,000 per employee, with additional \$30,000 coverage on the Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9: Health Insurance Plan

The County is self-insured for health insurance coverage of its employees. Claims of the employees are submitted to a third-party administrator who, in turn, bills the plan funds for the necessary amount. The plan is covered by a reinsurer to protect the stop-loss of 125% of expected claims.

The County's contribution for the year ended June 30, 2005 was \$1,084,616.

At the most recent plan year-end the plan assets had a deficit of \$101,993.

Notes to Financial Statements (Continued)

Note 10: Commitments and Contingencies

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, County officials do not believe that such amounts would be significant.

Note 11: Related Party Transactions

The County had no business transactions between the County and County officials during the year ended June 30, 2005.

Note 12: Budget Over-expenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by Function or amounts appropriated by department. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Debt Service and Capital Projects functions and disbursements in certain departments exceeded the amounts appropriated.

Note 13: Deficit Balance

A deficit fund balance of \$39,405 was noted in the Emergency Management Fund.

The Internal Service Fund, Health Insurance had a deficit balance in net assets at June 30, 2005 of \$101,993.

Note 14: Beginning Balance Restatement

The net assets, beginning of year, have been restated due to the inclusion of infrastructure acquired prior to fiscal 2004 and other capital assets that were previously not reported or incorrectly reported. The accumulated depreciation has also been restated for these capital assets. The effect of the restatement on the capital assets was an increase of \$13,226,717, an increase in accumulated depreciation of \$1,622,886, for a net increase in net assets beginning of year of \$11,603,831.

Note 15: 28E Agreement

Buchanan County participates in an agreement with the Buchanan County Landfill Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the County and member municipalities.

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2005 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

In the event the Commission fails to perform postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance with 90 days of intent to cancel, the County will perform, or pay a third party to perform, postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

BUCHANAN COUNTY
Independence, Iowa

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, 2005

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS						
Property & Other County Tax	\$6,385,030	\$0	\$6,385,030	\$5,929,946	\$5,929,946	\$455,084
Interest & Penalty on Property Tax	66,332	0	66,332	20,000	20,000	46,332
Intergovernmental	5,902,867	0	5,902,867	5,188,986	6,069,283	(166,416)
Licenses & Permits	13,912	0	13,912	14,100	14,100	(188)
Charges for Services	618,271	0	618,271	525,883	525,883	92,388
Use of Money & Property	144,189	0	144,189	109,200	109,200	34,989
Miscellaneous	189,324	0	189,324	87,600	87,600	101,724
Total Receipts	13,319,925	0	13,319,925	11,875,715	12,756,012	563,913
DISBURSEMENTS						
Public Safety & Legal Services	2,397,457	0	2,397,457	2,429,318	2,566,374	168,917
Physical Health & Social Services	161,948	0	161,948	244,165	244,165	82,217
Mental Health	2,480,703	0	2,480,703	2,779,928	2,779,928	299,225
County Environment & Education	618,880	0	618,880	612,057	639,969	21,089
Roads & Transportation	4,291,655	0	4,291,655	4,437,000	5,063,000	771,345
Governmental Services to Residents	384,007	0	384,007	378,310	439,021	55,014
Administrative Services	1,404,638	0	1,404,638	1,421,547	1,453,006	48,368
Nonprogram	26,585	0	26,585	30,766	31,470	4,885
Debt Service	100,121	0	100,121	100,017	9,335	(90,786)
Capital Projects	898,903	0	898,903	468,750	773,750	(125,153)
Total Disbursements	12,764,897	0	12,764,897	12,901,858	14,000,018	1,235,121
Excess (Deficiency) of Receipts Under Disbursements	555,028	0	555,028	(1,026,143)	(1,244,006)	1,799,034
Other Financing Sources, Net	424,776	0	424,776	14,000	14,000	410,776
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	979,804	0	979,804	(1,012,143)	(1,230,006)	2,209,810
Balance Beginning of Year	2,866,931	476	2,866,455	2,109,029	3,623,889	(757,434)
Balance End of Year	\$3,846,735	\$476	\$3,846,259	\$1,096,886	\$2,393,883	\$1,452,376

See Accompanying Independent Auditors' Report

BUCHANAN COUNTY
Independence, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$13,319,925	\$(56,330)	\$13,263,595
Expenditures	12,764,897	209,566	12,974,463
Net	555,028	(265,896)	289,132
Other Financing Sources, net	424,776	40,369	465,145
Beginning Fund Balances	2,866,931	(322,175)	2,544,756
Increase in Reserve For:			
Inventories	0	129,360	129,360
Ending Fund Balances	\$3,846,735	\$(418,342)	\$3,428,393

See Accompanying Independent Auditors' Report

Buchanan County
Independence, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

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 appropriation 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 and Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,098,160. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Debt Service and Capital Projects functions and disbursements in certain departments exceeded the amounts appropriated. Emergency Management and E911 disbursements exceeded the amounts budgeted.

BUCHANAN COUNTY
Independence, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	REAP	Recorder Records Management	Recorders Electronic Transaction
ASSETS			
Cash & Pooled Investments			
County Treasurer	\$40,578	\$17,900	\$353
Receivables			
Accounts	0	0	0
Accrued Interest	22	19	1
Due from other Governments	0	0	0
TOTAL ASSETS	\$40,600	\$17,919	\$354
FUND EQUITY			
Fund Equity			
Fund Balances			
Unreserved			
Total Fund Equity	\$40,600	\$17,919	\$354
TOTAL LIABILITY AND FUND EQUITY	\$40,600	\$17,919	\$354

See Accompanying Independent Auditors' Report

Schedule 1

<u>Board and Room</u>	<u>Nature Center</u>	<u>Drainage</u>	<u>Conservation Reserve</u>	<u>Total</u>
\$63,317	\$40,238	\$476	\$233,128	\$398,990
0	0	0	165	165
0	22	0	276	340
0	0	0	3,059	3,059
<u>\$66,317</u>	<u>\$40,260</u>	<u>\$476</u>	<u>\$236,628</u>	<u>\$402,554</u>
<u>\$66,317</u>	<u>\$40,260</u>	<u>\$476</u>	<u>\$236,628</u>	<u>\$402,554</u>
<u>\$66,317</u>	<u>\$40,260</u>	<u>\$476</u>	<u>\$236,628</u>	<u>\$402,554</u>

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF REVENUES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2005

	REAP	Recorder Records Management	Recorders Electronic Transaction
Revenues			
Intergovernmental	\$11,618	\$0	\$0
Charges for Services	0	4,621	14,196
Use of Money and Property	185	74	420
Miscellaneous	0	0	0
Total Revenues	11,803	4,695	14,616
Excess (Deficiency) of Revenues Over (Under) Expenditures			
	11,803	4,695	14,616
Other Financing Sources (Uses)			
Operating Transfers Out	0	(1,988)	(37,000)
Total Other Financing Sources (Uses)	0	(1,988)	(37,000)
Net Change in Fund Balances	11,803	2,707	(22,384)
Fund Balances – Beginning of Year	28,797	15,212	22,738
Fund Balances – End of Year	\$40,600	\$17,919	\$354

See Accompanying Independent Auditors' Report

Schedule 2

<u>Board and Room</u>	<u>Nature Center</u>	<u>Drainage</u>	<u>Conservation Reserve</u>	<u>Total</u>
\$0	\$0	\$0	\$54,681	\$66,299
188,428	0	0	0	207,245
0	223	0	892	1,794
0	13,625	0	46,059	59,684
<u>188,428</u>	<u>13,848</u>	<u>0</u>	<u>101,632</u>	<u>335,022</u>
<u>188,428</u>	<u>13,848</u>	<u>0</u>	<u>101,632</u>	<u>335,022</u>
<u>(150,000)</u>	<u>0</u>	<u>0</u>	<u>(38,200)</u>	<u>(227,188)</u>
<u>(150,000)</u>	<u>0</u>	<u>0</u>	<u>(38,200)</u>	<u>(227,188)</u>
38,428	13,848	0	63,432	107,834
27,889	26,412	476	173,196	294,720
<u>\$66,317</u>	<u>\$40,260</u>	<u>\$476</u>	<u>\$236,628</u>	<u>\$402,554</u>

BUCHANAN COUNTY
Independence, Iowa

**COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005**

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments				
County Treasurer	\$0	\$2,062	\$55,370	\$138,168
Other County Officials	45,795	0	0	0
Receivables				
Property Tax				
Delinquent	0	0	0	0
Succeeding Year	0	148,697	190,904	8,501,932
Accounts	0	0	61	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$45,795	\$150,759	\$246,335	\$8,640,100
LIABILITIES				
Accounts Payable	\$0	\$0	\$247	\$0
Due to Other Governments	0	150,759	240,468	8,640,100
Trusts Payable	45,795	0	0	0
Compensated Absences	0	0	5,620	0
TOTAL LIABILITIES	\$45,795	\$150,759	\$246,335	\$8,640,100

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Total
\$8,861	\$65,739	\$3,069	\$365,242	\$189,179	\$827,690
0	0	0	0	0	45,795
0	0	0	0	0	0
640,934	3,893,509	184,471	0	708,395	14,268,842
0	0	0	0	17,551	17,612
0	0	0	0	69	69
0	0	0	0	1,303	1,303
<u>\$649,795</u>	<u>\$3,959,248</u>	<u>\$187,540</u>	<u>\$365,242</u>	<u>\$916,497</u>	<u>\$15,161,311</u>
\$0	\$0	\$0	\$0	\$537	\$784
649,795	3,959,248	187,540	365,242	915,576	15,108,728
0	0	0	0	(1,319)	44,476
0	0	0	0	1,703	7,323
<u>\$649,795</u>	<u>\$3,959,248</u>	<u>\$187,540</u>	<u>\$365,242</u>	<u>\$916,497</u>	<u>\$15,161,311</u>

BUCHANAN COUNTY
Independence, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS

Year Ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$48,099	\$129,926	\$234,241	\$8,553,493
Additions				
Property and Other County Tax	0	148,826	191,071	8,515,112
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,944	10,200	518,923
Office Fees and Collections	347,586	0	0	0
Auto Licenses, Use Tax and Postage Assessments	0	0	0	0
Trusts	284,389	0	0	0
Miscellaneous	14,761	0	9,025	0
Total Additions	646,736	156,770	210,296	9,034,035
Deductions				
Agency Remittances				
To Other Funds	188,761	0	0	0
To Other Governments	158,822	135,937	198,202	8,947,428
Trusts Paid Out	301,457	0	0	0
Total Deductions	649,040	135,937	198,202	8,947,428
Balances End of Year	\$45,795	\$150,759	\$246,335	\$8,640,100

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Totals
\$575,882	\$4,524,357	\$180,431	\$366,073	\$843,095	\$15,455,597
640,801	3,874,586	186,572	0	709,082	14,266,050
0	0	0	0	95,086	95,086
34,728	254,011	10,089	0	42,051	877,946
0	0	0	0	4,713	352,299
0	0	0	4,305,904	0	4,305,904
0	0	0	0	153,122	153,122
0	0	0	0	247,040	531,429
0	0	0	0	82,886	106,672
675,529	4,128,597	196,661	4,305,904	1,333,980	20,688,508
0	0	0	145,333	0	334,094
601,616	4,693,706	189,552	4,161,402	1,022,167	20,108,832
0	0	0	0	238,411	539,868
601,616	4,693,706	189,552	4,306,735	1,260,578	20,982,794
\$649,795	\$3,959,248	\$187,540	\$365,242	\$916,497	\$15,161,311

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Property & Other County Tax	\$6,390,781	\$5,776,781	\$5,200,535
Interest & Penalty On Property Tax	65,401	57,370	52,977
Intergovernmental	5,896,416	5,284,982	4,742,734
Licenses & Permits	13,907	14,475	12,182
Charges For Service	591,508	553,649	537,460
Use of Money & Property	150,031	115,019	125,301
Miscellaneous	155,551	126,927	158,158
Total	<u>\$13,263,595</u>	<u>\$11,929,203</u>	<u>\$10,829,347</u>
Expenditures:			
Operating:			
Public Safety & Legal Services	\$2,397,070	\$2,218,273	\$2,233,465
Physical Health & Social Services	169,989	156,274	183,352
Mental Health	2,505,863	2,371,445	2,248,634
County Environment & Education Services	623,719	593,717	617,592
Roads and Transportation	4,398,858	3,212,903	3,441,287
Governmental Services To Residents	386,754	334,368	337,830
Administrative Services	1,422,123	1,601,040	1,227,014
Nonprogram	29,224	101,051	35,563
Debt Services	106,441	239,299	252,078
Capital Projects	934,422	338,056	241,242
Total	<u>\$12,974,463</u>	<u>\$11,166,426</u>	<u>\$10,818,057</u>

See Accompanying Independent Auditors' Report

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>\$6,898</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Edward Byrne Memorial State & Local Law Enforcement Assistance Formula Grant Program	16.579		<u>87,296</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	6-03-HBRR-35 & 6-02-HBRR-16	<u>119,207</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>9,143</u>
Refugee and Entrant Assistance – State Administered Programs	93.566		<u>12</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>1,777</u>
Foster Care – Title IV-E	93.658		<u>4,812</u>
Adoption Assistance	93.659		<u>1,122</u>
Medical Assistance Program	93.778		<u>9,895</u>
Social Services Block Grant	93.667		<u>6,102</u>
Social Services Block Grant	93.667		<u>97,156</u>
			<u>103,258</u>
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Recovery – Public Assistance	97.036	DR-1518-IA	<u>523,951</u>
Total			<u><u>\$867,371</u></u>

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Buchanan County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparations of, the basic financial statements. See accompanying independent auditor's report.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Officials of Buchanan County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the years ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 4, 2006. We conducted our audit in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Buchanan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide 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 Buchanan County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be a material weakness. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Continued)

Compliance and Other Matters: (Continued)

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

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

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Buchanan 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.

April 4, 2006

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the officials of Buchanan County:

Compliance

We have audited the compliance of Buchanan County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Buchanan County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Buchanan County's management. Our responsibility is to express an opinion on Buchanan County's compliance based on our audit.

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

In our opinion, Buchanan County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

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

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 (Continued)

Internal Control Over Compliance (Continued)

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

April 4, 2006

BUCHANAN COUNTY
Independence, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued of compliance with requirements applicable to each major program.
- (e) The audit disclosed no audit findings which were required to be reported in compliance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major programs were CFDA number 20.205 – Highway Planning and Construction and CFDA Number 93.667 – Social Services Block Grant.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Buchanan County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCE OF NON-COMPLIANCE – No matters were reported.

REPORTABLE CONDITIONS

II-A-05 **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. Responsibility for the custody of receipts and for the record keeping and reconciling functions for the County Treasurer's office are not segregated due to small office size. Also, an independent person does not approve bank wire transfers for investments.

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

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCE OF NON-COMPLIANCE – No matters were reported.

REPORTABLE CONDITIONS: No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 **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 ended June 30, 2005, except by the Sheriff's Department Commissary Account.

Recommendation – A resolution with amounts sufficient to cover all the Sheriff's account should be adopted by the Board.

Response – We will adopt a new resolution immediately.

Conclusion – Response accepted.

IV-B-05 **Certified Budget** – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Debt Service and Capital Projects functions. Disbursements exceeded amounts appropriated in several departments during the year ended June 30, 2005.

The Emergency Management budget was over expended.

Recommendation – The County budget and the Emergency Management Board budgets should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution to increase 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 should be made before disbursements are allowed to exceed appropriations.

Response – We will amend the budget when required and adjust appropriations as necessary.

Conclusion – Response accepted.

IV-C-05 **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-05 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-05 **Business Transaction** – We noted no business transactions between the County and County officials or employees.

IV-F-05 **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

IV-G-05 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. It was noted that minutes were not being provided to the newspaper on a timely basis as required by the Code of Iowa.

Recommendation – Minutes of the meetings of the Board of Supervisors are to be provided to the newspaper within 7 days of a meeting per the Code of Iowa.

Response – This situation was corrected in fiscal 2005.

Conclusion – Response accepted.

IV-H-05 **Deposits and 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 policy were noted.

IV-I-05 **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-05 **Economic Development** – During the year ended June 30, 2005, the County spent \$21,000 for economic development which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditures before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – We will obtain the necessary documentation for past expenditures and will consider these requirements in the future.

Conclusion – Response accepted.

IV-K-05 **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, 2005 for the County Extension Office did not exceed the amount budgeted.

IV-L-05 **Deficit Balance** – We noted a deficit fund balance in the Emergency Management Fund of \$39,405. The Internal Service – Health Insurance Fund had a deficit balance of \$101,993.

Recommendation – The County should determine a method to eliminate the deficit balances.

Response – We will watch these funds more closely and work to eliminate the deficit through the budget.

Conclusion – Response accepted.

IV-M-05 **Separately Maintained Accounts** – We noted a number of Sheriff’s accounts that were not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

Recommendation – These accounts should be turned over to the Treasurer and Special Revenue Funds should be established for these accounts. These funds should be included in the County’s budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

Response – We hope to have this accomplished by the beginning of the next fiscal year. County officials agree that this is necessary.

Conclusion – Response accepted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Buchanan County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2005, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$21,054,741 for the year ended June 30, 2005, which included \$1,212,975 in tax credits from the State. The County then forwarded \$15,427,906 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$5,626,835 of the local tax revenue to finance County operations, a 5% increase from the prior year. Other revenues included charges for service of \$1,713,191, operating grants, contributions and restricted interest of \$4,990,300, unrestricted investment earnings of \$65,635 and other general revenues of \$971,320.

Expenses for the County operations totaled \$12,764,069, a 20% increase from the prior year. Expenses included \$4,995,604 for Roads and Transportation, \$2,512,968 for Mental Health, and \$2,445,120 for Public Safety and Legal Services.

The significant increase in revenues and expenses is due primarily to increased Intergovernmental revenue and Roads and Transportation expenses.

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

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