**FINANCIAL STATEMENTS**
**JUNE 30, 2007**

# BENTON COUNTY

**BENTON COUNTY**

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# BENTON COUNTY

# BENTON COUNTY
## OFFICIALS

| Name | Title | Term Expires |
|---|---|---|
| David Vermedahl | Board of Supervisors | December 2008 |
| Ron Buch | Board of Supervisors | December 2008 |
| Jason Sanders | Board of Supervisors | December 2010 |
| Jill Marlow | County Auditor | December 2008 |
| Kelly Rae Geater | County Treasurer | December 2010 |
| Lexa Speidel | County Recorder | December 2010 |
| Randall L. Forsyth | County Sheriff | December 2008 |
| David C. Thompson | County Attorney | December 2010 |
| Larry Andreesen | County Assessor | Appointed |

EideBailly
CPAs & BUSINESS ADVISORS

# INDEPENDENT AUDITOR'S REPORT

To the Officials of Benton County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Benton County. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2008, on our consideration of Benton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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


3999 Pennsylvania Ave., Ste. 100 ▮ Dubuque, Iowa 52002-2273 ▮ Phone 563.556.1790 ▮ Fax 563.557.7842 ▮ EOE

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Benton County. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 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.

Eide Bailly LLP

Dubuque, Iowa
March 4, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Benton County provides this Management's Discussion and Analysis of our annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## FINANCIAL HIGHLIGHTS

Revenue for the County's governmental funds increased 4.7%, or approximately $625,000, from 2006 to 2007.

Property taxes levied increased 8% from $5.697 million in 2006 to $6.167 million in 2007. Net property taxes increased approximately 8.5% or $454,000. Net property taxes are levied taxes less credits.

Intergovernmental revenues including, grants and contributions, decreased approximately $43,800 from $5.826 million in 2006 to $5.782 million in 2007, less than 1%.

Governmental activities program expenses were approximately $14,000 more in 2007 than in 2006. Roads and transportation expense increased approximately $364,000, which was the largest increase in program expense. Mental Health expense increased $70,500. The largest decrease in program expense was recognized in Capital Projects with a decrease of $307,000 in 2007 compared to 2006, followed by Government Services to Residents with a decrease of $263,000.

Secondary Roads continued with infrastructure improvements on our secondary road system. The County terminated lease agreements for farm rental and is researching the possibility of selling the agricultural land. If the County determines that leasing is in the public's best interest, then lease agreements will be entered into with anticipation of increased revenues in comparison to the prior year leases. The installation of a sewer line to the County care facility was completed in 2007, and the installation of a waste water treatment system in the unincorporated village of Watkins saw significant progress. The County continued with its initiative to enhance law enforcement in Benton County by adding another prosecuting attorney and the purchase of two drug dogs, although the major costs will not be recognized until fiscal year 2008. The County also continued to support economic development by sponsoring a $63,000 Community Economic Betterment (CEBA) grant to Frontier Cooperative for assistance with a $2.5 million dollar expansion project creating approximately 50 new jobs, as well as offering tax rebate incentives funded through tax increment financing.

The County's net assets increased less than 1% or $176,800, at June 30, 2007.

## USING THIS ANNUAL REPORT

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the government's financial activities.
- The *Government-wide Financial Statements* consist of a statement of net assets and a statement of activities. These provide information about the activities of Benton County as a whole and present an overall view of the County's finances.

- The *Fund Financial Statements* tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Benton County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Benton County acts solely as an agent or custodian for the benefit of those outside of the government.
- The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Supplementary Information* provides detailed information about the non-major special revenue and the individual fiduciary funds.

## REPORTING THE COUNTY AS A WHOLE

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

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

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

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

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration or general government, interest on long-term debt and other 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. These governmental funds include:
    a. The General Fund
    b. The Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads,
    c. The Capital Projects Fund.

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs

The required financial statements for the 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 employee group health insurance, an internal service fund. 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 the proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include, but are not limited to, agency funds that account for
   - E-911 services
   - Empowerment
   - Emergency management services
   - The County Assessor

The required financial statement for the fiduciary funds includes a statement of fiduciary assets and liabilities.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

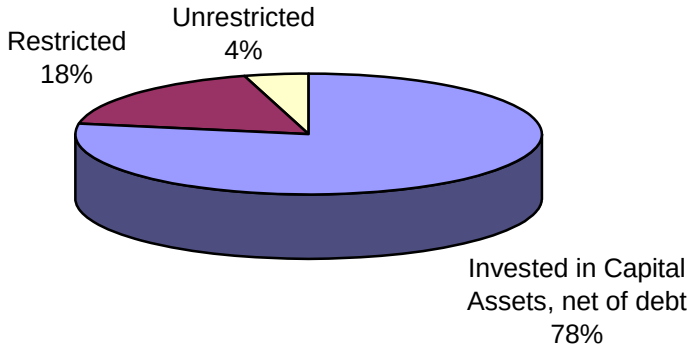
As noted earlier, net assets may serve over time as a useful indicator of the County's financial position.

The County's combined net assets increased from $21.740 million in 2006 to $33.270 million in 2007. Our analysis below focuses on the net assets and changes in net assets of the County's governmental activities.

**NET ASSETS OF GOVERNMENTAL ACTIVITIES**
**(as shown in the Statement of Net Assets)**

| | 2007 | 2006 |
|---|---|---|
| Current and other assets | $ 16,393,734 | $ 15,887,136 |
| Capital assets | 25,889,125 | 14,351,249 |
| Total assets | 42,282,859 | 30,238,385 |
| | | |
| Long-term debt outstanding | 1,355,274 | 1,192,101 |
| Other liabilities | 7,657,514 | 7,306,008 |
| Total liabilities | 9,012,788 | 8,498,109 |
| | | |
| Net assets: | | |
| Invested in capital assets, net of debt | 25,889,125 | 14,351,249 |
| Restricted | 5,930,495 | 6,153,420 |
| Unrestricted | 1,450,451 | 1,235,607 |
| Total net assets | $ 33,270,071 | $ 21,740,276 |

**Net Assets of Governmental Activities**



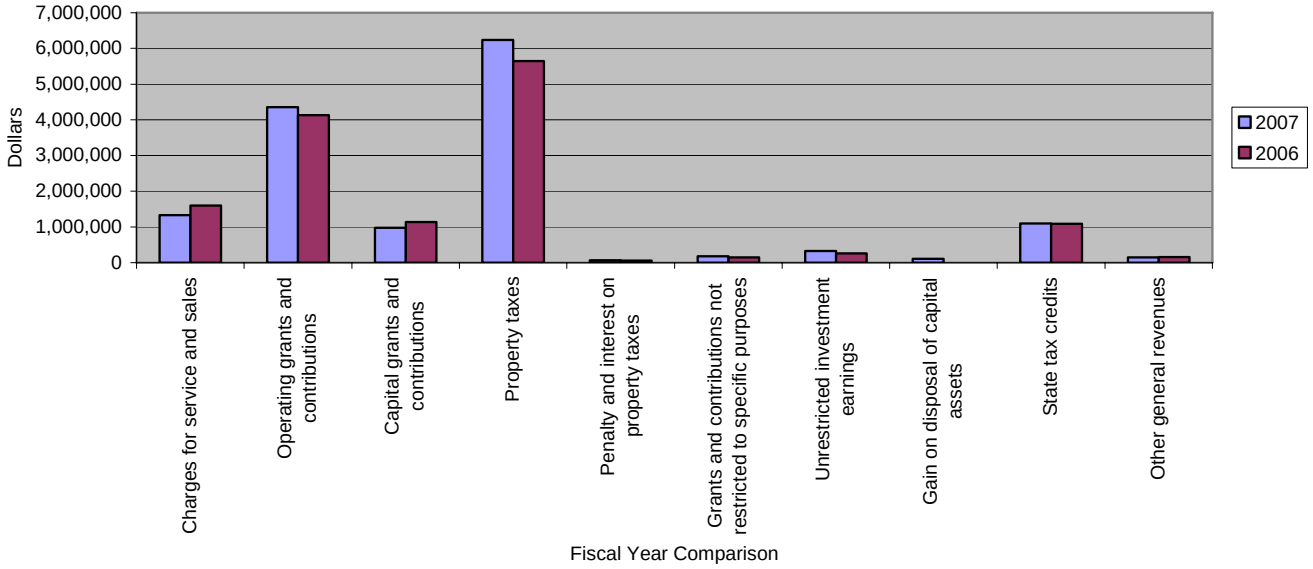

Net assets of the County's governmental activities increased by 53 percent ($21,740,276 compared to $33,270,071). **The largest portion of the County's net assets is invested in capital assets, net of debt.** Currently, the County has no related debt to capital assets. The large increase is due primarily to restating the beginning of the year assets to include the initial reporting of secondary road infrastructure, including roads, bridges, and culverts. Unrestricted net assets are that 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.

## CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
**(as shown in the Statement of Activities)**

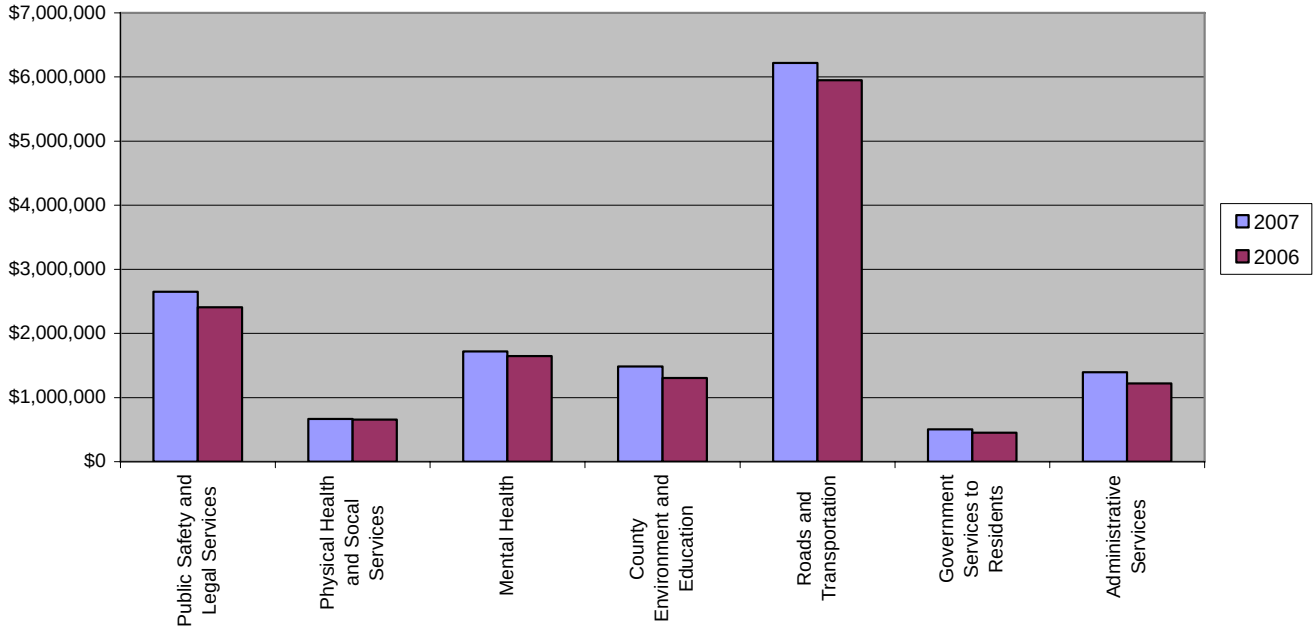
| | 2007 | 2006 |
|---|---|---|
| Revenues: | | |
| Program Revenues | | |
| Charges for service and sales | $ 1,330,993 | $ 1,594,113 |
| Operating grants and contributions | 4,355,359 | 4,129,277 |
| Capital grants and contributions | 977,367 | 1,134,080 |
| General Revenues | | |
| Property taxes | 6,241,167 | 5,646,662 |
| Penalty and interest on property tax | 61,901 | 53,745 |
| Grants and contributions not restricted to specific purposes | 178,460 | 145,777 |
| Unrestricted investment earnings | 321,045 | 261,340 |
| Gain on disposal of capital assets | 104,165 | - |
| State tax credits | 1,098,782 | 1,088,050 |
| Other general revenues | 146,846 | 154,600 |
| Total revenues | 14,816,085 | 14,207,644 |

| | 2007 | 2006 |
|---|---|---|
| Program Expenses: | | |
| Public safety and legal services | 2,651,164 | 2,405,673 |
| Physical health and social services | 666,461 | 657,039 |
| Mental health | 1,718,512 | 1,647,934 |
| County environment and education | 1,486,719 | 1,306,964 |
| Roads and transportation | 6,218,832 | 5,951,678 |
| Governmental services to residents | 502,762 | 454,302 |
| Administrative services | 1,394,827 | 1,221,062 |
| Interest on long-term debt | - | 3,858 |
| Total expenses | 14,639,277 | 13,648,510 |
| Increase in net assets | 176,808 | 559,134 |
| Net assets beginning of year, as restated | 33,093,263 | 21,181,142 |
| Net assets end of year | $ 33,270,071 | $ 21,740,276 |

**CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES-REVENUE**




**CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES-EXPENSES**




Benton County's total revenues increased as well as the total cost of all programs and services from 2006 to 2007 with no new programs added this year. The increases in expenses outpaced the increase in revenues and the County relied on fund reserves to cover the difference between revenues and expenses.

## Governmental Activities

The results of governmental activities for the year resulted in Benton County's net assets increasing by approximately $176,800. Revenues for governmental activities increased by approximately $608,400 over the prior year, with property tax increasing from the prior year by approximately $594,500, or a little more than 10.5%.

The County's property tax rates in 2007 increased from 2006. This is a result of the increased costs for providing and expanding existing services and a reduction in the County's reserves available to offset those increases.

| | FY2007 | FY2006 |
|---|---|---|
| Countywide taxable value | 927,154,412 | 908,612,097 |
| Countywide levy rate less debt | 4.70400 | 4.48435 |
| Dollars levied less debt | 4,361,333 | 4,074,534 |
| | | |
| Countywide taxable debt service value | 974,748,032 | 953,788,716 |
| Countywide debt service levy rate | 0.00 | 0.00 |
| Dollars levied for debt service | 0.00 | 0.00 |
| | | |
| Total countywide levy rate | 4.70400 | 4.48435 |
| Total dollars levied countywide | 4,361,333 | 4,074,534 |
| | | |
| Rural taxable value | 622,741,373 | 602,500,786 |
| Rural tax levy rate | 3.24372 | 3.03347 |
| Dollars levied for rural area only | 2,020,000 | 1,827,668 |
| | | |
| Total dollars levied | 6,381,333 | 5,902,202 |

The cost of all governmental activities this year was $14.639 million compared to $13.648 million last year. However, as shown in the Statement of Activities on Page 16, the amount that our taxpayers ultimately financed for these activities through County taxes was only $6.303 million because some of the cost was paid by those directly benefiting from the programs ($1.331 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($5.313 million). The County paid for the remaining "public benefit" portion of governmental activities with other revenues, such as interest and general entitlements.

## THE COUNTY'S INDIVIDUAL MAJOR FUNDS

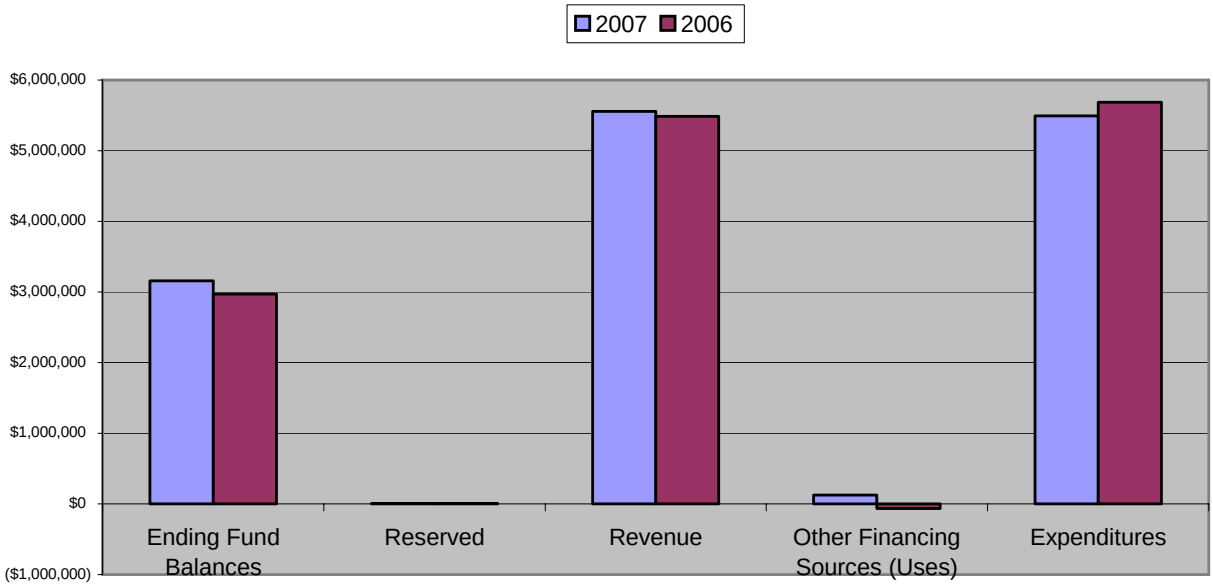
As the County completed the year, its governmental funds reported a combined fund balance of $8,496,200, which is slightly higher than last year's total of $8,357,921. The County funds received $149,452 more than we expended in operating revenues for the year, which was ultimately offset by a decrease in inventory reserves of $11,174. The following are the major reasons for the changes in fund balances from the prior year.

## General Fund

General Fund revenues increased $66,989 and expenditures decreased $197,496 when compared to the prior year. The ending fund balance decreased from the prior year by $188,804. The County has designated approximately $773,000 of the ending fund balance for the future replacement of election equipment, addressing any hazardous material incident in Benton County, equipment/vehicle replacement, and to special projects, including major repairs to the courthouse beginning in FY08.

| | 2007 | 2006 |
|---|---|---|
| Ending Fund Balances | $ 3,160,891 | $ 2,972,087 |
| Reserved | 4,208 | 5,227 |
| Revenue | 5,555,956 | 5,488,967 |
| Other Financing Sources (Uses) | 125,050 | (64,649) |
| Expenditures | 5,491,183 | 5,688,679 |

**THE COUNTY'S INDIVIDUAL MAJOR FUNDS-GENERAL FUND**

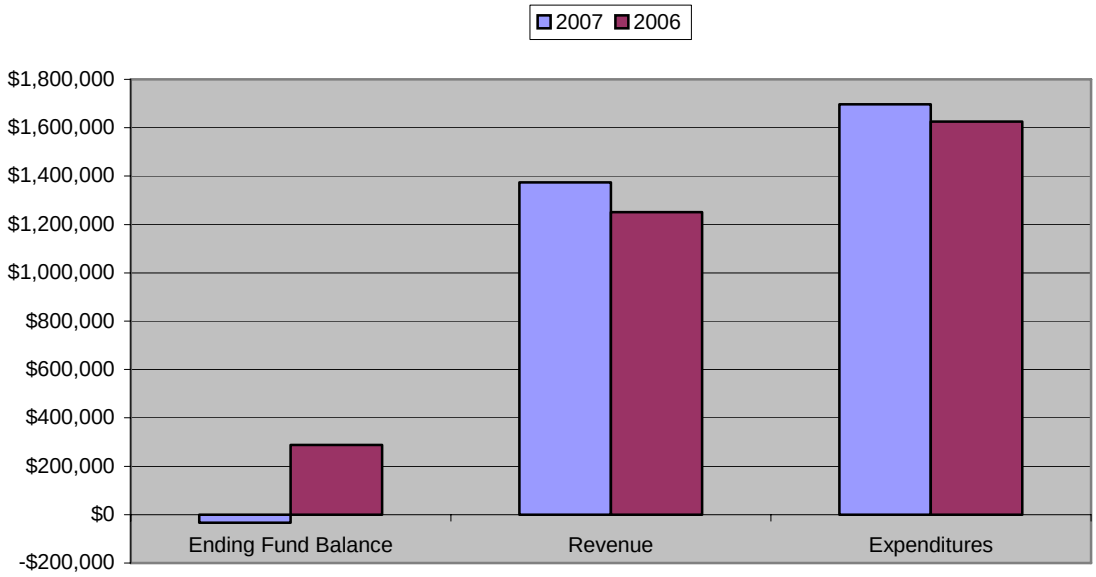


## Mental Health

The County continues to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled $1.696 million, an increase of approximately 4% from the prior year. The County's goal is to maintain a reserve that is equal to approximately 25% of the annual operating costs in the Mental Health Fund. The Mental Health Fund balance at year end decreased by $322,358 from the prior year; ending with a negative balance despite an approximate 10% increase in revenue. The County anticipates an increase in property tax to address the current condition of the fund, but legislative changes will be required if the County is to continue to comply with legal mandates and spiraling costs.

| | 2007 | 2006 |
|---|---|---|
| Ending Fund Balance | $ (33,650) | $ 288,708 |
| Revenue | 1,374,113 | 1,251,568 |
| Expenditures | 1,696,472 | 1,625,894 |

**THE COUNTY'S INDIVIDUAL MAJOR FUNDS-MENTAL HEALTH**

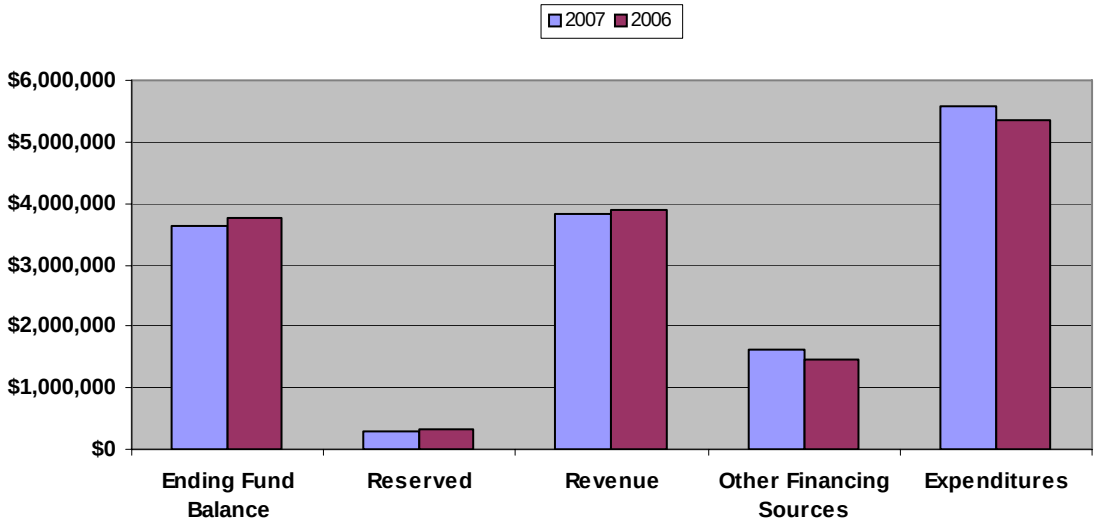



## Secondary Roads

Secondary Roads Fund expenditures increased by approximately $223,000 over the prior year, which is due to the increased placement of granular surfacing material on the rock roads because of the wet spring conditions from the near record precipitation. The fund realized a slight increase in revenues, including other financing sources, from 2006 to 2007 of approximately $71,000. Inventory reserves also decreased approximately $10,000 from 2006 to 2007. This has resulted in a decrease in the Secondary Roads Fund ending balance of $142,017 or less than 3.8%. The County continued work on a scaled down version of the Oak Grove Road project, which will span several years before completion is recognized. A major bridge construction project was started in 2007 in Luzerne with funding coming from the state's farm-to-market account.

| | 2007 | 2006 |
|---|---|---|
| Ending Fund Balance | $ 3,633,917 | $ 3,775,934 |
| Reserved | 302,468 | 312,623 |
| Revenue | 3,836,080 | 3,905,204 |
| Other Financing Sources | 1,605,423 | 1,465,000 |
| Expenditures | 5,573,365 | 5,350,079 |

## THE COUNTY'S INDIVIDUAL MAJOR FUNDS-SECONDARY ROADS




## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level (activity), not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Benton County amended its operating budget two times during the fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of FY07, Benton County had $25.889 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

### Debt

At year-end, the County had no outstanding general obligation bonds and did not issue any new general obligation debt during 2007.

Tax increment debt stood at $442,621 as of June 30, 2007. The County's current tax increment financed debt is for an internal loan, which was ultimately used to finance the infrastructure (water and sewer) constructed in Benton Commerce Village. It is anticipated that the loan from the general fund to the Benton Commerce Village project will be satisfied by June 30, 2009 by the Urbana TIF Fund.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt limitation is $88.228 million, based on 2007 values.

100% Assessed Values
for Calculating Debt Capacity

| 2007 | 2006 | 2005 |
|---|---|---|
| $1,764,578,935 | $1,551,911,969 | $1,516,141,560 |

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in **Note 7** to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Benton County's elected and appointed officials and citizens considered many factors when setting the 2008 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Unemployment in the County currently (October 2007) stands at 3.5 percent compared with the State's unemployment rate of 3.4 percent and the national rate of 3.9 percent.

Inflation in the State is comparable to the increase in the national Consumer Price Index. The Midwest's CPI increase was 3.6 percent for the fiscal year ending June 30, 2007 compared with the national rate of 3.4 percent.

These indicators were taken into account when adopting the General Fund budget for 2008. The County continued its commitment to moderating the growth in property taxes as demonstrated by a slight increase in tax revenue in the general fund in FY08. Benton County will use fund reserves to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted program disbursements are expected to rise by approximately $983,000 in FY08 in comparison to budgeted disbursements for FY07. Increases are being experienced across all programs, however the largest increases are in roadway construction and maintenance followed by public safety and legal services.

If these estimates are realized, the County's budgetary operating balance is expected to significantly decrease by the close of 2008. The FY07 financial statements indicating that the County's mental health fund ended with a deficit fund balance supports this.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Benton County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Benton County, P.O. Box 549, 111 E. 4th Street, Vinton, Iowa, 52349.

# BENTON COUNTY

# BENTON COUNTY
**STATEMENT OF NET ASSETS**
**JUNE 30, 2007**

**Exhibit A**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and pooled investments | $ 8,597,894 |
| Receivables: | |
| Property tax: | |
| Delinquent | 26,208 |
| Succeeding year | 6,905,312 |
| Interest and penalty on property tax | 14,087 |
| Accounts | 21,996 |
| Accrued interest | 46,757 |
| Due from other governments | 402,722 |
| Inventories | 306,676 |
| Prepaid expenses | 72,082 |
| Land and construction in progress | 2,334,408 |
| Buildings, equipment, and infrastructure (net of accumulated depreciation) | 23,554,717 |
| Total assets | 42,282,859 |
| **LIABILITIES** | |
| Accounts payable | 386,041 |
| Salaries and benefits payable | 106,533 |
| Due to other governments | 258,938 |
| Unearned revenue: | |
| Succeeding year property tax | 6,905,312 |
| Other | 690 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Compensated absences | 274,060 |
| Portion due or payable after one year: | |
| Landfill closure and postclosure care | 1,081,214 |
| Total liabilities | 9,012,788 |
| **NET ASSETS** | |
| Invested in capital assets | 25,889,125 |
| Restricted for or by: | |
| Supplemental levy purposes | 703,052 |
| Secondary roads purposes | 3,633,917 |
| Landfill closure and postclosure care | 879,902 |
| State statute | 2,810 |
| Other purposes | 710,814 |
| Unrestricted | 1,450,451 |
| Total net assets | $ 33,270,071 |

See notes to financial statements.

# BENTON COUNTY
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2007

| | Expenses | Charges for Service |
|---|---|---|
| **Functions/Programs:** | | |
| Governmental activities: | | |
| Public safety and legal services | $ 2,651,164 | $ 414,575 |
| Physical health and social services | 666,461 | 48,700 |
| Mental health | 1,718,512 | 6,701 |
| County environment and education | 1,486,719 | 263,886 |
| Roads and transportation | 6,218,832 | 160,929 |
| Governmental services to residents | 502,762 | 413,955 |
| Administration | 1,394,827 | 22,247 |
| Total | $ 14,639,277 | $ 1,330,993 |

**General Revenues:**

Property and other County tax levied for:

General purposes

Penalty and interest on property tax

State tax credits

Grants and contributions not restricted to specific purposes

Unrestricted investment earnings

Gain on disposal of capital assets

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

See notes to financial statements.

| Program Revenues | | Net (Expense) |
|---|---|---|
| Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets |
| $ 23,084 | $ - | $ (2,213,505) |
| 182,631 | - | (435,130) |
| 88,566 | - | (1,623,245) |
| 479,949 | 17,367 | (725,517) |
| 3,550,698 | 960,000 | (1,547,205) |
| - | - | (88,807) |
| 30,431 | - | (1,342,149) |
| $ 4,355,359 | $ 977,367 | (7,975,558) |
| | | 6,241,167 |
| | | 61,901 |
| | | 1,098,782 |
| | | 178,460 |
| | | 321,045 |
| | | 104,165 |
| | | 146,846 |
| | | 8,152,366 |
| | | 176,808 |
| | | 33,093,263 |
| | | $ 33,270,071 |

# BENTON COUNTY
## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2007

| | General | Rural Services |
|---|---|---|
| **ASSETS** | | |
| Cash and pooled investments | $ 3,192,213 | $ 145,419 |
| Receivables: | | |
| Property tax: | | |
| Delinquent | 15,566 | 8,325 |
| Succeeding year | 3,941,652 | 2,018,878 |
| Interest and penalty on property tax | 14,087 | - |
| Accounts | 8,813 | - |
| Accrued interest | 42,488 | - |
| Due from other funds | - | - |
| Due from other governments | 63,736 | - |
| Inventories | 4,208 | - |
| Total assets | $ 7,282,763 | $ 2,172,622 |
| **LIABILITIES AND FUND BALANCES** | | |
| Liabilities: | | |
| Accounts payable | $ 74,924 | $ 532 |
| Salaries and benefits payable | 61,489 | 4,599 |
| Due to other funds | 6,095 | - |
| Due to other governments | 11,005 | - |
| Deferred revenue: | | |
| Succeeding year property tax | 3,941,652 | 2,018,878 |
| Other | 26,707 | 7,097 |
| Total liabilities | 4,121,872 | 2,031,106 |
| Fund balances: | | |
| Reserved for or by: | | |
| Landfill closure and postclosure care | - | - |
| Inventories | 4,208 | - |
| State statute | - | - |
| Unreserved, reported in: | | |
| General fund: | | |
| Designated for election equipment | 50,000 | - |
| Designated for emergency response | 50,000 | - |
| Designated for historic preservation | 9,000 | - |
| Designated for special projects | 620,000 | - |
| Designated for equipment/vehicle replacement | 44,000 | 10,000 |
| Undesignated | 2,383,683 | - |
| Special revenue funds | - | 131,516 |
| Total fund balances | 3,160,891 | 141,516 |
| Total liabilities and fund balances | $ 7,282,763 | $ 2,172,622 |

See notes to financial statements.

| Special Revenue | | Nonmajor | |
|---|---|---|---|
| Secondary Roads | Mental Health | Governmental Funds | Total |
| $ 3,264,338 | $ 259,152 | $ 1,604,256 | $ 8,465,378 |
| - | 2,317 | - | 26,208 |
| - | 680,633 | 264,149 | 6,905,312 |
| - | - | - | 14,087 |
| 2,522 | 7,543 | 3,021 | 21,899 |
| - | - | 4,268 | 46,756 |
| 6,095 | - | - | 6,095 |
| 335,865 | 2,952 | 169 | 402,722 |
| 302,468 | - | - | 306,676 |
| $ 3,911,288 | $ 952,597 | $ 1,875,863 | $ 16,195,133 |
| $ 242,035 | $ 60,898 | $ 7,269 | $ 385,658 |
| 35,097 | 1,397 | 3,951 | 106,533 |
| - | - | - | 6,095 |
| 239 | 240,726 | 6,968 | 258,938 |
| - | 680,633 | 264,149 | 6,905,312 |
| - | 2,593 | - | 36,397 |
| 277,371 | 986,247 | 282,337 | 7,698,933 |
| - | - | 879,902 | 879,902 |
| 302,468 | - | - | 306,676 |
| - | - | 2,810 | 2,810 |
| - | - | - | 50,000 |
| - | - | - | 50,000 |
| - | - | - | 9,000 |
| - | - | - | 620,000 |
| | | | 54,000 |
| - | - | - | 2,383,683 |
| 3,331,449 | (33,650) | 710,814 | 4,140,129 |
| 3,633,917 | (33,650) | 1,593,526 | 8,496,200 |
| $ 3,911,288 | $ 952,597 | $ 1,875,863 | $ 16,195,133 |

# BENTON COUNTY

**Exhibit D**

## RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
## JUNE 30, 2007

| | | |
|---|---|---|
| Total fund balances for governmental funds | | $ 8,496,200 |
| Total net assets 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. | | 25,889,125 |
| Other assets, such as County taxes, are not available to pay for current period expenditures and therefore are deferred in the funds. | | 35,707 |
| The Internal Service Fund is used by the County to charge costs of health insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. | | 204,313 |
| Long-term liabilities, including compensated absences and landfill closure and postclosure care are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | $ (274,060) | |
| Landfill closure and postclosure care | (1,081,214) | (1,355,274) |
| Total net assets of governmental activities | | $ 33,270,071 |

See notes to financial statements.

# BENTON COUNTY
## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## GOVERNMENTAL FUNDS
## YEAR ENDED JUNE 30, 2007

| | General | Rural Services |
|---|---|---|
| Revenues: | | |
| Property and other County tax | $ 3,595,665 | $ 1,908,853 |
| Interest and penalty on property tax | 55,253 | - |
| Intergovernmental | 805,164 | 120,892 |
| Licenses and permits | 19,818 | - |
| Charges for service | 665,205 | 10,800 |
| Use of money and property | 298,560 | - |
| Miscellaneous | 116,291 | 135 |
| Total revenues | 5,555,956 | 2,040,680 |
| Expenditures: | | |
| Operating: | | |
| Public safety and legal services | 2,449,479 | 91,270 |
| Physical health and social services | 659,382 | - |
| Mental health | - | - |
| County environment and education | 563,320 | 190,536 |
| Roads and transportation | - | 82,163 |
| Governmental services to residents | 455,307 | 4,375 |
| Administration | 1,363,695 | 17,442 |
| Capital projects | - | - |
| Total expenditures | 5,491,183 | 385,786 |
| Excess (deficiency) of revenues over (under) expenditures | 64,773 | 1,654,894 |
| Other financing sources (uses): | | |
| Sale of capital assets | 10,620 | 1,500 |
| Transfers in | 241,280 | - |
| Transfers out | (126,850) | (1,648,876) |
| Total other financing sources (uses) | 125,050 | (1,647,376) |
| Net change in fund balances | 189,823 | 7,518 |
| Fund balances beginning of year | 2,972,087 | 133,998 |
| Decrease in reserve for inventories | (1,019) | - |
| Fund balances end of year | $ 3,160,891 | $ 141,516 |

See notes to financial statements.

| Special Revenue | | Nonmajor | |
|---|---|---|---|
| Secondary Roads | Mental Health | Governmental Funds | Total |
| $ - | $ 525,745 | $ 226,510 | $ 6,256,773 |
| - | - | - | 55,253 |
| 3,621,103 | 841,661 | 394,156 | 5,782,976 |
| 3,155 | - | - | 22,973 |
| 74 | 6,701 | 135,565 | 818,345 |
| - | - | 56,745 | 355,305 |
| 211,748 | 6 | 204,925 | 533,105 |
| 3,836,080 | 1,374,113 | 1,017,901 | 13,824,730 |
| | | | |
| - | - | 3,433 | 2,544,182 |
| - | - | 5,814 | 665,196 |
| - | 1,696,472 | - | 1,696,472 |
| - | - | 540,881 | 1,294,737 |
| 5,451,515 | - | - | 5,533,678 |
| - | - | - | 459,682 |
| - | - | 15,118 | 1,396,255 |
| 121,850 | - | 4,390 | 126,240 |
| 5,573,365 | 1,696,472 | 569,636 | 13,716,442 |
| | | | |
| (1,737,285) | (322,359) | 448,265 | 108,288 |
| | | | |
| 29,044 | - | - | 41,164 |
| 1,576,379 | - | 284,347 | 2,102,006 |
| - | - | (326,280) | (2,102,006) |
| 1,605,423 | - | (41,933) | 41,164 |
| | | | |
| (131,862) | (322,359) | 406,332 | 149,452 |
| | | | |
| 3,775,934 | 288,709 | 1,187,194 | 8,357,922 |
| (10,155) | - | - | (11,174) |
| | | | |
| $ 3,633,917 | $ (33,650) | $ 1,593,526 | $ 8,496,200 |

# BENTON COUNTY

**Exhibit F**

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2007

| | | |
|---|---|---|
| Net change in fund balances - Total governmental funds | | $ 149,452 |
| 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 | $ 829,412 | |
| Contributed capital assets | 960,000 | |
| Depreciation expense | (1,604,521) | 184,891 |
| 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. | | (9,811) |
| 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 the governmental funds, as follows: | | |
| Change in compensated absences | (14,549) | |
| Change in landfill closure/postclosure liability | (148,625) | (163,174) |
| 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. | | (11,174) |
| The Internal Service Fund is used by the County 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. | | 26,624 |
| Change in net assets of governmental activities. | | $ 176,808 |

See notes to financial statements.

# BENTON COUNTY

**Exhibit G**

**STATEMENT OF NET ASSETS**
**PROPRIETARY FUND**
**JUNE 30, 2007**

| | Internal Service-Benton County Co-Insurance |
|---|---|
| **ASSETS** | |
| Cash and pooled investments | $ 132,516 |
| Accounts receivable | 98 |
| Prepaid expense | 72,082 |
| Total assets | 204,696 |
| **LIABILITIES** | |
| Accounts payable | 383 |
| **NET ASSETS** | |
| Unrestricted | $ 204,313 |

See notes to financial statements.

# BENTON COUNTY

**Exhibit H**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**
**PROPRIETARY FUND**
**YEAR ENDED JUNE 30, 2007**

| | Internal Service - Benton County Co-Insurance |
|---|---|
| Operating revenues: | |
| Co-insurance receipts | $ 970,388 |
| Miscellaneous | 6,385 |
| Total operating revenues | 976,773 |
| Operating expenses: | |
| Claims and administrative expenses | 950,149 |
| Change in net assets | 26,624 |
| Net assets beginning of year | 177,689 |
| Net assets end of year | $ 204,313 |

See notes to financial statements.

# BENTON COUNTY

**Exhibit I**

**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUND**
**YEAR ENDED JUNE 30, 2007**

| | Internal Service - Benton County Co-Insurance |
|---|---|
| Cash flows from operating activities: | |
| Cash received from employees and others | $ 976,675 |
| Cash paid for administrative fees and supplies | (12,629) |
| Cash paid for insurance claims/premiums | (934,940) |
| Net cash from operating activities | 29,106 |
| Cash and pooled investments at beginning of year | 103,410 |
| Cash and pooled investments at end of year | $ 132,516 |
| Reconciliation of change in net assets to net cash from operating activities: | |
| Change in net assets | $ 26,624 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | |
| Decrease in prepaid expense | 3,270 |
| Increase in accounts receivable | (98) |
| Decrease in accounts payable | (690) |
| Net cash from operating activities | $ 29,106 |

See notes to financial statements.

# BENTON COUNTY

**Exhibit J**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**
**AGENCY FUNDS**
**JUNE 30, 2007**

| | |
|---|---|
| **ASSETS** | |
| Cash and pooled investments | $ 1,373,726 |
| Receivables: | |
| Property tax: | |
| Delinquent | 77,551 |
| Succeeding year | 20,028,668 |
| Accounts | 23,329 |
| Accrued interest | 723 |
| Special assessments | 201,205 |
| Interest on special assessments | 8,452 |
| Total assets | 21,713,654 |
| **LIABILITIES** | |
| Accounts payable | 37,344 |
| Salaries and benefits payable | 4,364 |
| Due to other governments | 21,646,448 |
| Trusts payable | 25,498 |
| Total liabilities | 21,713,654 |
| **NET ASSETS** | $ - |

See notes to financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

*Reporting Entity*

For financial reporting purposes, Benton 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.

Based on the above criteria, the County has determined that there are no potential component units which must be included in the County's financial statements as of and for the year ended June 30, 2007.

*Jointly Governed Organizations*

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Benton County Assessor's Conference Board, Benton County Emergency Management Commission, and Benton 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.

*Government-wide Financial Statements*

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

(continued on next page)

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* consists of capital assets, net of accumulated depreciation.

*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 not paid from other funds.

Special Revenue:

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

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

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

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.

(continued on next page)

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. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

*Measurement Focus and Basis of Accounting*

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is 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.

(continued on next page)

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

*Assets, Liabilities, and Fund Equity*

The following accounting policies are followed in preparing the financial statements:

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 non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005, assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

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.

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

Due From and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

(continued on next page)

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 General Fund and 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 in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of $500 and estimated useful lives in excess of two years.

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

| Asset Class | Estimated Useful Lives (In Years) |
|---|---|
| Infrastructure | 15 – 65 |
| Buildings | 20 – 50 |
| Equipment | 2 – 30 |

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 delinquent property tax receivable not collected within sixty days after year-end and succeeding year property tax receivable.

(continued on next page)

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation benefits payable to employees. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads, and Sanitary Disposal 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 not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## NOTE 2 – CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2007, 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 held no investments at June 30, 2007.

(continued on next page)

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) to 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 needs and use of the County.

## NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2007, is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Secondary Roads | General | $ 6,095 |

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

## NOTE 4 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

| Transfer to | Transfer from | Amount |
|---|---|---|
| General | Nonmajor Governmental | $ 241,280 |
| Secondary Roads | General | 117,343 |
| | Rural Services | 1,459,036 |
| Nonmajor Governmental | General | 9,507 |
| | Rural Services | 189,840 |
| | Nonmajor Governmental | 85,000 |
| Total | | $ 2,102,006 |

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

(continued on next page)

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

| Fund | Description | Amount |
|---|---|---|
| General | Services | $ 11,005 |
| Secondary Roads | Services | 239 |
| Mental Health | | 240,726 |
| Nonmajor Governmental | | 6,968 |
| Total for governmental funds | | 258,938 |
| Agency: | | |
| County Recorder | Collections | 22,933 |
| County Recorder's Electronic Fee | | 546 |
| County Sheriff | | 11 |
| Agricultural Extension Education | | 178,349 |
| County Assessor | | 574,020 |
| Schools | | 13,584,111 |
| Community Colleges | | 824,587 |
| Corporations | | 5,171,935 |
| Townships | | 312,214 |
| Auto License and Use Tax | | 505,125 |
| Brucellosis and Tuberculosis Eradication | | 3,353 |
| Fire Districts | | 90,369 |
| E911 Surcharge | | 102,911 |
| Joint Disaster Services | | 23,782 |
| City Special Assessments | | 214,821 |
| Empowerment Board | | 37,381 |
| Total for agency funds | | 21,646,448 |
| Total | | $ 21,905,386 |

(continued on next page)

## NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

| | Balance Beginning of Year (as restated) | Increases | Decreases | Balance End of Year |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 1,841,558 | $ - | $ - | $ 1,841,558 |
| Construction in progress | 334,424 | 1,481,960 | (1,323,534) | 492,850 |
| Total capital assets not being depreciated | 2,175,982 | 1,481,960 | (1,323,534) | 2,334,408 |
| Capital assets being depreciated: | | | | |
| Buildings | 4,044,191 | - | - | 4,044,191 |
| Equipment | 9,667,728 | 326,041 | (917,025) | 9,076,744 |
| Infrastructure | 30,019,983 | 1,323,534 | - | 31,343,517 |
| Total capital assets being depreciated | 43,731,902 | 1,649,575 | (917,025) | 44,464,452 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,664,892 | 91,304 | - | 1,756,196 |
| Equipment | 6,616,634 | 577,473 | (898,434) | 6,295,673 |
| Infrastructure | 11,922,122 | 935,744 | - | 12,857,866 |
| Total accumulated depreciation | 20,203,648 | 1,604,521 | (898,434) | 20,909,735 |
| Total capital assets being depreciated, net | 23,528,254 | 45,054 | (18,591) | 23,554,717 |
| Governmental activities capital assets, net | $ 25,704,236 | $ 1,527,014 | $ (1,342,125) | $ 25,889,125 |

Depreciation expense was charged to the following functions:

| | |
|---|---|
| Governmental activities: | |
| Public safety and legal services | $ 146,193 |
| Physical health and social services | 730 |
| Mental health | 22,040 |
| County environment and education | 57,562 |
| Roads and transportation | 1,288,704 |
| Governmental services to residents | 42,254 |
| Administration | 47,038 |
| Total depreciation expense – governmental activities | $ 1,604,521 |

(continued on next page)

## NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2007, is as follows:

| | Compensated Absences | Liability for Landfill Closure and Postclosure Care | Total |
|---|---|---|---|
| Balance beginning of year | $ 259,511 | $ 932,590 | $ 1,192,101 |
| Increases | 274,060 | 148,624 | 422,684 |
| Decreases | 259,511 | - | 259,511 |
| Balance end of year | $ 274,060 | $ 1,081,214 | $ 1,355,274 |
| Due within one year | $ 274,060 | $ - | $ 274,060 |

## NOTE 8 – PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary, and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2007, are 8.37% and 8.37%, respectively. For the year ended June 30, 2006, the contribution rates for law enforcement employees and the County were 8.2% and 8.2%, respectively, and for the year ended June 30, 2005, the contribution rates for law enforcement employees and the County were 8.535% and 8.535%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005, were $278,589, $261,513, and $262,114, respectively, equal to the required contributions for each year.

(continued on next page)

## NOTE 9 – RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Benton County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in a local government risk pool. The pool was formed July 1, 1987, to provide workers' compensation and property/casualty insurance to counties in the State of Iowa. At present, ten counties are members of the pool. The risk pool was created for the purposes of providing and maintaining self-insurance benefits on a group basis substantially at cost.

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

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2007, which covers exposures of specific losses in excess of $750,000, with a $250,000 corridor deductible, per occurrence up to the statutory limits for workers' compensation, including the retention of the pool, and in excess of $400,000 per occurrence up to a maximum of $7,000,000 per occurrence, including the retention of the pool, for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the costs of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported. The estimates are based on the past experience of the Pool and upon the experience of similar organizations as determined by Arthur J. Gallagher Risk Management Services, Inc., the pool's service agent. The Pool also works with an outside actuary on a periodic basis. At June 30, 2007, 2006, and 2005, the risk pool fund reported a surplus of pool assets over liabilities.

Member counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and/or the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member county in addition to the premium contributions. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

Initial membership into the risk pool is for a mandatory three year period. Subsequent to the initial term, a member county may withdraw at the end of the third fiscal year of any three-year term, with a minimum of ninety (90) days written notice to the Chairman of the Board of Trustees. The initial membership period for the County commenced July 1, 1987. The County extended their membership for a five-year period, commencing July 1, 2005, until July 1, 2010. The County also carries commercial insurance purchased by the risk pool from other insurers for coverages associated with boiler/machinery. The Public Officials Bond and crime coverage is purchased through a local broker. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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## NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require Benton County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an increase in the long-term liability in each period based on landfill capacity used as of each balance sheet date. The $1,081,214 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 74 percent of the estimated capacity. Total estimated closure and postclosure costs are $319,695 and $1,278,064, respectively. The County will recognize the remaining estimated cost of closure and postclosure care of $516,545 as the remaining estimated capacity is used.

These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2007. The County expects to close the entire landfill in the year 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

No expenditures for landfill closure and postclosure care were made during the year ended June 30, 2007. The liability in the statement of net assets for closure and postclosure care increased by $148,624 for the year.

The County has begun to accumulate resources to fund these costs in accordance with state and federal requirements. At June 30, 2000, a fund dedicated to closure and postclosure costs was established to demonstrate financial assurance. The County transferred $85,000 to the fund during the fiscal year and the balance of this fund at June 30, 2007, is $879,902. The County has demonstrated financial assurance for the landfill by using the Local Government Financial Test in combination with the Local Government Dedicated Fund.

## NOTE 11 – RESTATEMENT OF BEGINNING BALANCE

Beginning capital assets for the governmental activities was restated. The restatement resulted from the requirement to add infrastructure assets acquired from July 1, 1980 to July 1, 2002. The County was previously required to record infrastructure acquired after July 1, 2002.

| | |
|---|---|
| Net assets at June 30, 2006, as previously reported | $ 21,740,276 |
| Cost of infrastructure | 22,085,579 |
| Accumulated depreciation on infrastructure | (10,732,592) |
| Net assets at June 30, 2006, as restated | $ 33,093,263 |

## NOTE 12 – DEFICIT FUND BALANCE

The Mental Health Fund had a deficit fund balance at June 30, 2007, of $33,650.

(continued on next page)

## NOTE 13 – PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

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

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

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

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 50, *Pension Disclosures*, issued May 2007, will be effective for the fiscal year ending June 30, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

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

# BENTON COUNTY

# BENTON COUNTY

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS)**
**ALL GOVERNMENTAL FUNDS**
**REQUIRED SUPPLEMENTARY INFORMATION**
**YEAR ENDED JUNE 30, 2007**

| | Governmental Fund Types | Budgeted Amounts | |
|---|---|---|---|
| | Actual | Original | Final |
| Receipts: | | | |
| Property and other County tax | $ 6,256,084 | $ 6,275,892 | $ 6,275,892 |
| Interest and penalty on property tax | 55,922 | 53,050 | 53,050 |
| Intergovernmental | 5,780,642 | 5,981,690 | 5,853,490 |
| Licenses and permits | 22,836 | 19,600 | 19,600 |
| Charges for service | 812,771 | 704,120 | 692,120 |
| Use of money and property | 448,535 | 237,043 | 227,143 |
| Miscellaneous | 566,950 | 383,625 | 608,076 |
| Total receipts | 13,943,740 | 13,655,020 | 13,729,371 |
| Disbursements: | | | |
| Public safety and legal services | 2,554,936 | 2,718,137 | 2,805,087 |
| Physical health and social services | 642,909 | 705,780 | 740,330 |
| Mental health | 1,651,539 | 1,611,120 | 1,611,120 |
| County environment and education | 1,297,164 | 1,378,983 | 1,590,598 |
| Roads and transportation | 5,523,734 | 5,627,793 | 5,630,793 |
| Governmental services to residents | 459,619 | 524,849 | 512,410 |
| Administration | 1,394,109 | 1,423,640 | 1,578,951 |
| Capital projects | 126,240 | 1,706,354 | 1,226,014 |
| Total disbursements | 13,650,250 | 15,696,656 | 15,695,303 |
| Excess deficiency of receipts over (under) disbursements | 293,490 | (2,041,636) | (1,965,932) |
| Other financing sources, net | (43,836) | 11,000 | 46,000 |
| Excess deficiency of receipts and other financing sources over (under) disbursements and other financing uses | 249,654 | (2,030,636) | (1,919,932) |
| Balance beginning of year | 8,137,280 | 8,137,280 | 8,137,280 |
| Balance end of year | $ 8,386,934 | $ 6,106,644 | $ 6,217,348 |

| Variance-Over (Under) Budget | Actual as % of Final Budget |
|---|---|
| $ (19,808) | 100% |
| 2,872 | 105 |
| (72,848) | 99 |
| 3,236 | 117 |
| 120,651 | 117 |
| 221,392 | 197 |
| (41,126) | 93 |
| 214,369 | 102 |
| | |
| (250,151) | 91% |
| (97,421) | 87 |
| 40,419 | 103 |
| (293,434) | 82 |
| (107,059) | 98 |
| (52,791) | 90 |
| (184,842) | 88 |
| (1,099,774) | 10 |
| (2,045,053) | 87 |
| | |
| 2,259,422 | |
| | |
| (89,836) | |
| | |
| 2,169,586 | |
| | |
| - | |
| | |
| $ 2,169,586 | |

# BENTON COUNTY
## BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
## REQUIRED SUPPLEMENTARY INFORMATION
## YEAR ENDED JUNE 30, 2007

| | Governmental Funds | | |
|---|---|---|---|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | $ 13,943,740 | $ (119,010) | $ 13,824,730 |
| Expenditures | 13,650,250 | 66,192 | 13,716,442 |
| Net | 293,490 | (185,202) | 108,288 |
| Other financing sources, net | (43,836) | 85,000 | 41,164 |
| Beginning fund balances | 8,137,280 | 220,642 | 8,357,922 |
| Increase in reserve for: | | | |
| Inventories | - | (11,174) | (11,174) |
| Ending fund balances | $ 8,386,934 | $ 109,266 | $ 8,496,200 |

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by $1,353. 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, 2007, disbursements exceeded the amount budgeted in the mental health function and disbursements in certain departments exceeded the amounts appropriated.

# BENTON COUNTY

# BENTON COUNTY
## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## JUNE 30, 2007

| | Special Revenue | | | | |
|---|---|---|---|---|---|
| | Resource Enhancement and Protection | Sanitary Disposal | Ground Water | Emergency Food and Shelter Program | County Recorder's Records Management |
| **ASSETS** | | | | | |
| Cash and pooled investments | $ 65,851 | $ 1,119,625 | $ 1,451 | $ 1,761 | $ 46,774 |
| Receivables: | | | | | |
| Succeeding year property tax | - | - | - | - | - |
| Accounts | - | 2,450 | - | - | 571 |
| Accrued interest | 318 | 2,557 | - | 9 | 224 |
| Due from other governments | - | 169 | - | - | - |
| Total assets | $ 66,169 | $ 1,124,801 | $ 1,451 | $ 1,770 | $ 47,569 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ - | $ 1,124 | $ 531 | $ 391 | $ - |
| Salaries and benefits payable | - | 3,951 | - | - | - |
| Due to other governments | - | 6,968 | - | - | - |
| Deferred revenue: | | | | | |
| Succeeding year property tax | - | - | - | - | - |
| Total liabilities | - | 12,043 | 531 | 391 | - |
| Fund balances: | | | | | |
| Reserved for or by: | | | | | |
| Landfill closure and postclosure care | - | 879,902 | - | - | - |
| State statute | - | 2,810 | - | - | - |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 66,169 | 230,046 | 920 | 1,379 | 47,569 |
| Total fund balances | 66,169 | 1,112,758 | 920 | 1,379 | 47,569 |
| Total liabilities and fund balances | $ 66,169 | $ 1,124,801 | $ 1,451 | $ 1,770 | $ 47,569 |

| Funds | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Environmental Projects | Urbana TIF | CDBG | Conservation Land Acquisition Trust Fund | County Recorder's Electronic Transaction | County Sheriff's Forfeiture Fund | County Sheriff's Commissary Fund | County Sheriff's Donation Fund | County Conservation Donation Fund | Total |
| $ 25,614 | $ 2,713 | $ 7,024 | $ 116,617 | $ 530 | $ 20,343 | $ 2,559 | $ 17,345 | $ 176,049 | $ 1,604,256 |
| - | 264,149 | - | - | - | - | - | - | - | 264,149 |
| - | - | - | - | - | - | - | - | - | 3,021 |
| 124 | - | - | - | 3 | 97 | - | 84 | 852 | 4,268 |
| - | - | - | - | - | - | - | - | - | 169 |
| $ 25,738 | $ 266,862 | $ 7,024 | $ 116,617 | $ 533 | $ 20,440 | $ 2,559 | $ 17,429 | $ 176,901 | $ 1,875,863 |
| $ - | $ - | $ 5,223 | $ - | $ - | $ - | $ - | $ - | $ - | $ 7,269 |
| - | - | - | - | - | - | - | - | - | 3,951 |
| - | - | - | - | - | - | - | - | - | 6,968 |
| - | 264,149 | - | - | - | - | - | - | - | 264,149 |
| - | 264,149 | 5,223 | - | - | - | - | - | - | 282,337 |
| - | - | - | - | - | - | - | - | - | 879,902 |
| - | - | - | - | - | - | - | - | - | 2,810 |
| 25,738 | 2,713 | 1,801 | 116,617 | 533 | 20,440 | 2,559 | 17,429 | 176,901 | 710,814 |
| 25,738 | 2,713 | 1,801 | 116,617 | 533 | 20,440 | 2,559 | 17,429 | 176,901 | 1,593,526 |
| $ 25,738 | $ 266,862 | $ 7,024 | $ 116,617 | $ 533 | $ 20,440 | $ 2,559 | $ 17,429 | $ 176,901 | $ 1,875,863 |

# BENTON COUNTY
## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
## NONMAJOR GOVERNMENTAL FUNDS
## YEAR ENDED JUNE 30, 2007

| | Special Revenue | | | | |
|---|---|---|---|---|---|
| | Resource Enhancement and Protection | Sanitary Disposal | Ground Water | Emergency Food and Shelter Program | County Recorder's Records Management |
| Revenues: | | | | | |
| Property and other County tax | $ - | $ - | $ - | $ - | $ - |
| Intergovernmental | 12,875 | 284,036 | 13,862 | 3,016 | - |
| Charges for service | - | 128,656 | - | - | 6,909 |
| Use of money and property | 2,695 | 45,263 | - | 106 | 1,902 |
| Miscellaneous | - | 8,236 | - | - | - |
| Total revenues | 15,570 | 466,191 | 13,862 | 3,122 | 8,811 |
| Expenditures: | | | | | |
| Operating: | | | | | |
| Public safety and legal services | - | - | - | - | - |
| Physical health and social services | - | - | - | 5,814 | - |
| County environment and education | - | 436,931 | 19,784 | - | - |
| Administration | - | 15,118 | - | - | - |
| Capital projects | - | - | - | - | - |
| Total expenditures | - | 452,049 | 19,784 | 5,814 | - |
| Excess (deficiency) of revenues over (under) expenditures | 15,570 | 14,142 | (5,922) | (2,692) | 8,811 |
| Other financing sources (uses): | | | | | |
| Transfers in | - | 274,840 | - | - | - |
| Transfers out | - | (85,000) | - | - | - |
| Total other financing sources (uses) | - | 189,840 | - | - | - |
| Net change in fund balances | 15,570 | 203,982 | (5,922) | (2,692) | 8,811 |
| Fund balances beginning of year | 50,599 | 908,776 | 6,842 | 4,071 | 38,758 |
| Fund balances end of year | $ 66,169 | $ 1,112,758 | $ 920 | $ 1,379 | $ 47,569 |

| Funds | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Environ-mental Projects | Urbana TIF | CDBG | CEBA | Conservation Land Acquisition Trust Fund | County Recorder's Electronic Transaction | County Sheriff's Forfeiture Fund | County Sheriff's Commissary Fund | County Sheriff's Donation Fund | County Conservation Donation Fund | Total |
| $ - | $ 226,510 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 226,510 |
| - | - | 17,367 | 63,000 | - | - | - | - | - | - | 394,156 |
| - | - | - | - | - | - | - | - | - | - | 135,565 |
| 1,126 | - | - | - | - | 23 | 852 | - | 429 | 4,349 | 56,745 |
| - | - | - | - | 499 | - | 3,638 | 3,000 | 17,000 | 172,552 | 204,925 |
| 1,126 | 226,510 | 17,367 | 63,000 | 499 | 23 | 4,490 | 3,000 | 17,429 | 176,901 | 1,017,901 |
| - | - | - | - | - | - | - | 3,433 | - | - | 3,433 |
| - | - | - | - | - | - | - | - | - | - | 5,814 |
| - | 838 | 20,328 | 63,000 | - | - | - | - | - | - | 540,881 |
| - | - | - | - | - | - | - | - | - | - | 15,118 |
| - | - | - | - | 4,390 | - | - | - | - | - | 4,390 |
| - | 838 | 20,328 | 63,000 | 4,390 | - | - | 3,433 | - | - | 569,636 |
| 1,126 | 225,672 | (2,961) | - | (3,891) | 23 | 4,490 | (433) | 17,429 | 176,901 | 448,265 |
| - | 168 | - | - | 9,339 | - | - | - | - | - | 284,347 |
| - | (241,280) | - | - | - | - | - | - | - | - | (326,280) |
| - | (241,112) | - | - | 9,339 | - | - | - | - | - | (41,933) |
| 1,126 | (15,440) | (2,961) | - | 5,448 | 23 | 4,490 | (433) | 17,429 | 176,901 | 406,332 |
| 24,612 | 18,153 | 4,762 | - | 111,169 | 510 | 15,950 | 2,992 | - | - | 1,187,194 |
| $ 25,738 | $ 2,713 | $ 1,801 | $ - | $ 116,617 | $ 533 | $ 20,440 | $ 2,559 | $ 17,429 | $ 176,901 | $ 1,593,526 |

# BENTON COUNTY

**Schedule 3**

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## YEAR ENDED JUNE 30, 2007

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|---|---|---|---|
| COUNTY AUDITOR | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 497 | $ 2,094 | $ 2,094 | $ 497 |
| LIABILITIES: | | | | |
| Due to other funds | $ - | $ 2,094 | $ 2,094 | $ - |
| Trusts payable | 497 | - | - | 497 |
| Total liabilities | $ 497 | $ 2,094 | $ 2,094 | $ 497 |
| COUNTY RECORDER | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 18,830 | $ 473,243 | $ 469,189 | $ 22,884 |
| Accounts receivable | - | 49 | - | 49 |
| Total assets | $ 18,830 | $ 473,292 | $ 469,189 | $ 22,933 |
| LIABILITIES: | | | | |
| Due to other funds | $ - | $ 192,863 | $ 192,863 | $ - |
| Due to other governments | 18,830 | 280,429 | 276,326 | 22,933 |
| Total liabilities | $ 18,830 | $ 473,292 | $ 469,189 | $ 22,933 |
| COUNTY RECORDER'S ELECTRONIC FEE | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 731 | $ 6,289 | $ 6,474 | $ 546 |
| LIABILITIES: | | | | |
| Due to other governments | $ 731 | $ 6,289 | $ 6,474 | $ 546 |
| COUNTY SHERIFF | | | | |
| ASSETS: | | | | |
| Accounts receivable | $ 2,083 | $ 1,311 | $ 2,083 | $ 1,311 |
| LIABILITIES: | | | | |
| Due to other funds | $ - | $ 123,040 | $ 123,040 | $ - |
| Due to other governments | 81 | 71,673 | 71,743 | 11 |
| Trusts payable | 2,002 | 44,330 | 45,032 | 1,300 |
| Total liabilities | $ 2,083 | $ 239,043 | $ 239,815 | $ 1,311 |

(continued)

# BENTON COUNTY

**Schedule 3**
**(continued)**

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## YEAR ENDED JUNE 30, 2007

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|---|---|---|---|
| AGRICULTURAL EXTENSION EDUCATION FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 2,934 | $ 170,998 | $ 171,060 | $ 2,872 |
| Property tax receivable: | | | | |
| Delinquent | 1,058 | 697 | 1,058 | 697 |
| Succeeding year | 170,135 | 174,780 | 170,135 | 174,780 |
| Total assets | $ 174,127 | $ 346,475 | $ 342,253 | $ 178,349 |
| LIABILITIES: | | | | |
| Due to other governments | $ 174,127 | $ 346,475 | $ 342,253 | $ 178,349 |
| COUNTY ASSESSOR FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 472,925 | $ 242,432 | $ 386,204 | $ 329,153 |
| Property tax receivable: | | | | |
| Delinquent | 1,540 | 979 | 1,540 | 979 |
| Succeeding year | 240,051 | 252,748 | 240,051 | 252,748 |
| Total assets | $ 714,516 | $ 496,159 | $ 627,795 | $ 582,880 |
| LIABILITIES: | | | | |
| Accounts payable | $ 18,970 | $ 5,552 | $ 18,970 | $ 5,552 |
| Salaries and benefits payable | 3,172 | 3,308 | 3,172 | 3,308 |
| Due to other governments | 692,374 | 487,299 | 605,653 | 574,020 |
| Total liabilities | $ 714,516 | $ 496,159 | $ 627,795 | $ 582,880 |
| SCHOOLS FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 235,008 | $ 13,126,260 | $ 13,138,062 | $ 223,206 |
| Property tax receivable: | | | | |
| Delinquent | 87,491 | 54,694 | 87,491 | 54,694 |
| Succeeding year | 13,056,938 | 13,306,211 | 13,056,938 | 13,306,211 |
| Total assets | $ 13,379,437 | $ 26,487,165 | $ 26,282,491 | $ 13,584,111 |
| LIABILITIES: | | | | |
| Due to other governments | $ 13,379,437 | $ 26,487,165 | $ 26,282,491 | $ 13,584,111 |

(continued)

# BENTON COUNTY

**Schedule 3**
**(continued)**

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## YEAR ENDED JUNE 30, 2007

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|---|---|---|---|
| COMMUNITY COLLEGES FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 11,462 | $ 835,461 | $ 832,909 | $ 14,014 |
| Property tax receivable: | | | | |
| Delinquent | 4,209 | 3,470 | 4,209 | 3,470 |
| Succeeding year | 831,273 | 807,103 | 831,273 | 807,103 |
| Total assets | $ 846,944 | $ 1,646,034 | $ 1,668,391 | $ 824,587 |
| LIABILITIES: | | | | |
| Due to other governments | $ 846,944 | $ 1,646,034 | $ 1,668,391 | $ 824,587 |
| CORPORATIONS FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 71,033 | $ 5,146,218 | $ 5,152,282 | $ 64,969 |
| Property tax receivable: | | | | |
| Delinquent | 21,397 | 16,107 | 21,397 | 16,107 |
| Succeeding year | 5,118,423 | 5,090,859 | 5,118,423 | 5,090,859 |
| Total assets | $ 5,210,853 | $ 10,253,184 | $ 10,292,102 | $ 5,171,935 |
| LIABILITIES: | | | | |
| Due to other governments | $ 5,210,853 | $ 10,253,184 | $ 10,292,102 | $ 5,171,935 |
| TOWNSHIPS FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 5,104 | $ 289,717 | $ 289,175 | $ 5,646 |
| Property tax receivable: | | | | |
| Delinquent | 2,416 | 1,590 | 2,416 | 1,590 |
| Succeeding year | 287,719 | 304,978 | 287,719 | 304,978 |
| Total assets | $ 295,239 | $ 596,285 | $ 579,310 | $ 312,214 |
| LIABILITIES: | | | | |
| Due to other governments | $ 295,239 | $ 596,285 | $ 579,310 | $ 312,214 |
| AUTO LICENSE AND USE TAX FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 476,934 | $ 5,753,821 | $ 5,725,630 | $ 505,125 |
| LIABILITIES: | | | | |
| Due to other governments | $ 476,934 | $ 5,753,821 | $ 5,725,630 | $ 505,125 |

(continued)

# BENTON COUNTY

**Schedule 3**
**(continued)**

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## YEAR ENDED JUNE 30, 2007

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|---|---|---|---|
| BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 1,751 | $ 3,730 | $ 5,418 | $ 63 |
| Property tax receivable: | | | | |
| Delinquent | 23 | 14 | 23 | 14 |
| Succeeding year | 3,711 | 3,276 | 3,711 | 3,276 |
| Total assets | $ 5,485 | $ 7,020 | $ 9,152 | $ 3,353 |
| LIABILITIES: | | | | |
| Due to other governments | $ 5,485 | $ 7,020 | $ 9,152 | $ 3,353 |
| FIRE DISTRICTS FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 1,802 | $ 94,400 | $ 94,546 | $ 1,656 |
| Property tax receivable: | | | | |
| Succeeding year | 94,218 | 88,713 | 94,218 | 88,713 |
| Total assets | $ 96,020 | $ 183,113 | $ 188,764 | $ 90,369 |
| LIABILITIES: | | | | |
| Due to other governments | $ 96,020 | $ 183,113 | $ 188,764 | $ 90,369 |
| E911 SURCHARGE FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 190,381 | $ 204,330 | $ 309,991 | $ 84,720 |
| Receivables: | | | | |
| Accounts | 33,277 | 21,969 | 33,277 | 21,969 |
| Accrued interest | 1,620 | 410 | 1,620 | 410 |
| Due from other governments | 7,136 | - | 7,136 | - |
| Total assets | $ 232,414 | $ 226,709 | $ 352,024 | $ 107,099 |
| LIABILITIES: | | | | |
| Accounts payable | $ 2,562 | $ 4,188 | $ 2,562 | $ 4,188 |
| Due to other governments | 229,852 | 222,521 | 349,462 | 102,911 |
| Total liabilities | $ 232,414 | $ 226,709 | $ 352,024 | $ 107,099 |

(continued)

# BENTON COUNTY

**Schedule 3**
**(continued)**

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## YEAR ENDED JUNE 30, 2007

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|---|---|---|---|
| JOINT DISASTER SERVICES FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 23,426 | $ 100,844 | $ 99,196 | $ 25,074 |
| LIABILITIES: | | | | |
| Accounts payable | $ 286 | $ 236 | $ 286 | $ 236 |
| Salaries and benefits payable | 1,003 | 1,056 | 1,003 | 1,056 |
| Due to other governments | 22,137 | 99,552 | 97,907 | 23,782 |
| Total liabilities | $ 23,426 | $ 100,844 | $ 99,196 | $ 25,074 |
| CITY SPECIAL ASSESSMENTS FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 4,229 | $ 56,671 | $ 55,736 | $ 5,164 |
| Receivables: | | | | |
| Special assessments | 215,020 | 201,205 | 215,020 | 201,205 |
| Interest on special assessments | 10,281 | 8,452 | 10,281 | 8,452 |
| Total assets | $ 229,530 | $ 266,328 | $ 281,037 | $ 214,821 |
| LIABILITIES: | | | | |
| Due to other governments | $ 229,530 | $ 266,328 | $ 281,037 | $ 214,821 |
| TREASURER'S TRUST FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 15,081 | $ 8,620 | $ - | $ 23,701 |
| LIABILITIES: | | | | |
| Trusts payable | $ 15,081 | $ 8,620 | $ - | $ 23,701 |

(continued)

# BENTON COUNTY

**Schedule 3 (continued)**

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
## AGENCY FUNDS
## YEAR ENDED JUNE 30, 2007

| | Balance June 30, 2006 | Additions | Deletions | Balance June 30, 2007 |
|---|---|---|---|---|
| EMPOWERMENT BOARD FUND | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 88,056 | $ 358,251 | $ 381,871 | $ 64,436 |
| Accrued interest receivable | 872 | 313 | 872 | 313 |
| Total assets | $ 88,928 | $ 358,564 | $ 382,743 | $ 64,749 |
| LIABILITIES: | | | | |
| Accounts payable | $ 24,208 | $ 27,368 | $ 24,208 | $ 27,368 |
| Due to other governments | 64,720 | 331,196 | 358,535 | 37,381 |
| Total liabilities | $ 88,928 | $ 358,564 | $ 382,743 | $ 64,749 |
| TOTAL COMBINED FUNDS | | | | |
| ASSETS: | | | | |
| Cash and pooled investments | $ 1,620,184 | $ 26,873,379 | $ 27,119,837 | $ 1,373,726 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 118,134 | 77,551 | 118,134 | 77,551 |
| Succeeding year | 19,802,468 | 20,028,668 | 19,802,468 | 20,028,668 |
| Accounts | 35,360 | 23,329 | 35,360 | 23,329 |
| Accrued interest | 2,492 | 723 | 2,492 | 723 |
| Special assessments | 215,020 | 201,205 | 215,020 | 201,205 |
| Interest on special assessments | 10,281 | 8,452 | 10,281 | 8,452 |
| Due from other governments | 7,136 | - | 7,136 | - |
| Total assets | $ 21,811,075 | $ 47,213,307 | $ 47,310,728 | $ 21,713,654 |
| LIABILITIES: | | | | |
| Accounts payable | $ 46,026 | $ 37,344 | $ 46,026 | $ 37,344 |
| Salaries and benefits payable | 4,175 | 4,364 | 4,175 | 4,364 |
| Due to other funds | - | 317,997 | 317,997 | - |
| Due to other governments | 21,743,294 | 47,038,384 | 47,135,230 | 21,646,448 |
| Trusts payable | 17,580 | 52,950 | 45,032 | 25,498 |
| Total liabilities | $ 21,811,075 | $ 47,451,039 | $ 47,548,460 | $ 21,713,654 |

# BENTON COUNTY

**Schedule 4**

## SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION – ALL GOVERNMENTAL FUNDS FOR THE LAST SIX YEARS

| | Modified Accrual Basis | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Revenues: | | | | | | |
| Property and other County tax | $ 6,256,773 | $ 5,758,137 | $ 5,267,750 | $ 5,120,351 | $ 5,102,144 | $ 5,352,576 |
| Interest and penalty on property tax | 55,253 | 51,873 | 52,646 | 59,856 | 29,079 | 60,454 |
| Intergovernmental | 5,782,976 | 5,826,833 | 5,858,586 | 5,538,004 | 5,927,953 | 5,894,202 |
| Licenses and permits | 22,973 | 23,073 | 22,670 | 24,704 | 19,744 | 19,926 |
| Charges for service | 818,345 | 772,606 | 796,898 | 751,130 | 738,538 | 658,388 |
| Use of money and property | 355,305 | 296,817 | 219,435 | 253,989 | 293,096 | 428,427 |
| Miscellaneous | 533,105 | 470,000 | 402,828 | 425,577 | 416,093 | 374,609 |
| Total | $13,824,730 | $13,199,339 | $12,620,813 | $12,173,611 | $12,526,647 | $12,788,582 |
| Expenditures: | | | | | | |
| Operating: | | | | | | |
| Public safety and legal services | $ 2,544,182 | $ 2,514,156 | $ 2,164,766 | $ 2,319,768 | $ 2,010,361 | $ 1,993,841 |
| Physical health and social services | 665,196 | 659,292 | 545,343 | 587,215 | 612,349 | 633,033 |
| Mental health | 1,696,472 | 1,625,894 | 1,563,761 | 1,478,349 | 1,546,983 | 1,405,714 |
| County environment and education | 1,294,737 | 1,178,235 | 1,062,444 | 1,206,933 | 1,388,615 | 1,255,508 |
| Roads and transportation | 5,533,678 | 5,169,822 | 5,482,892 | 4,730,145 | 4,977,374 | 4,348,320 |
| Governmental services to residents | 459,682 | 722,884 | 438,177 | 454,203 | 400,895 | 386,932 |
| Administration | 1,396,255 | 1,228,777 | 1,132,024 | 1,215,945 | 1,207,992 | 1,048,167 |
| Debt service | - | 169,570 | 260,297 | 232,462 | 220,474 | 182,724 |
| Capital projects | 126,240 | 433,254 | 1,142,180 | 349,294 | 293,039 | 445,615 |
| Total | $13,716,442 | $13,701,884 | $13,791,884 | $12,574,314 | $12,658,082 | $11,699,854 |

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# 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 Benton County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise Benton County's basic financial statements and have issued our report thereon dated March 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Benton County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Benton County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Benton County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Benton County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Benton County's financial statements that is more than inconsequential will not be prevented or detected by Benton County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Benton County's internal control.



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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain material instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007, 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.

Benton County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Benton County's responses, and accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to the management of Benton County in a separate letter dated March 4, 2008.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Benton County and other parties to whom Benton County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Eide Bailly LLP

Dubuque, Iowa
March 4, 2008

**Part I: Findings Related to the Basic Financial Statements:**

**SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES**

I-A-07 Preparation of Financial Statements – As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements in accordance with generally accepted accounting principles. This circumstance is not unusual for a governmental entity similar to Benton County. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, we recommend that County officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The County will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

I-B-07 Treasurer's Office – Segregation of Duties – Several persons in the Treasurer's office take turns receipting funds, making deposits, and reconciling bank statements. This situation presents a lack of segregation of duties.

Recommendation – The Treasurer has done a good job enhancing controls through supervision and review of work. We realize segregation of duties is difficult with a limited number of office employees, but we still recommend that the Treasurer continue to look for opportunities to increase controls as staff changes.

Response – At this time, the Treasurer is doing the daily reconciling of the office with the state motor vehicle system and the county tax collection system. The treasurer also performs the monthly bank statement reconciliations.

Conclusion – Response acknowledged. We recommend the County continue to look for ways to strengthen controls.

**Part I: Findings Related to the Basic Financial Statements: (continued)**

**SIGNIFICANT DEFICIENCIES**

I-C-07 Sheriff's Office – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

We noted that generally one or two individuals in the office may have control over the receipts and disbursements areas for which no compensating controls exist.

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

Response – There are currently only two people in that office. Changes will be made so that a person other than the one that deposits monies opens said mail.

Conclusion – Response acknowledged. We recommend the County continue to look for ways to strengthen controls.

I-D-07 County Recorder's Office – Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

We noted that generally one or two individuals in the office may have control over the receipts and disbursements areas for which no compensating controls exist.

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

Response – We understand and are aware of this. We have two employees in our office and duties are split between daily balancing and preparing bank deposits.

Conclusion – Response acknowledged. We recommend the County continue to look for ways to strengthen controls.

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

II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the mental health function. Additionally, disbursements in certain departments exceeded the amounts appropriated.

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Benton County is aware of the legal requirements applicable to budgeting and annual appropriations. The mental health budget makes up an entire function of the County's budget, and the ability to make changes in appropriations within the function area in order to comply with budgetary control is not possible in this circumstance. The Board of Supervisors has met with the necessary personnel regarding this matter and appropriate steps have been taken to monitor the mental health budget more closely. The Board of Supervisors receives a monthly report from the social services director on the status of the mental health budget.

Conclusion – Response accepted.

II-B-07 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

II-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-07 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|---|---|---|
| Robert Mahood, Jr., conservation board member, owner of Mahood Shoes | Supplies | $ 567 |
| Mary K. McLaughlin, I.T. Director | Sewing | 93 |
| David Vermedahl, member of Board of Supervisors, owner of Three Rivers Insurance | Insurance | 950 |
| Marc Phelps, owner of Nature Tracks Taxidermy, spouse of Karen Phelps, conservation department | Taxidermy services | 497 |

**Part III: Other Findings Related to Required Statutory Reporting: (continued)**

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

II-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-07 Board Minutes – No transactions were found that we believe should have been approved in the board minutes but were not.

II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-07 Solid Waste Fees Retainage – The County used or retained the solid waste fees in accordance with Chapter 455E.11.2(a)(11), (13), and (15) of the Code of Iowa.

II-J-07 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, 2007, for the County Extension Office did not exceed the amount budgeted.

EideBailly
CPAs & BUSINESS ADVISORS

To the Honorable Chairman and Members of
the Board of Supervisors
Benton County, Iowa
Vinton, Iowa

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, for the year ended June 30, 2007, and have issued our report thereon dated March 4, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter dated August 30, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Benton County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Benton County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Benton County are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by the County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County, either individually or in the aggregate, indicate matters that could have a significant effect on the County's financial reporting process.

## Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

## Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Other Comments

We have included additional comments regarding the financial statements and operations. These comments are not a result of in-depth study of any specific areas but are based on observations made during the course of our audit. Our observations indicate that overall financial operations of the County continue to be conducted in an efficient and effective manner.

This information is intended solely for the use of the officials, employees, and citizens of Benton County, Iowa, and other parties to whom Benton County, Iowa, may report. This report is not intended to be and should not be used by anyone other than these specified parties.

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to Benton County.

Eide Bailly LLP

March 4, 2008
Dubuque, Iowa

## Grant Coordinator

The County receives numerous grants by many of its departments. This creates difficulties in accumulating federal grant information needed to determine federal single audit requirements. A central grant coordinator would not only help in compiling federal grant information, but would also help insure compliance with the many grant provisions.

## Credit Card Usage

According to County policy, departments are allowed to use credit cards. During our audit, we noted several credit card disbursements without proper documentation (itemized receipts). In addition, we noted certain instances of finance charges being disbursed. These disbursements are in violation of the County's Credit Card Policy. Credit card charges in violation of the policy should become the responsibility of the employee.

## Payments for Goods and Services

During our audit, we noted a payment near year end for supplies being made before the supplies were received from the vendor. Payments for supplies should only be made after the County has received the goods and has placed the proper internal controls over the inventory. Due to the uncertainty of the vendor's internal controls, the County should not allow outside vendors to maintain its inventory. This payment is also being scrutinized due to its timing near year end. Payments made in June and July are viewed more critically due to the possibility of budget circumvention.

## GASB 45 Implementation

All Counties are required by Iowa Code to allow retirees to remain on the County's health plan until age 65. For Benton County, the retirees are required to pay premiums at the blended rate paid for all County employees. This creates an implicit rate subsidy benefit. An actuarial valuation of the cost of this benefit is required by governmental accounting standards. The valuation for the year ended June 30, 2009, the year of implementation, can be performed anytime between now and June 30, 2009. Actuarial valuations are then required biennially for plans with members exceeding 200 and triennially for plans with members under 200.

## Governmental Accounting Standards Board (GASB) Statements

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

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

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

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 50, *Pension Disclosures*, issued May 2007, will be effective for the fiscal year ending June 30, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

**Risk Assessment Audit Standards**

The Auditing Standards Board of the American Institute of Certified Public Accountants has issued a suite of new auditing standards (Statements of Auditing Standards Nos. 104-111) related to the consideration of audit risk.

These statements establish standards and provide guidance concerning the auditor's assessment of the risks of material misstatement (whether caused by error or fraud) in a financial statement audit. They also provide guidance on designing and performing audit procedures that are responsive to those assessed risks. Additionally, the statements establish standards and provide guidance on planning and supervision (determining audit risk and materiality), the nature of audit evidence, and evaluating whether the audit evidence obtained affords a reasonable basis for an opinion on the financial statements under audit.

The primary objective of these standards is to enhance the auditor's consideration of audit risk by specifying, among other things:

- A more in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate those risks.
- Based upon the understanding obtained, a more rigorous assessment of the risks of where and how financial statements could be materially misstated.
- Improved linkage between the auditor's assessment of risks and the nature, timing, and extent of audit procedures performed in response to those risks.

Auditors will be required to implement these standards for all audit engagements for periods beginning on or after December 15, 2006. As a result, these standards will be in effect for the audit of your financial statements for the year ending June 30, 2008. These standards may have an impact on the County's audit.