

CERRO GORDO COUNTY, IOWA

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004**

Prepared by: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

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CERRO GORDO COUNTY, IOWA

OFFICIALS
June 30, 2004

Board of Supervisors

<u>Name</u>	<u>Term Expires</u>	<u>Address</u>
Robert Amosson	January 2007	Rockwell, Iowa
Phillip Dougherty	January 2005	Dougherty, Iowa
Jay Urdahl	January 2005	Mason City, Iowa

Officers

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kenneth Kline	January 2005	Auditor
Michael J. Grandon	January 2007	Treasurer
Colleen Pearce	January 2007	Recorder
Kevin Pals	January 2005	Sheriff
John Boedeker	Appointed	County Assessor
Robert Zinnel	Appointed	City Assessor
Paul Martin	January 2007	County Attorney



County Auditor

Cerro Gordo County

220 North Washington
Ken Kline, County Auditor

Mason City, Iowa 50401

(641) 421-3027

FAX (641) 421-3139

December 20, 2004

County Board of Supervisors and Citizens
Cerro Gordo County, Iowa

The Comprehensive Annual Financial Report of Cerro Gordo County, Iowa for the fiscal year ended June 30, 2004 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The Comprehensive Annual Financial Report is presented in five (5) sections: introductory, financial, information required by the State Auditor, statistical and single audit. The introductory section includes this transmittal letter, the County's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditor's report on the financial statements and schedules. The information required by the State Auditor section includes the comparison of taxes and intergovernmental receipts schedule. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section includes the supplementary schedule of expenditures of federal awards and numerous independent auditor's reports on various requirements.

The financial reporting entity includes all funds and account groups of the County. Various potential component units were examined to determine whether the County was financially responsible for the entity or whether the nature and significance of the relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The components discussed in Note 1 are included in the County's reporting entity.

Cerro Gordo County, which is governed by an elected three-member board, provides a full range of services to its citizens. These services include public safety, parks, planning and zoning, service to people with mental disabilities, construction and maintenance of secondary roads, physical health and social services, property assessment and taxation, and general administrative services. The County also provides a management information services department utilized by other governmental entities.

Economic Condition and Outlook

Cerro Gordo County, with the Cities of Mason City, Clear Lake, and eight smaller cities, is the eleventh largest of ninety-nine counties in the state, and serves as a regional center for north central Iowa in the areas of commerce, industry, retail shopping, higher education, and health care services. The surrounding area has an economic base that is historically agricultural in nature, but Cerro Gordo County also has several strong industries and commercial enterprises. With a low rate of unemployment and the lack of a single, dominant employer, the economy of the area is dynamic, robust, and broad-based. The City of Mason City is the largest city in Cerro Gordo County, with about two-thirds of the County's 46,000 population.

Tourism is an important industry in Cerro Gordo County, largely due to Clear Lake, which, at 3,865 acres, is the third largest natural lake in Iowa, and is the namesake of the surrounding city. According to figures from the Travel Industry Association of America, Cerro Gordo County ranked 11th in the State of Iowa in tourism spending with \$117.3 million in revenues during 2003, a 4.7% increase from 2002.

Although educational systems in the entire north central Iowa area are well known for their quality of education, Cerro Gordo County has become a regional center for higher learning. Drake University of Des Moines offers several programs at the Masters level in coordination with the North Iowa Area Community College (NIACC). This adds to the wide range of baccalaureate programs offered at NIACC by Buena Vista College of Storm Lake, and Hamilton College, which offers AAS and BA degrees.

Cerro Gordo County serves as a regional hub for transportation with an airport, three railroad branch lines, and Interstate 35, which runs north-south the length of the County. In November 1999 the Iowa Department of Transportation opened the "Avenue of the Saints", the link between Interstates 35 and 80.

The County is a regional center for health care services. The City of Mason City has the third highest number of physicians per capita in the State, trailing only the Cities of Des Moines and Iowa City. Mercy Medical Center - North Iowa is the County's largest employer with two facilities and with affiliated clinics and hospitals in a 14-county region. The 350-bed health center employed more than 2,600 people during the fiscal year and had supporting services from more than 200 physicians, physician assistants, and nurse practitioners. As the premier health care delivery network in northern Iowa and southern Minnesota, Mercy Health Network - North Iowa consists of a secondary referral medical center, Mercy Medical Center - North Iowa; Mercy Clinics; a primary and specialty physician network; a home health agency; a hospice; a senior services agency; a regional referral laboratory; regional rehabilitation and diagnostic technology services; an emergency services network; pharmacies, and a variety of other health care services.

Retail news during the fiscal year included the announcement of contracts for construction in Mason City by two large retail companies. Kohl's, a clothing, shoes, accessories, and home products company, announced plans to build a 65,000 square-foot store. Best Buy, an electronics, home office equipment, entertainment software, and appliances store will build a 20,000 square foot facility. Both stores will be located on a 310-acre site on the west edge of Mason City. Also, IC System, an accounts receivable management firm based in Mason City, hired an additional 75 employees during the fiscal year, increasing their total number of employees to 200.

The new Mason City Fareway Store opened its doors on December 10, 2003. The 23,500 square-foot store is one of 82 Fareway stores in Iowa, and was part of the city's Northbridge Project, which included a realignment of U.S. Highway 65 in the downtown area.

Industrial economic news during the fiscal year included the October 10, 2003 groundbreaking on a \$59.6 million ethanol production plant on a 70-acre site just south of Mason City. Golden Grain Energy LLC said the 67,000 square foot plant will employ 32 people with an annual payroll of more than \$1.7 million. The plant, which will use 17 million bushels of corn and produce 50 million gallons of ethanol annually, is expected to begin processing in December 2004. Company representatives say the plant will annually produce 110,000 tons

of dried distiller's grain for western livestock feed, and 60,000 tons of wet distiller's grain for Midwest beef feed lots and dairies. They also estimate that north Iowa area farmers will see \$2 million annually in higher grain prices. Two-thirds of the company's 760 investors are farmers.

In other positive industrial news, Kraft Foods began production in their new refrigerated 108,000 square-foot warehouse in Mason City. North Iowa's largest food producer, Kraft added 16 new full-time jobs with the new facility. Sunny Fresh Foods, an egg processing company also expanded its workforce by adding 10 new jobs during the fiscal year. Negative business news included the closing of APAC Customer Services, Inc., a telemarketing business in Mason City. The closing eliminated 138 full- and part-time jobs.

The new \$400 million, generating station power plant went on-line on May 15, 2003, two weeks ahead of schedule. Constructed by Alliant Energy and its subsidiary, Interstate Power and Light Company, the new facility has a variable electrical output of 100 to 565 megawatts, enough to power 180,000 homes. The plant employs 18 full-time salaried people with an annual payroll of \$1.5 million, and generates more than \$1 million in new tax revenues annually. During construction, contractors used more than a million feet of electrical cable, 4,000 tons of steel, and 18,600 cubic yards of concrete. This is the first such new power plant built in the State of Iowa since 1981, and is a direct result of legislation passed in 2001 encouraging new investment in energy production.

Other economic news during the fiscal year included the creation of the North Iowa Venture Capital Fund. Local efforts by the North Iowa Area Community College and the John Pappajohn Business and Entrepreneurial Center raised \$1.7 million for the fund, which will invest in seed capital, start-up costs, expansions, and other business opportunities in the North Iowa area. The fund is a for-profit enterprise with 61 local investors.

Finally, North Central Iowa Growth Partnership is a new joint marketing effort of the Economic Development Corporations of the cities of Mason City and Clear Lake. The partnership also includes Cerro Gordo County, which has agreed to allocate \$50,000 annually to the project. The effort uses trade shows, direct sales calls, and joint proposals to prospective industries to attract and encourage economic development.

Major Initiatives

The County accepted completion of the work for the Meservey Wastewater Collection and Treatment Facility in the spring of 2004. The project consisted of construction of a 3-celled controlled discharge lagoon treatment facility, and was a partnership between the City of Meservey, Cerro Gordo County, and the U.S. Department of Agriculture and Rural Development.

A somewhat short-lived initiative dealt was a proposal to institute riverboat gambling in the County. In July 2003 a committee appointed by the board of supervisors recommended the County pursue riverboat gambling, and a petition the following month forced the issue to a countywide vote. However, the proposal failed when only 34% of the voters supported the proposal at the September 16, 2003 election.

On the continuing issue of overcrowded conditions in the county jail, Venture Architects out of Milwaukee, Wisconsin presented plans for a new \$20 million, 59,000 square-foot facility. The proposal is the result of more than a years work by officials from the County and the City of Mason City, and would consist of a new county jail and joint law enforcement center. A bond issue or issues will be presented to the voters, possibly at the November 2004 General Election.

In January 2004 the County received delivery of the third and final stage of a new geographic information systems (GIS) project. Located initially within the Management Information Systems (MIS) Department, a new position of GIS Coordinator was developed and an individual hired in February 2004. It is expected that the

GIS system will have multiple uses for a variety of departments in County government, as well as applications for other governments, surveyors, abstractors, appraisers, and development officials. Cerro Gordo County is the first in the State of Iowa to have digitized color aerial photography.

An ongoing issue throughout the fiscal year was the provision of ambulance service within Cerro Gordo County and the surrounding area. In July 2003 representatives of Snell's Services, Inc. requested financial assistance from the County board of supervisors, possibly in the form of a property tax levy. Company owners initially said they would close their doors by October 1st if they were unable to secure assurance of at least \$300,000 annually in public support. The family-owned business has been in operation in the north Iowa area for more than 50 years.

However, when the company failed to meet the supervisors' request for a review of the company's financial records, officials from the County and the City of Mason City began talks to explore other options. In the Spring of 2004 the City initiated an ambulance service based out of the city fire department and ordered all of the city's 911 calls to be referred there. Meanwhile, the County board of supervisors exercised their statutory authority by voting to remove the responsibility for emergency medical transport service from the purview of the various township trustees. The County then contracted with Mason City for those services. Snell's Services, Inc. is still in business, however, with contracts for some cities and counties in the north Iowa area.

Financial Information

Management of the County requires the establishment and maintenance of an internal control structure designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of the general purpose financial statements in conformity with general accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal financial assistance, the County is responsible for ensuring that an adequate internal control structure is in place to comply with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation.

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2004 reported no instances of material weaknesses in the internal control structure and no significant violations of applicable laws and regulations.

Budgetary Controls

The County maintains budgetary controls to ensure compliance with legal provisions in the administration of its annual appropriated budget approved by the County Board of Supervisors.

The State of Iowa requires the adoption of an annual budget with total County operating expenditures listed by major program service area. Activities of the general fund, special revenue funds, capital projects funds, and

debt service fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the total program service area level. In addition, individual County officials' expenditures cannot exceed the amounts appropriated by the Board.

Cash Management

The County's investment policy is to ensure the safety of public funds by minimizing credit and market risk while maintaining a competitive yield on its portfolio. Idle funds during the year were invested in those investments authorized by law and included certificates of deposit and interest bearing bank accounts. Interest revenue on all governmental fund investments for the fiscal year was **\$138,094, down \$180,942, a 56.7%** decrease from the prior fiscal year.

Risk Management

Cerro Gordo County is self-insured for employee health insurance. The Safety Department manages other types of insurance, including worker's compensation, general liability, property, fleet, law enforcement professionals, public officials, and tort. The Safety Department has developed a risk management program which includes physicals and return-to-work exams; a case management program administered by the County's insurance carrier; deductibles of \$500 on worker's compensation claims, \$5,000 on buildings, \$250 on inland marine, \$5,000 on crime, \$25,000 on law enforcement, \$10,000 on public officials, and \$500 to \$5,000 on motor vehicles; and, the retention of a doctor to deal with occupational medicine and to administer the required drug testing. The County has also developed programs including Bloodborne Pathogens, Tuberculosis, and Right to Know. Periodic training is offered in Defensive Driving and in the use of fire extinguishers. Annual hearing tests are provided for certain required employees.

Other Information

Independent Audit

The Code of Iowa, Chapter 11, requires an annual audit of the County's financial statements by the Auditor of State or by a certified public accountant. The County contracted with Gardiner & Co., P.C. to conduct the independent audit. Their opinion is included in the financial statements. In addition to meeting the requirements of the State statutes, the audit also met the requirements of OMB Circular A-133. This report can be found under the Single Audit section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cerro Gordo County, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been completed without the cooperation and services of the staffs of the County Auditor's and Treasurer's offices. Gratitude is also expressed to the independent auditors, Gardiner Thomsen, who provided endless support and assistance in preparing this report, and to the Cerro Gordo County Board of Supervisors for their interest and support.

Respectfully submitted,

Heather R. Mathre, CPA
Finance Assistant
Office of the County Auditor
Cerro Gordo County, Iowa



Gardiner Thomsen
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Officials of Cerro Gordo County
Mason City, Iowa

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

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Cerro Gordo County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our reports dated December 17, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 11 through 19 and 48 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cerro Gordo County's basic financial statements. Schedules including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133 and the Financial Information Required by the State Auditor, listed in the foregoing table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the County. These schedules and Financial Information Required by the State Auditor are also the responsibility of the management of the County. Such additional information for the three years ended June 30, 2003, has been subjected to the auditing procedures applied in our audits of the aforementioned financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The information included in the statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been compiled from County records by County personnel, has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

December 17, 2004

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cerro Gordo County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information presented in the transmittal letter beginning on page 4, and the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ◆ Cerro Gordo County governmental fund revenues increased 4.5% or \$1,008,602 from \$22,408,894 in fiscal year 2003 (FY03) to \$23,417,496 in fiscal year 2004 (FY04). Property taxes and other county taxes increased \$417,749 and intergovernmental revenues increased \$507,170 from FY03.
- ◆ Cerro Gordo County governmental fund expenditures for FY04 were \$24,132,500, an increase of \$1,322,530 from \$22,809,970 in FY03.
- ◆ Cerro Gordo County's net assets increased 1.1% or approximately \$224,840 from \$19,295,713 to \$19,520,553 at June 30, 2004.
- ◆ Cerro Gordo County's governmental funds reported combined ending fund balances of \$9,384,953, an increase of \$220,200 in comparison with the FY03 fund balances of \$9,164,753. Approximately 86% of the total amount, \$8,092,001 is available for spending at the government's discretion (unreserved fund balance).
- ◆ Cerro Gordo County's general long-term debt, excluding compensated absences and claims payable, increased by \$751,298 during the fiscal year, from \$1,371,281 in FY03 to \$2,122,579 in FY04. This increase was due to \$1,120,000 of general obligation bonds issued in the spring of 2004.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of the Statements of Net Assets and the Statement of Activities (on pages 20-22). These provide information about the activities of the County as a whole and present a longer-term view of the County's finances.

The Fund Financial Statements (starting on page 23) tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report Cerro Gordo 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 Cerro Gordo 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.

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

Supplemental Information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

Reporting the County as a Whole

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 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. This 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 fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

Fund Financial Statements

The fund financial statements begin on page 23 and provide detailed information about individual, significant funds; not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes.

Cerro Gordo County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services, which 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 1) General Fund, 2) Special Revenue Funds, 3) Debt Service Fund, and 4) Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed short-term view of the County's general governmental operations and the basic service it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) Cerro Gordo County maintains two types of proprietary funds: internal service funds and enterprise funds.
 - a) Cerro Gordo County has two internal service funds: Central Services Fund and Health Insurance Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.
 - b) Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business. Cerro Gordo County maintains two enterprise funds: Meservey Wastewater Collection & Treatment Facility and Swaledale Wastewater Collection & Treatment Facility.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management, county assessor, and city assessor to name a few.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found beginning on page 34.

Supplemental Information

The supplemental information begins on page 54 and provides detailed information about the non-major governmental funds and the individual fiduciary funds. In addition, the Single Audit Section provides details of the various Federal awards received by the County.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Cerro Gordo County's net assets increased \$224,840, from \$19,295,713 to \$19,520,553. The analysis below focuses on the net assets and changes in net assets of our government and business-type activities.

Cerro Gordo County's Net Assets
June 30, 2004

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$21,315,293	\$20,540,085	\$ 58,497	\$56,202	\$21,373,790	\$20,596,287
Capital assets	10,859,293	9,334,855	2,494,255	2,483,382	13,353,548	11,818,237
Total assets	<u>31,904,586</u>	<u>29,874,940</u>	<u>2,552,752</u>	<u>2,539,584</u>	<u>34,457,338</u>	<u>32,414,524</u>
Long-term debt outstanding	2,711,141	1,924,760	569,462	576,348	3,280,603	2,501,108
Other liabilities	11,641,884	10,598,477	14,298	19,226	11,656,182	10,617,703
Total liabilities	<u>14,353,025</u>	<u>12,523,237</u>	<u>583,760</u>	<u>595,574</u>	<u>14,936,785</u>	<u>13,118,811</u>
Net assets:						
Invested in capital assets, net of related debt	9,761,714	8,363,575	1,924,793	460,966	11,686,507	8,824,541
Restricted	3,241,336	4,630,537	0	0	3,241,336	5,206,885
Unrestricted	<u>4,548,511</u>	<u>4,357,591</u>	<u>44,199</u>	<u>1,483,044</u>	<u>4,592,710</u>	<u>5,264,287</u>
Total net assets	<u>\$17,551,561</u>	<u>\$17,351,703</u>	<u>\$ 1,968,992</u>	<u>\$1,944,010</u>	<u>\$ 19,520,553</u>	<u>\$19,295,713</u>

The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. A restricted portion of the County's net assets (16.6%) represent resources that are subject to external restrictions, constitution provisions, or enabling legislation on how they can be used. The remaining balance of unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$4,592,710.

The County's net assets increased by \$224,840 during the current fiscal year. The governmental-type activities increased by \$199,858 and the business-type activities increased \$24,982. This was due to controlled spending and the self-supporting ability of the business-type activities to cover their expenses of the program with revenues generated through user charges.

The following table highlights the County's revenues and expenses for the fiscal year ended June 30, 2004 and 2003. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting. Revenue is further divided into two major components: Program Revenue and General Revenue. Program Revenue is defined as charges for services and sales and services, operating grants and contributions and capital grants and contributions. General Revenue includes taxes, investment income and other unrestricted revenue sources.

Cerro Gordo County's Changes in Net Assets
June 30, 2004

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for service and sales	\$2,868,828	\$3,589,532	\$151,408	\$35,815	\$3,020,236	\$3,625,347
Operating grants and contributions	8,903,694	6,266,218	0	0	8,903,694	6,266,218
Capital grants and contributions	0	792,603	0	332,525	0	1,125,128
General Revenues				0		
Property taxes	8,788,746	8,722,459	0	0	8,788,746	8,722,459
Penalty & Interest on Property Tax	106,704	117,361	0	0	106,704	117,361
State Tax Credits	399,747	965,074	0	0	399,747	965,074
Local Option Sales & Service Tax	1,769,845	1,454,813	0	0	1,769,845	1,454,813
Grants and contributions not restricted to specific purposes	198,621	23,202	0	0	198,621	23,202
Unrestricted Investment earnings	142,318	278,751	0	0	142,318	278,751
Miscellaneous	298,337	283,284	0	12,353	298,337	295,637
Total revenues	23,476,840	22,493,297	151,408	380,693	23,628,248	22,873,990
Expenses:						
Public safety and legal services	4,431,064	4,308,699	0	0	4,431,064	4,308,699
Physical health and social services	4,107,546	3,683,099	0	0	4,107,546	3,683,099
Mental Health	5,221,710	5,003,380	0	0	5,221,710	5,003,380
County environment and education	1,296,647	888,743	0	0	1,296,647	888,743
Roads and Transportation	4,704,427	3,633,925	0	0	4,704,427	3,633,925
Government services to residents	674,627	751,404	0	0	674,627	751,404
Administration or general government	2,671,926	1,970,255	0	0	2,671,926	1,970,255
Non-program	146,647	341,615	126,426	71,877	273,073	413,492
Interest on long-term debt	22,388	29,262	0	0	22,388	29,262
Capital Projects	0	398,312	0	0	0	398,312
Total expenses	23,276,982	21,008,694	126,426	71,877	23,403,408	21,080,571
Increase (decrease) in net assets	199,858	1,484,603	24,982	308,816	224,840	1,793,419
Net assets July 1, 2003	17,351,703	15,867,100	1,944,010	1,635,194	19,295,713	17,502,294
Net assets June 30, 2004	17,551,561	17,351,703	1,968,992	1,944,010	19,520,553	19,295,713

Governmental Activities

Revenues for governmental activities increased 4.4%, or \$983,543 over the prior year. Reasons for the increases include: additional Secondary Road intergovernmental revenues of \$1,045,406 and additional local option sales tax dollars of \$315,032.

The cost of all governmental activities this year was \$23,276,982, an increase of \$2,268,288 over the prior years' \$21,008,694. However, as shown in the Statement of Activities on page 21-22, the amount the taxpayers ultimately financed for these activities through County taxes was only \$11,504,460 because some of the cost was paid by those that directly benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions.

Cerro Gordo County's countywide tax levy decreased from 4.70156 in FY03 to 4.59418 for FY04. The rural rate was unchanged from FY03 at 3.13322. Although the tax levy rates decreased or were unchanged, they were applied against higher assessed property values – increases of \$54,386,388 and \$19,376,126 for the countywide

and rural valuations, respectively – which resulted in increased property tax dollars of \$249,860 for general purposes and \$60,710 for rural purposes.

Business-Type Activities

Revenues for the County's business-type activities decreased by 60.2%, or \$229,285, from \$380,693 in FY03 to \$151,408 in FY04. This was due to less intergovernmental revenues with the Meservey Wastewater Collection & Treatment Facility project nearing completion. Operating expenses remained fairly constant for the year.

The County's Individual Major Funds

As Cerro Gordo County completed the year, its governmental funds reported a combined fund balance of \$9,384,953, which is an increase of \$220,200 over the combined fund balance for FY03. The following are the major reasons for the changes in fund balances from the prior year:

- ◆ The General Fund, as the chief operating fund for Cerro Gordo County, ended FY04 with a 40.1% ending fund balance totaling \$3,298,960. This is a \$736,271 decrease from the prior year's \$4,035,231 fund balance. Several factors contributed to the decline including constant tax rates, decrease in interest income, the ongoing geographical information system project, and the increase of health insurance expenditures.
- ◆ Cerro Gordo County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$5,198,915, an increase of 3.9% over last year's expenditures of \$5,003,304. The Mental Health Fund balance decreased from \$500,077 to \$496,131 in FY04, a 9.5% fund balance.
- ◆ The Rural Services Fund ended FY04 with expenditures of \$351,563, a decrease of \$169,176 from FY03 expenditures of \$520,739. The fund balance decreased \$29,318 to \$71,406 from the prior year ending balance of \$100,724, a result of property tax rates declining or staying constant in the last six years, with the FY99 rate of 3.57752 per \$1,000 of valuation to the FY04 rate of 3.13322.
- ◆ The Secondary Roads Fund expenditures increased by \$498,284, from \$5,247,418 in FY03 to \$5,745,702 in FY04. This was largely in part due to additional roadway construction as the County continues to upgrade the condition of the County roadway system. The Secondary Road Fund balance increased \$352,384, from \$2,499,552 in FY03 to \$2,851,936 in FY04.
- ◆ The Public Health Fund ended FY04 with a \$309,108 fund balance, a \$31,856 increase over the prior year's balance of \$277,252. Expenditures increased \$75,697, or 3.3% over the prior year. Revenues increased 11.4%, or \$175,664 due to the additional charged for services.

Budgetary Highlights

Over the course of the year, Cerro Gordo County amended the General Fund budget once. The amendment was made in May 2004 and resulted in the following:

- ◆ The total original revenue budget of \$8,513,052 was decreased to \$8,086,289 (a decrease of \$426,763) due to expected decreases in intergovernmental revenues and interest income.

- ♦ The total original expenditure budget of \$9,854,054 was decreased to \$8,799,279 (a decrease of \$1,054,775) mainly for expected decreases in Capital Projects.
- ♦ The total original budget for net transfers out of \$685,305 was decreased to \$677,405.

During the year, however, revenues were \$71,571 less than budgetary revenues and expenditures were \$568,133 less than budgetary expenditures, resulting in \$496,562 less of a deficit for the General Fund balance. Iowa law requires budget amendments to specific expenditure service areas, i.e., public safety and legal service, to be enacted by the Board of Supervisors no later than May 31 of each fiscal year. Since the County's fiscal year ends on June 30 and since the County's budget is based on the current financial resources measurement focus and the modified accrual basis of accounting, the Board takes a conservative approach when enacting yearend budget amendments. This means the comparison of actual to budgeted amounts will usually show expenditures to be well below budgeted amounts. This is especially true for the Capital Projects Fund when projects may roll over to a subsequent fiscal year.

None of the amendments made during the 2004 fiscal year should have any impact on the 2005 fiscal year budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Cerro Gordo County's investment in capital assets for its governmental and business-type activities as of June 30, 2004 was \$20,851,225, an increase of \$1,898,255 compared to capital assets of \$18,952,970 for FY03. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, vehicles, and infrastructure.

Major capital asset additions during the current fiscal year included infrastructure, election equipment, and Secondary Road equipment purchases.

Cerro Gordo County's Capital Assets FYE 2004

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 1,666,892	\$ 1,666,892	\$ 62,300	\$ 62,300	\$ 1,729,192	\$ 1,729,192
Construction-in-Process	0	0	0	1,446,068	0	1,446,068
Buildings	4,248,474	4,248,474		0	4,248,474	4,248,474
Improvements other than Buildings	417,751	417,751	2,706,644	1,164,417	3,124,395	1,582,168
Machinery & Equipment	6,152,301	5,866,920		0	6,152,301	5,866,920
Vehicles	3,004,929	2,910,762		0	3,004,929	2,910,762
Infrastructure	2,591,934	1,169,386		0	2,591,934	1,169,386
Total	18,082,281	16,280,185	2,768,944	2,672,785	20,851,225	18,952,970
Less: Accumulated Depreciation	7,497,988	6,945,331	274,689	189,402	7,772,677	7,134,733
Total	10,584,293	9,334,854	2,494,255	2,483,383	13,078,548	11,818,237

For governmental activities, Cerro Gordo County had depreciation expense of \$853,204 and total accumulated depreciation of \$7,497,988 for the year ended June 30, 2004. For business-type activities, depreciation expense was \$85,287 and total accumulated depreciation was \$274,689 for the year end.

Additional information on Cerro Gordo County's capital assets can be found in Note 5 of this report.

Debt

As of June 30, 2004, Cerro Gordo County had general obligation bonds outstanding totaling \$1,460,000, an increase of \$1,060,000 compared to FY03. The increase of debt resulted from an issuance of \$1,120,000 in general obligation bonds. These funds will be used to finance various projects and purchases, including election equipment, computer equipment, contributions to the Health Insurance Fund, and maintenance projects. In the current year, the County paid \$60,000 in principal and \$18,738 in interest on outstanding debt, compared to \$235,000 in principal and \$30,192 in interest in FY03.

Sewer revenue capital loan notes (Business-Type Activities) outstanding totaling \$569,463. Business-Type Activities paid \$6,885 in principal and \$25,936 in interest on outstanding debt in the current year, compared to \$3,477 in principal and \$29,365 in interest in FY03.

The Code 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. Cerro Gordo County's outstanding general obligation debt is significantly below its limit of \$122 million.

Cerro Gordo County's Outstanding Debt June 30, 2004

	2004	2003
Governmental Activities:		
General Obligation Bonds	\$ 1,460,000	\$ 400,000
Capital Lease Purchase Agreements	325,408	477,468
Installment Purchase Agreements	337,171	493,813
Drainage Warrants	41,650	86,155
Compensated Absences	546,910	467,324
Total	\$ 2,711,139	\$ 1,924,760
Business-Type Activities:		
Sewer Revenue Bonds	\$ 569,463	\$ 576,348

Additional information about the County's long-term liabilities can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGETS AND RATES

Cerro Gordo County's elected and appointed officials and citizens considered many factors when setting the 2004 fiscal year budget, tax rates, and the fees that will be charged for the various County services. One of those factors is the economy. Cerro Gordo County's unemployment rate now stands at 3.92% versus 3.93% a year ago. This compares with the State unemployment rate of 4.3% and the national rate of 5.4%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2003 compared with the national rate of 3.5%. However, the State's modest financial condition and relatively flat revenue projection continue.

- ◆ For the budget year ending June 30, 2005, Cerro Gordo County increased the countywide levy by 14.9% from \$4.59418 to \$5.27665 per thousand of taxable valuation and increased the rural county levy from the prior year's rate of \$3.13322 to \$3.41577 per thousand of taxable valuation, a 9.0% increase.
- ◆ The tax base for Cerro Gordo County increased 3.3% over the prior year.
- ◆ Health care costs and personnel costs, which make up a significant portion of the County's operating costs, continue to rise. Three of the four County bargaining unit contracts are currently under various agreements that expire June 30, 2005.
- ◆ The County continues to work towards a solution for the ongoing problem of overcrowded conditions in the county jail.

All these factors were considered in preparing the Cerro Gordo County budget for the June 30, 2005 fiscal year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to demonstrate the accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, contact the Cerro Gordo County Auditor's Office, 220 North Washington, Mason City, Iowa 50401.

CERRO GORDO COUNTY, IOWA

GOVERNMENT – WIDE STATEMENT OF NET ASSETS June 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$8,822,650	\$50,371	\$8,873,021
Receivables:			
Property Tax:			
Delinquent	49,469	0	49,469
Succeeding year	9,752,420	0	9,752,420
Interest and Penalty on Property Tax	457	0	457
Accounts	418,784	0	418,784
Accrued Interest	13,475	0	13,475
Drainage Assessments	35,291	0	35,291
Due From Other Governments	1,312,879	8,126	1,321,005
Inventories	909,868	0	909,868
Capital Assets:			
Land	1,666,892	62,300	1,729,192
Other Capital Assets	16,415,389	2,706,644	19,122,033
Less Accumulated Depreciation	7,492,988	274,689	7,767,677
Total Assets	\$31,904,586	\$2,552,752	\$34,457,338
Liabilities			
Accounts Payable	\$1,021,695	\$14,298	\$1,035,993
Accrued Interest Payable	5,186	0	5,186
Salaries and Benefits Payable	459,674	0	459,674
Due to Other Governments	338,965	0	338,965
Deferred Revenue:			
Succeeding Year Property Tax	9,752,420	0	9,752,420
Other	63,944	0	63,944
Long-Term Liabilities (note 7)			
Portion Due or Payable Within One Year:			
Capital Lease Purchase Agreements	159,522	0	159,522
Installment Purchase Agreement	164,474	0	164,474
General Obligation Bonds/Revenue Notes	425,000	7,195	432,195
Compensated Absences	546,911	0	546,911
Portion Due or Payable After One Year			
Capital Lease Purchase Agreements	165,886	0	165,886
Installment Purchase Agreement	172,697	0	172,697
General Obligation Bonds/Revenue Notes	1,035,000	562,267	1,597,267
Drainage District Warrants Payable	41,651	0	41,651
Total Liabilities	14,353,025	583,760	14,936,785
Net Assets			
Invested in Capital Assets, Net of Related Debt	9,761,714	1,924,793	11,686,507
Restricted For:			
Mental Health Purposes	480,915	0	480,915
Secondary Roads Purposes	1,797,640	0	1,797,640
Debt Service	70,000	0	70,000
Other Purposes	892,781	0	892,781
Unrestricted	4,548,511	44,199	4,592,710
Total Net Assets	\$17,551,561	\$1,968,992	\$19,520,553

See Notes to Financial Statements.

CERRO GORDO COUNTY, IOWA

GOVERNMENT – WIDE STATEMENT OF ACTIVITIES Year Ended June 30, 2004

		Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
	Expenses		
FUNCTIONS:			
Governmental Activities:			
Public Safety and Legal Services	\$4,431,064	399,983	471,931
Physical Health and Social Services	4,107,546	726,481	1,814,540
Mental Health	5,221,710	37,978	3,035,740
County Environment and Education	1,296,647	169,280	77,495
Roads and Transportation	4,704,427	450,070	3,365,347
Governmental Services to Residents	674,627	782,932	0
Administrative Services	2,671,926	170,474	631
Non-Program	146,647	81,831	10,016
Interest on Long Term Debt	22,388	0	0
Capital Projects	0	49,799	127,994
	<u>23,276,982</u>	<u>2,868,828</u>	<u>8,903,694</u>
Business Type Activities			
Wastewater Collection and Treatment	126,426	151,408	0
	<u>126,426</u>	<u>151,408</u>	<u>0</u>
Total	<u>\$23,403,408</u>	<u>\$3,020,236</u>	<u>\$8,903,694</u>

GENERAL REVENUES:

Property and Other County Tax Levied For:
 General Purposes
Penalty and Interest on Property Tax
State Tax Credits
Local Option Sales and Service Tax
Grants and Contributions Not Restricted to Specific Purpose
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$(3,559,150)	\$ 0	\$(3,559,150)
(1,566,525)	0	(1,566,525)
(2,147,992)	0	(2,147,992)
(1,049,872)	0	(1,049,872)
(889,010)	0	(889,010)
108,305	0	108,305
(2,500,821)	0	(2,500,821)
(54,800)	0	(54,800)
(22,388)	0	(22,388)
177,793	0	177,793
(11,504,460)	0	(11,504,460)
0	24,982	24,982
\$(11,504,460)	\$24,982	\$(11,479,478)
\$8,788,746	\$ 0	\$ 8,788,746
106,704	0	106,704
399,747	0	399,747
1,769,845	0	1,769,845
198,621	0	198,621
142,318	0	142,318
298,337	0	298,337
11,704,318	0	11,704,318
199,858	24,982	224,840
17,351,703	1,944,010	19,295,713
\$17,551,561	\$1,968,992	\$19,520,553

CERRO GORDO COUNTY, IOWA

BALANCE SHEET – GOVERNMENTAL FUNDS June 30, 2004

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Public Health
Assets					
Cash and Pooled Investments	\$3,391,928	\$1,050,669	\$108,261	\$1,552,970	\$142,779
Receivables:					
Property Tax:					
Delinquent	25,483	10,922	13,064	0	0
Succeeding Year	5,689,610	2,178,014	1,512,496	0	0
Interest and Penalty on Property Tax	457	0	0	0	0
Accounts	145,413	30,972	0	27,017	174,069
Accrued Interest	13,325	0	0	0	0
Drainage Assessments					
Due From Other Funds	5,049	0	0	0	0
Due From Other Governments	208,852	24,405	403	859,684	119,817
Inventories	0	0	0	909,868	0
Total Assets	\$9,480,117	\$3,294,982	\$1,634,224	\$3,349,539	\$436,665
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$182,921	254,011	31,063	383,537	34,879
Salaries and Benefits Payable	248,387	19,178	6,568	91,212	79,786
Due To Other Funds	0	2,026	0	385	2,638
Due To Other Governments	3,416	334,919	0	0	630
Deferred Revenue:					
Succeeding Year Property Tax	5,689,610	2,178,014	1,512,496	0	0
Other	56,823	10,703	12,691	22,469	9,624
Total Liabilities	6,181,157	2,798,851	1,562,818	497,603	127,557
Fund Balances					
Reserved For:					
Inventories	0	0	0	909,868	0
Endowment	0	0	0	0	0
Drainage Warrants	0	0	0	0	0
Trust	0	0	0	0	0
Debt Service	0	0	0	0	0
Unreserved, Reported In:					
General Fund	3,298,960	0	0	0	0
Special Revenue Funds	0	496,131	71,406	1,942,068	309,108
Capital Projects Fund	0	0	0	0	0
Total Fund Balances	3,298,960	496,131	71,406	2,851,936	309,108
Total Liabilities and Fund Balances	\$9,480,117	\$3,294,982	\$1,634,224	\$3,349,539	\$436,665

See Notes To Financial Statements

Debt Service	Capital Projects	Non-Major Special Revenue	Total
\$74,991	\$886,124	\$1,263,708	\$8,471,430
0	0	0	49,469
372,300	0	0	9,752,420
0	0	0	457
0	0	41,313	418,784
0	0	150	13,475
0	0	35,291	35,291
0	0	0	5,049
195	0	89,232	1,312,879
0	10,291	0	909,868
\$477,486	\$896,415	\$1,429,694	\$20,969,122
\$ 0	\$11,569	\$17,771	\$915,751
0	0	14,543	459,674
0	0	0	5,049
0	0	0	338,965
372,300	0	0	9,752,420
0	0	0	112,310
372,300	11,569	32,314	11,584,169
0	0	0	909,868
0	0	58,769	58,769
0	0	137,638	137,638
0	0	111,491	111,491
75,186	0	0	75,186
0	0	0	3,298,960
0	0	1,089,482	3,908,195
0	884,846	0	884,846
75,186	884,846	1,397,380	9,384,953
\$447,486	\$896,415	\$1,429,694	\$20,969,122

CERRO GORDO COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS June 30, 2004

Total Governmental Fund Balances (page 24)

\$9,384,953

Amounts reported for governmental activities in the statement of net assets that are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$18,082,281 and the accumulated depreciation is \$7,492,988.

10,589,293

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

52,643

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

240,999

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(2,716,327)

Net assets of governmental activities

\$17,551,561

CERRO GORDO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Year Ended June 30, 2004

	General	Mental Health	Rural Services	Secondary Roads	Public Health
REVENUES:					
Property and Other County Tax	\$5,247,248	\$2,174,025	\$1,556,242	\$973,415	\$ 0
Interest and Penalty on Property Tax	118,295	0	0	0	0
Intergovernmental	1,145,115	3,135,808	65,910	3,561,196	1,263,594
Licenses and Permits	8,415	0	0	6,230	10,515
Charges For Service	919,099	5,400	0	0	290,514
Use of Money and Property	193,160	0	0	3,510	0
Miscellaneous	383,386	32,599	93	452,981	147,710
	<u>8,014,718</u>	<u>5,347,832</u>	<u>1,622,245</u>	<u>4,997,332</u>	<u>1,712,333</u>
EXPENDITURES:					
Current					
Public Safety and Legal Services	4,129,098	0	4,557	0	0
Physical Health and Social Services	727,297	0	0	0	2,348,188
Mental Health	0	5,198,915	0	0	0
County Environment and Education	478,441	0	43,410	0	0
Roads and Transportation	0	0	303,596	4,248,037	0
Governmental Services to Residents	738,889	0	0	0	0
Administration	1,876,186	0	0	0	0
Non-Program	40,974	0	0	0	0
Debt Service	0	0	0	0	0
Capital Projects	157,857	0	0	1,497,665	0
Total Expenditures	<u>8,148,742</u>	<u>5,198,915</u>	<u>351,563</u>	<u>5,745,702</u>	<u>2,348,188</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(134,024)	148,917	1,270,682	(748,370)	(635,855)
Other Financing Sources (Uses):					
Sale of Capital Assets	8,000	0	0	0	0
Proceeds From Drainage Warrants	0	0	0	0	0
Operating Transfers In	165,216	0	0	1,300,000	680,706
Operating Transfers Out	(693,059)	(152,863)	(1,300,000)	0	(12,995)
General Obligation Notes and Issued	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(602,247)</u>	<u>(152,863)</u>	<u>(1,300,000)</u>	<u>1,300,000</u>	<u>667,711</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(736,271)	(3,946)	(29,318)	551,630	31,856
Fund Balances Beginning of Year	4,035,231	500,077	100,724	2,499,552	277,252
Decrease in Reserve For: Inventories	0	0	0	(199,246)	0
Fund Balances End of Year	<u>\$3,298,960</u>	<u>\$496,131</u>	<u>\$71,406</u>	<u>\$2,851,936</u>	<u>\$309,108</u>

See Notes To Financial Statements

Debt Service	Capital Projects	Non-Major Special Revenue	Total
\$ 0	\$ 0	\$619,444	\$10,570,374
0	0	0	118,295
195	64,771	485,565	9,722,154
0	0	245,316	270,476
0	0	77,552	1,292,565
0	0	31,511	228,181
75,659	0	123,023	1,215,451
75,854	64,771	1,582,411	23,417,496

0	0	117,488	4,251,143
0	0	838,491	3,913,976
0	0	0	5,198,915
0	0	400,140	921,991
0	0	0	4,551,633
0	0	3,526	742,415
0	0	26,338	1,902,524
0	0	166,720	207,694
78,738	0	0	78,738
0	325,545	300,000	2,281,067
78,738	325,545	1,852,703	24,050,096

(2,884)	(260,774)	(270,292)	(632,600)
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0	0	0	8,000
0	0	16,543	16,543
0	0	12,995	2,158,917
0	0	0	(2,241,321)
0	1,109,907	0	1,109,907
0	1,109,907	29,538	1,052,046

(2,884)	849,133	(240,754)	419,446
78,070	35,713	1,638,134	9,164,753

0	0	0	(199,246)
\$75,186	\$884,846	\$1,397,380	\$9,384,953

CERRO GORDO COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2004

Net change in fund balances - Total governmental funds (page 27) \$419,446

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

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

Expenditures for capital assets	\$1,683,996	
Depreciation expense	<u>(853,204)</u>	830,792

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (49,946)

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.

Property tax		48,366
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt issues exceeded debt repayments as follows:

Bonds, leases, and loans issued	(1,136,543)	
Principal payments	<u>429,749</u>	(706,794)

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

Compensated absences	(79,586)	
Interest on long-term debt	<u>3,650</u>	(75,936)

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 assets is exhausted.

\$199,246

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

(465,316)

Change in net assets of governmental activities

\$199,858

See Notes to Financial Statements.

CERRO GORDO COUNTY, IOWA

COMBINED STATEMENT OF NET ASSETS – ENTERPRISE FUNDS

June 30, 2004

	Enterprise		
	Meservey Wastewater Collection & Treatment Facility	Swaledale Wastewater Collection & Treatment Facility	Total
ASSETS			
Current Assets			
Cash and Pooled Investments	\$3,700	\$46,671	\$50,371
Due From Other Governments	3,131	4,995	8,126
Total Current Assets	6,831	51,666	58,497
Non-Current Assets			
Capital Assets			
Land	37,300	25,000	62,300
Improvements Other Than Buildings	1,542,227	1,164,417	2,706,644
Less Accumulated Depreciation	(48,806)	(225,883)	(274,689)
Total Non-Current Assets	1,530,721	963,534	2,494,255
Total Assets	\$1,537,552	\$1,015,200	\$2,552,752
LIABILITIES			
Current Liabilities			
Accounts Payable	\$14,192	\$106	\$14,298
Note Payable			
Portion Due Within One Year			
Note Payable	3,398	3,797	7,195
Total Current Liabilities	17,590	3,903	21,493
Non-Current Liabilities			
Portion Due After One Year			
Note Payable	305,651	256,616	562,267
Total Liabilities	\$323,241	\$260,519	\$583,760
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$1,221,672	\$703,121	\$1,924,793
Unrestricted (Deficit)	(7,361)	51,560	44,199
	\$1,214,311	\$754,681	\$1,968,992

See Notes To Financial Statements

CERRO GORDO COUNTY, IOWA

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS – ENTERPRISE FUNDS Year Ended June 30, 2004

	Enterprise		
	Meservey Wastewater Collection & Treatment Facility	Swaledale Wastewater Collection & Treatment Facility	Total
OPERATING REVENUES:			
Miscellaneous	\$122,140	\$29,268	\$151,408
OPERATING EXPENSES:			
Waste Water Treatment Facility			
Depreciation	48,806	36,481	85,287
Miscellaneous	6,181	9,022	15,203
Total Operating Expenses	54,987	45,503	100,490
Operating Income (Loss)	67,153	(16,235)	50,918
NON-OPERATING EXPENSES			
Interest	(14,054)	(11,882)	(25,936)
Net Income (Loss)	53,099	(28,117)	24,982
Net Assets Beginning of Year	1,161,212	782,798	1,944,010
Net Assets End of Year	\$1,214,311	\$754,681	\$1,968,992

See Notes To Financial Statements

CERRO GORDO COUNTY, IOWA

COMBINED STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS Year Ended June 30, 2004

	Enterprise		
	Meservey Wastewater Collection & Treatment Facility	Swaledale Wastewater Collection & Treatment Facility	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$37,920	\$29,207	\$67,127
Cash Received from Operating Fund Reimbursements	82,404	0	82,404
Cash Paid to Suppliers for Services	(10,942)	(9,189)	(20,131)
Net Cash Provided by Operating Activities	109,382	20,018	129,400
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to Capital Assets	(96,159)	0	(96,159)
Interest Expense	(14,054)	(11,882)	(25,936)
Note Payments	(3,252)	(3,635)	(6,887)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(113,465)	(15,517)	(128,982)
Net Increase (Decrease) in Cash	(4,083)	4,501	418
Cash – Beginning of Year	7,783	42,170	49,953
Cash – End of Year	\$3,700	\$46,671	\$50,371
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$67,153	\$(16,235)	\$50,918
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	48,806	36,481	85,287
Decrease in Receivables	(1,816)	(61)	(1,877)
(Decrease) in Payables	(4,761)	(167)	(4,928)
Net Cash Provided by (Used in) Operating Activities	\$109,382	\$20,018	\$129,400

See Notes To Financial Statements.

CERRO GORDO COUNTY, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS June 30, 2004

ASSETS

Cash and Pooled Investments	
County Treasurer	\$2,580,671
Other County Officials	131,384
Receivables:	
Property Tax	
Delinquent	2,421
Succeeding Year	37,095,372
Accounts	9,828
Accrued Interest	2,486
Assessments	1,110,931
Due From Other Governments	25,670
Total Assets	\$40,958,763

LIABILITIES

Accounts Payable	\$12,642
Salaries and Benefits Payable	22,956
Due To Other Governments	40,724,412
Trusts Payable	181,427
Compensated Absences	17,326
Total Liabilities	\$40,958,763

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS June 30, 2004

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

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

B. BASIS OF PRESENTATION

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

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

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

The Rural Services Fund is used to account for property tax and 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 utilized to account for secondary road construction and maintenance.

The Public Health Fund is utilized to account for Federal and State grants and fees collected by the County to provide and maintain the County Public Health Department.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following major proprietary funds:

The Enterprise Funds account for operations that are financed and operated in a manner to private business enterprises, where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes. The Enterprise Funds account for the activities of the Meservey Wastewater Collection and Treatment Facility and the Swaledale Wastewater Collection and Treatment Facility.

Fiduciary fund types are used to account for net assets and changes in net assets. The fiduciary funds of the County are considered agency 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.

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using 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 sixty days after year end.

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

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

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

The proprietary funds of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless pronouncements conflict 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 nonoperating 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 funds are from 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 nonoperating revenues and expenses.

D. ASSETS, LIABILITIES AND FUND EQUITY

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments, consisting of non-negotiable certificates of deposit, are stated at cost.

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

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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 and will not be recognized as revenue until the year for which it is levied.

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

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

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

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

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

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

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

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

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

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40-50
Building improvements	20-50
Infrastructure	30-50
Equipment	2-20
Vehicles	3-10

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

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use payable to employees. A liability is recorded when incurred in the government-wide, proprietary and fiduciary fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Road Funds.

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

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

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

F. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

Note 2: Cash and Pooled Investments

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

The County is authorized by 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS June 30, 2004

Note 3: Due from and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Central Services	General	\$464
	MH/DD Services	106
	County Assessor	39
	City Assessor	37
	Dispute Resolution	21
General	MH/DD Services	2,026
	Secondary Road	385
	Public Health	2,638
	County Assessor	278
	City Assessor	533
Health Insurance	Dispute Resolution	331
	General	1,755
	Secondary Road	1,755
		<u>\$10,368</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimburseable 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, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General Fund	Mental Health	\$ 152,863
Public Health	General Fund	680,706
Secondary Roads	Rural Services	1,300,000
Empowerment	Public Health	12,995
Total		<u>\$ 2,146,564</u>

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5: Capital Assets

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

	Balance Beginning of Year (as restated, note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,666,892	0	-	1,666,892
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,666,892	0	-	1,666,892
Capital assets being depreciated:				
Buildings	4,248,474	-	-	4,248,474
Improvements other than buildings	417,751	-	-	417,751
Machinery and equipment	5,866,920	497,394	(212,013)	6,152,301
Vehicles	2,910,762	245,646	(151,479)	3,004,929
Infrastructure	1,169,386	1,422,548	-	2,591,934
Total capital assets being depreciated	14,613,293	2,165,588	(363,492)	16,415,389
Less accumulated depreciation for:				
Buildings	1,769,508	84,649	-	1,854,157
Improvements other than buildings	390,633	7,283	-	397,916
Machinery and equipment	3,140,512	440,480	(182,256)	3,398,736
Vehicles	1,634,797	278,584	(123,291)	1,790,090
Infrastructure, road network	9,881	42,208	-	52,089
Total accumulated depreciation	6,945,331	853,204	(305,547)	7,492,988
Total capital assets being depreciated, net	7,667,962	1,312,384	(57,945)	8,922,401
Governmental activities capital assets, net	\$ 9,334,854	1,312,384	(57,945)	10,589,293

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$ 103,568
Physical health and social services	31,230
Mental health	4,985
County environment and education	59,424
Roads and transportation	523,709
Governmental services to residents	20,594
Administrative services	109,674
Total depreciation expense – governmental activities	\$ 853,204

The following is a summary of Enterprise Fund fixed assets, net of accumulated depreciation, at June 30, 2004:

	Meservey Waste Water Collection & Treatment Facility	Swaledale Waste Water Collection & Treatment Facility	Total
Land and Improvements			
Total Fixed Assets	\$1,579,527	\$1,189,417	\$2,768,944
Less: Accumulated Depreciation	(48,806)	(225,883)	274,689
Net Fixed Assets	\$1,530,721	\$963,534	\$2,494,225

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS June 30, 2004

Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 3,416
Special Revenue		
Mental Health		334,919
Public Health		630
Trust & Agency	Collections	
County Special Appraisal		282,499
Schools		21,793,130
City Assessor		185,727
Corporations		13,268,522
Auto License & Use Tax		835,428
City Special Appraisal		156,380
County Assessor		341,673
E911 Operations		559,892
City Special Assessments		1,137,387
All Others		2,112,302
		<u>\$41,011,905</u>

Note 7: Changes in Long-Term Liabilities

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

Governmental Activities	Capital Loan Notes & General Obligation Bonds	Lease Obligations	Compensated Absences
Balance – Beginning of Year	\$400,000	\$477,468	\$467,324
Additions	1,120,000	0	546,910
Reductions	60,000	152,060	467,324
Balance – End of Year	<u>\$1,460,000</u>	<u>\$325,408</u>	<u>\$546,910</u>
Due within one year	<u>\$ 425,000</u>	<u>\$159,522</u>	<u>\$546,910</u>
	Drainage Warrants	Installment Purchase	Total
Balance – Beginning of Year	\$86,155	\$493,813	\$1,924,760
Additions	16,543	0	1,683,453
Reductions	61,048	156,642	897,074
Balance – End of Year	<u>\$41,650</u>	<u>\$337,171</u>	<u>\$2,711,139</u>
Due within one year	<u>\$ 0</u>	<u>\$164,474</u>	<u>\$1,295,906</u>
	Sewer Revenue Capital Loan Notes		
Balance – Beginning of Year	\$576,348		
Additions	0		
Reductions	6,885		
Balance – End of Year	<u>\$569,463</u>		
Due within one year	<u>\$ 7,195</u>		

CERROGORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8: Capital Lease Purchase Agreements / Installment Purchase

The County has entered into capital lease purchase agreements for the Administration's postage machine and Secondary Roads' motorgraders and trucks. The following is a schedule of the future minimum lease payments, including interest ranging from 8.25% to 9.36% per annum, and the present value of net minimum lease payments under the agreements:

Minimum future obligations on the capital lease obligations in effect at June 30, 2004 are as follows:

Year Ending June 30,	Postage Machine	Motor Graders	Trucks	Total
2005	\$5,904	\$37,689	\$131,654	\$175,247
2006	4,428	37,689	131,654	173,771
	10,332	75,378	263,308	349,018
Less: Amount Representing Interest	903	4,547	18,162	23,612
	\$9,429	\$70,831	\$245,146	\$325,406

Payments under capital lease purchase agreements for year ended June 30, 2004, totaled to \$152,060.

In September of 2002 the County entered into an installment purchase agreement for four motor graders. Payments of \$181,332 are required annually from September 1, 2002 through September 1, 2005.

Future obligations on the installment purchase in effect at June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$164,474	\$16,858	\$181,332
2006	172,697	8,635	181,332
	\$337,171	\$25,493	\$362,664

Note 9: General Obligation Capital Loan Bonds and Notes

The County has issued \$620,000 in general obligation bonds to fund the costs of construction of a sanitary sewer project. During the fiscal year 2004, the County issued \$1,120,000 in General Obligation Capital Loan Notes to fund the costs of election equipment, health insurance, computer equipment and several maintenance projects. The notes are payable from a continuing annual levy of taxes on all of the taxable property in the County. Details of the outstanding bonds and notes are as follows:

Year Ending June 30,	1999 \$620,000 Issue			2004 \$1,120,000 Issue		
	Interest Rate	Principal	Interest	Interest	Principal	Interest
2005	4.50%	\$ 60,000	\$ 15,797	1.20%	\$365,000	\$20,315
2006	4.60%	65,000	13,097	1.55%	375,000	13,032
2007	4.65%	70,000	10,107	1.90%	380,000	7,220
2008	4.70%	70,000	6,854	-	-	-
2009	4.75%	75,000	3,563	-	-	-
		\$340,000	\$ 49,418		\$1,120,000	\$40,567

CERROGORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 10: Drainage Warrants/Drainage Improvement Certificates Payable

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

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest-bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from special assessments against benefited properties.

Note 11: Sewer Revenue Capital Loan Notes

The County has issued \$280,000 in sewer revenue capital loan notes to fund the costs of improvement and extensions to the County's Sanitary Sewer Utility including construction of a sanitary sewer collection and treatment facility for users in the City of Swaledale. The notes and interest are payable solely from the net earnings of the system and not from general funds of the County. Payments on the capital loan notes began on July 1, 1999. The capital loan notes have an interest rate of 4.50% with the final payment due July 1, 2036. Details of the sewer revenue capital loan notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$3,797	\$11,719	\$15,516
2006	3,968	11,548	15,516
2007	4,147	11,369	15,516
2008	4,333	11,183	15,516
2009	4,528	10,988	15,516
2014	25,889	51,691	77,580
2019	32,262	45,318	77,580
2024	40,204	37,376	77,580
2029	50,102	27,478	77,580
2034	62,437	15,143	77,580
2036	28,747	1,946	30,693
	<u>\$260,414</u>	<u>\$235,759</u>	<u>\$496,173</u>

The County has also issued \$59,100 and \$253,200 in sewer revenue capital loan notes to fund the costs of improvements and extensions to the County's Sanitary Sewer Utility including construction of a sanitary sewer collection and treatment facility for users in the City of Meservy. The notes and interest are payable solely from the net earnings of the system and do not represent general obligations of the County. Interest payments on the capital loan notes begin on July 1, 2002. The capital loan notes have an interest rate of 4.5% with final payment due by July 1, 2041. Details of the sewer revenue capital loan notes are as follows:

Year Ending June 30,	\$59,100 Note		\$253,200 Note		Principal	Interest
	Principal	Interest	Principal	Interest	Total	Total
2005	\$643	\$2,632	\$2,755	\$11,275	\$3,398	\$13,907
2006	672	2,603	2,878	11,152	3,550	13,755
2007	702	2,573	3,008	11,022	3,710	13,595
2008	734	2,541	3,143	10,887	3,877	13,428
2009	767	2,508	3,285	10,745	4,052	13,253
2014	4,385	11,990	18,780	51,370	23,165	63,360
2019	5,465	10,910	23,403	46,747	28,868	57,657
2024	6,810	9,565	29,164	40,986	35,974	50,551
2029	8,486	7,889	36,344	33,806	44,830	41,695
2034	10,575	5,800	45,291	24,859	55,866	30,659
2039	13,179	3,196	56,441	13,709	69,620	16,905
2041	6,066	411	26,072	1,768	32,138	2,179
	<u>\$58,484</u>	<u>\$62,618</u>	<u>\$250,564</u>	<u>\$268,326</u>	<u>\$309,048</u>	<u>\$330,944</u>

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS June 30, 2004

Note 12: 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. The County has implemented GASB statement 27, Accounting for Pensions by State and local governments.

Plan members are required to contribute 3.7% 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 are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$473,834, \$450,698, and \$426,509, respectively, equal to the required contributions for each year.

Note 13: Risk Management

The County purchases commercial insurance to provide coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine, property coverage, workers compensation coverage and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for claims in excess of the following limits:

Type	Limit
Property	\$12,649,740
General Liability	2,000,000
Employee Benefit Liability	1,000,000
Law Enforcement Liability	2,000,000
Professional Officials Liability	2,000,000
Automobile Liability	1,000,000
Workers Compensation	500,000
Umbrella	10,000,000
Inland Marine	1,192,762
Public Official and Employees Liability	2,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14: Employee Health Insurance Plan

The Cerro Gordo County Health Insurance Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$125,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Cerro Gordo County Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield of Iowa from the Cerro Gordo County Health Insurance Fund. The County records the plan assets and related liabilities of the Cerro Gordo County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$642,465.

Amounts payable from the Health Insurance Fund at June 30, 2004 total \$103,647 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve was \$195,964 at June 30, 2004 and is reported as a designation of the Health Insurance Fund retained earnings. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on the reconciliation of changes in the aggregate liabilities for claims for the current year and prior year is as follows:

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 14: Employee Health Insurance Plan (Continued)

	Balance as of July 1	Current Year Claims	Claim Payments	Balance as of June 30
2002-2003	\$68,923	\$540,269	\$734,711	\$125,519
2003-2004	\$125,519	\$985,869	\$1,007,741	\$103,647

Note 15: Closure and Postclosure Care Costs

Cerro Gordo County is a member of the Landfill of North Iowa. The Landfill of North Iowa is an inter-governmental agency established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the agency is to provide for the economic disposal or collection and disposal of all solid waste produced or generated within each member city, town, and the unincorporated portion of Cerro Gordo County, comprising the municipalities. In performing its duties, the agency may contract with and expend funds from federal, state, and local agencies and private individuals and corporations.

State and federal laws and regulations require the agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, state laws require the agency to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. The agency is in compliance with this requirement. On June 30, 2004, the County did not anticipate any additional assessments for closure and postclosure care costs.

Note 16: Related Party Transactions

Business transactions between the County and County officials or employees were noted. The transactions appear to be authorized in accordance with Chapter 331.342 of the Code of Iowa because the contracts were made upon competitive bid in writing, publicly invited and opened.

Note 17: Commitments and Contingencies

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

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – ALL GOVERNMENTAL FUNDS Year Ended June 30, 2004

	Governmental Fund Types		
	Actual	Less Funds Not Required To Be Budgeted	Net
REVENUES:			
Property and Other County Tax	\$10,570,374	\$0	\$10,570,374
Interest and Penalty on Property Tax	118,295	0	118,295
Intergovernmental	9,722,154	0	9,722,154
Licenses and Permits	270,476	0	270,476
Charges for Service	1,292,565	0	1,292,565
Use of Money and Property	228,181	0	228,181
Miscellaneous	1,215,451	58,385	1,157,066
Total Revenues	23,417,496	58,385	23,359,111
EXPENDITURES:			
Public Safety and Legal Services	4,251,143	0	4,251,143
Physical Health and Education	3,913,976	0	3,913,976
Mental Health	5,198,915	0	5,198,915
County Environment and Education Services	921,991	0	921,991
Roads and Transportation	4,551,633	0	4,551,633
Governmental Services to Residents	742,415	0	742,415
Administrative Services	1,902,524	0	1,902,524
Non-Program	207,694	166,720	40,974
Debt Service	78,738	0	78,738
Capital Projects	2,281,067	0	2,281,067
Total Expenditures	24,050,096	166,720	23,883,376
Excess (Deficiency) of Revenues Over (Under) Expenditures	(632,600)	(108,335)	(524,265)
Other Financing Sources, Net	1,052,046	16,543	1,035,503
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	419,446	(91,792)	511,238
Balance - Beginning of Year	9,164,753	229,430	8,935,323
Balance - End of Year	\$9,584,199	\$137,638	\$9,446,561

See Accompanying Independent Auditors' Report.

Governmental Fund Types			
Budgeted Amounts		Final to	Net as % of
Original	Final	Net Variance - Positive (Negative)	Amended Budget
\$9,988,701	\$10,502,741	\$67,633	100.64%
130,000	130,000	(11,705)	91.00%
10,239,275	10,363,220	(641,066)	93.81%
268,349	268,949	1,527	100.57%
1,288,589	1,389,403	(96,838)	93.03%
266,346	204,146	24,035	111.77%
450,705	1,040,524	116,542	111.20%
22,631,965	23,898,983	(539,872)	97.74%
4,474,374	4,506,091	254,948	94.34%
3,990,678	4,491,265	577,289	87.15%
5,150,000	5,265,800	66,885	98.73%
980,057	1,033,127	111,136	89.24%
5,312,206	5,403,206	851,573	84.24%
806,208	767,208	24,793	96.77%
1,927,096	2,045,046	142,522	93.03%
40,000	50,000	9,026	81.95%
78,438	79,438	700	99.12%
2,526,208	2,682,508	401,441	85.03%
25,285,265	26,323,689	2,440,313	90.73%
(2,653,300)	(2,424,706)	1,900,441	
2,000	1,119,807	(84,304)	
(2,651,300)	(1,304,899)	1,816,137	
8,767,220	8,767,220	168,103	
\$6,115,920	\$7,462,321	\$1,984,240	

(Concluded)

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – GENERAL FUND REQUIRED SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	General Fund				
		Budgeted Amounts		Final to Actual Variance - Positive (Negative)	Actual as % of Amended Budget
	Actual	Original	Final		
REVENUES:					
Property and Other County Tax	\$5,247,248	\$5,159,095	\$5,212,079	\$35,169	100.67%
Interest and Penalty on Property Tax	118,295	130,000	130,000	(11,705)	91.00%
Intergovernmental	1,145,115	1,900,696	1,303,370	(158,255)	87.86%
Licenses and Permits	8,415	7,600	7,600	815	110.72%
Charges for Service	919,099	846,640	919,290	(191)	99.98%
Use of Money and Property	193,160	257,746	173,446	19,714	111.37%
Miscellaneous	383,386	211,275	340,504	42,882	112.59%
Total Revenues	8,014,718	8,513,052	8,086,289	(71,571)	99.11%
EXPENDITURES:					
Public Safety and Legal Services	4,129,098	4,349,374	4,381,091	251,993	94.25%
Physical Health and Education	727,297	800,460	937,798	210,501	77.55%
County Environment and Education Services	478,441	512,254	499,474	21,033	95.79%
Governmental Services to Residents	738,889	801,208	762,208	23,319	96.94%
Administrative Services	1,958,590	1,900,758	2,018,708	60,118	97.02%
Non-Program	40,974	40,000	50,000	9,026	81.95%
Capital Projects	157,857	1,450,000	150,000	(7,857)	105.24%
Total Expenditures	8,231,146	9,854,054	8,799,279	568,133	93.54%
Excess (Deficiency) of Revenues Over (Under) Expenditures	(216,428)	(1,341,002)	(712,990)	496,562	
Other Financing Uses, Net	(519,843)	(685,305)	(677,405)	157,562	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(736,271)	(2,026,307)	(1,390,395)	654,124	
Balance - Beginning of Year	4,035,231	3,990,784	3,990,784	44,447	
Balance - End of Year	\$3,298,960	\$1,964,477	\$2,600,389	\$698,571	

See Accompanying Independent Auditors' Report.

(Continued)

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – MENTAL HEALTH REQUIRED SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	Mental Health				
	Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)	Actual as % of Amended Budget
		Original	Final		
REVENUES:					
Property and Other County Tax	\$2,174,025	\$2,157,667	\$2,157,167	\$16,858	100.78%
Intergovernmental	3,135,808	2,913,502	2,996,387	139,421	104.65%
Charges For Services	5,400	123,272	123,272	(117,872)	0.00%
Miscellaneous	32,599	12,000	22,000	10,599	148.18%
Total Revenues	5,347,832	5,206,441	5,298,826	49,006	100.92%
EXPENDITURES:					
Mental Health	5,198,915	5,150,000	5,265,800	66,885	98.73%
Total Expenditures	5,198,915	5,150,000	5,265,800	66,885	98.73%
Excess of Revenues Over Expenditures	148,917	56,441	33,026	115,891	
Other Financing Uses, Net	(152,863)	0	0	(152,863)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,946)	56,441	33,026	(36,972)	
Balance - Beginning of Year	500,077	498,730	498,730	1,347	
Balance - End of Year	\$496,131	\$555,171	\$531,756	(\$35,625)	

See Accompanying Independent Auditors' Report.

(Continued)

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – RURAL SERVICES REQUIRED SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	Rural Services				
		Budgeted Amounts		Final to Actual Variance - Positive (Negative)	Actual as % of Amended Budget
	Actual	Original	Final		
REVENUES:					
Property and Other County Tax	\$1,556,242	\$1,546,939	\$1,540,639	\$15,603	101.01%
Intergovernmental	65,910	134,770	121,104	(55,194)	54.42%
Miscellaneous	93	0	0	93	0.00%
Total Revenues	1,622,245	1,681,709	1,661,743	(39,498)	97.62%
EXPENDITURES:					
Public Safety and Legal Services	4,557	5,000	5,000	443	91.14%
County Environment and Education Services	43,410	78,927	78,927	35,517	55.00%
Roads and Transportation	303,596	316,206	316,206	12,610	96.01%
Total Expenditures	351,563	400,133	400,133	48,570	87.86%
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,270,682	1,281,576	1,261,610	9,072	
Other Financing Uses, Net	(1,300,000)	(1,300,000)	(1,300,000)	0	
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(29,318)	(18,424)	(38,390)	9,072	
Balance - Beginning of Year	100,724	99,655	99,655	1,069	
Balance - End of Year	\$71,406	\$81,231	\$61,265	\$10,141	

See Accompanying Independent Auditors' Report.

(Continued)

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – SECONDARY ROADS REQUIRED SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	Secondary Roads				
	Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)	Actual as % of Amended Budget
		Original	Final		
REVENUES:					
Property and Other County Tax	\$973,415	\$687,500	\$973,412	\$3	100.00%
Intergovernmental	3,561,196	3,545,000	3,945,000	(383,804)	90.27%
Licenses and Permits	6,230	0	0	6,230	0.00%
Use of Money and Property	3,510	0	0	3,510	0.00%
Miscellaneous	452,981	0	396,600	56,381	114.22%
Total Revenues	4,997,332	4,232,500	5,315,012	(317,680)	94.02%
EXPENDITURES:					
Roads and Transportation	4,248,037	4,996,000	5,087,000	838,963	83.51%
Capital Projects	1,497,665	750,000	1,910,000	412,335	78.41%
Total Expenditures	5,745,702	5,746,000	6,997,000	1,251,298	82.12%
Excess (Deficiency) of Revenues Over (Under) Expenditures	(748,370)	(1,513,500)	(1,681,988)	933,618	
Other Financing Sources, Net	1,300,000	1,340,000	1,340,000	(40,000)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	551,630	(173,500)	(341,988)	893,618	
Balance - Beginning of Year	2,499,552	2,472,141	2,472,141	27,411	
Balance - End of Year	\$3,051,182	\$2,298,641	\$2,130,153	\$921,029	

See Accompanying Independent Auditors' Report.

(Continued)

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – PUBLIC HEALTH REQUIRED SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	Public Health				
		Budgeted Amounts		Final to Actual Variance - Positive (Negative)	Actual as % of Amended Budget
	Actual	Original	Final		
REVENUES:					
Intergovernmental	\$1,263,594	\$1,301,485	\$1,424,617	(\$161,023)	88.70%
Licenses and Permits	10,515	260,749	8,450	2,065	124.44%
Charges for Service	290,514	19,928	279,491	11,023	103.94%
Miscellaneous	147,710	117,884	151,924	(4,214)	97.23%
Total Revenues	<u>1,712,333</u>	<u>1,700,046</u>	<u>1,864,482</u>	<u>(152,149)</u>	<u>91.84%</u>
EXPENDITURES:					
Physical Health and Education	2,348,188	2,450,219	2,668,900	320,712	87.98%
Total Expenditures	<u>2,348,188</u>	<u>2,450,219</u>	<u>2,668,900</u>	<u>320,712</u>	<u>87.98%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(635,855)	(750,173)	(804,418)	168,563	
Other Financing Sources, Net	<u>667,711</u>	<u>680,706</u>	<u>680,706</u>	<u>(12,995)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	31,856	(69,467)	(123,712)	155,568	
Balance - Beginning of Year	<u>277,252</u>	<u>259,568</u>	<u>259,568</u>	<u>17,684</u>	
Balance - End of Year	<u>\$309,108</u>	<u>\$190,101</u>	<u>\$135,856</u>	<u>\$173,252</u>	

See Accompanying Independent Auditors' Report.

(Concluded)

CERRO GORDO COUNTY, IOWA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds, except blended component units, drainage districts, 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 budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted revenues and disbursements by \$2,384,825 and \$1,038,424, respectively. This budget amendment is reflected in the final budgeted amounts.

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

CERRO GORDO COUNTY, IOWA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND Year Ended June 30, 2004

REVENUES:

Property and Other County Tax		
Property Tax	\$4,867,951	
Local Option Sales Tax	176,984	
Utility Tax Replacement Excise Tax	194,681	
Other County Tax	7,632	\$5,247,248
Interest and Penalty on Property Tax		118,295
Intergovernmental		
State Shared Revenues		
Franchise Tax	48,080	
Other	12,438	60,518
State Tax Credits		233,573
State and Federal Pass-Thru Revenues		
Human Services Administration Reimbursement	118,768	
Other	369,038	487,806
Contributions From Other Intergovernmental Units		223,775
State Grants and Entitlements		139,443
Licenses and Permits		8,415
Charges for Service		
Office Fees and Collections		
County Auditor	1,948	
County Recorder	401,788	
County Sheriff	196,165	
Auto License, Use Tax and Postage	302,114	
Miscellaneous	17,084	919,099
Use of Money and Property		
Interest on Investments	134,043	
Miscellaneous	59,117	193,160
Miscellaneous		
Reimbursements	227,437	
Assessments	73,705	
Miscellaneous	82,244	383,386
Total Revenues		8,014,718

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND Year Ended June 30, 2004

EXPENDITURES:

Operating		
Public Safety and Legal Services		\$4,129,098
Physical Health and Social Services		727,297
County Environment and Education		478,441
Governmental Services to Residents		738,889
Administration		1,958,590
Non-Program		40,974
Capital Projects		157,857
Total Expenditures		<u>8,231,146</u>
Deficiency of Revenues Under Expenditures		(216,428)
Other Financing Sources (Uses)		
Sale of Capital Assets	8,000	
Operating Transfers In		
Mental Health	152,863	
Operating Transfers Out		
Public Health	<u>(680,706)</u>	(519,843)
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses		(736,271)
Fund Balance - Beginning of Year		4,035,231
Fund Balance - End of Year		<u><u>\$3,298,960</u></u>

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES – GENERAL FUND

Year Ended June 30, 2004

Public Safety and Legal Services

Law Enforcement

Uniformed Patrol Services	\$885,659
Law Enforcement Communications	39,104
Adult Correctional Services	1,481,543
Administration	323,929
	<u>2,730,235</u>

Legal Services

Criminal Prosecution	648,919
Medical Examinations	93,278
Child Support Recovery	300,958
	<u>1,043,155</u>

Emergency Services

Ambulance Services	13,993
Emergency Management	42,332
	<u>56,325</u>

Assistance to District Court System

Physical Operations	1,872
Research and Other Assistance	5,000
	<u>6,872</u>

Court Proceeding Program

Juries and Witnesses	40,019
Detention Services	30,311
Court Costs	243
Service of Civil Papers	102,536
	<u>173,109</u>

Juvenile Justice Administration

Juvenile Victim Restitution	29,596
Juvenile Representation Services	2,362
Court-Appointed Attorneys and Court Costs for Juveniles	87,444
	<u>119,402</u>

Total Public Safety and Legal Services

\$4,129,098

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES – GENERAL FUND Year Ended June 30, 2004

Physical Health and Social Services

Services to the Poor		
Administration	\$233,950	
General Welfare Services	32,439	
	<u>266,389</u>	
Services to Military Veterans		
Administration	83,963	
General Services to Veterans	28,602	
	<u>112,565</u>	
Children's and Family Services		
Youth Guidance	224,553	
Chemical Dependency		
Treatment Services	80,922	
Preventive Services	42,868	
	<u>123,790</u>	
Total Physical Health and Social Services		\$727,297

County Environment and Education

Environmental Quality		
Environmental Restoration	6,153	
Conservation and Recreation Services		
Administration	302,380	
Maintenance and Operations	100,180	
	<u>402,560</u>	
Animal Control		
Animal Shelter	9,068	
Animal Bounties and State Apiarist Expense	200	
	<u>9,268</u>	
County Development		
Land Use and Building Controls	57,460	
Educational Services		
Fair & 4-H Clubs	3,000	
Total County Environment and Education		478,441

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES – GENERAL FUND Year Ended June 30, 2004

Governmental Services to Residents

Representation Services		
Elections Administration	\$182,604	
Local Elections	35,418	
Township Officials	3,087	
	<u>221,109</u>	
State Administrative Services		
Motor Vehicle Registrations and Licensing	284,806	
Recording of Public Documents	232,974	
	<u>517,780</u>	
Total Governmental Services to Residents		\$738,889

Administration

Policy and Administration		
General County Management	411,888	
Administrative Management Services	307,094	
Treasury Management Services	145,722	
Other Policy and Administration	28,887	
	<u>893,591</u>	
Central Services		
General Services	409,260	
Data Processing	511,866	
	<u>921,126</u>	
Risk Management Services		
Safety of Workplace	113,457	
Fidelity of Public Officers	2,805	
Unemployment Compensation	27,611	
	<u>143,873</u>	
Total Administration		1,958,590

Non-Program

Other Non-Program Current		40,974
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Capital Projects

Other Capital Projects		<u>157,857</u>
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Total Expenditures

8,231,146

(Concluded)

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS Year Ended June 30, 2004

	Resource Enhancement and Protection	Recorder's Records Management	General County Betterment	Nature Center	Conservation Parks	Rural County Betterment
ASSETS						
Cash and Pooled Investments	\$19,551	\$59,539	\$38,874	\$252,625	\$25,903	\$106,299
Receivables:						
Accounts	0	3,621	0	16,324	12,609	0
Accrued Interest	0	29	0	110	0	0
Drainage Assessments	0	0	0	0	0	0
Due From Other Governments	0	0	12,642	0	0	50,567
Total Assets	\$19,551	\$63,189	\$51,516	\$269,059	\$38,512	\$156,866
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	\$0	\$0	\$0	\$27	\$1,846	\$580
Salaries and Benefits Payable	0	0	0	896	2,393	0
Due To Other Governments	0	0	0	0	0	0
Total Liabilities	0	0	0	923	4,239	580
Fund Equity						
Reserved for Endowment	0	0	0	58,769	0	0
Reserved for Drainage Warrants	0	0	0	0	0	0
Reserved for Trust	0	0	0	0	0	0
Unreserved	19,551	63,189	51,516	209,367	34,273	156,286
Total Fund Equity	19,551	63,189	51,516	268,136	34,273	156,286
Total Liabilities and Fund Equity	\$19,551	\$63,189	\$51,516	\$269,059	\$38,512	\$156,866

See Accompanying Independent Auditors' Report.

Economic Development	Drainage	Public Health Inspections	Empowerment	Recorder's Electronic Transfer	Strand Estate Trust	Conservation Land Acquisition Trust	Total
\$303,775	\$108,967	\$52,720	\$160,908	\$22,720	\$80,032	\$31,795	\$1,263,708
0	0	8,759	0	0	0	0	41,313
0	0	0	0	11	0	0	150
0	35,291	0	0	0	0	0	35,291
25,283	0	0	740	0	0	0	89,232
\$329,058	\$144,258	\$61,479	\$161,648	\$22,731	\$80,032	\$31,795	\$1,429,694
\$0	\$6,620	\$1,878	\$6,484	\$0	\$336	\$0	\$17,771
0	0	11,254	0	0	0	0	14,543
0	0	0	0	0	0	0	0
0	6,620	13,132	6,484	0	336	0	32,314
0	0	0	0	0	0	0	58,769
0	137,638	0	0	0	0	0	137,638
0	0	0	0	0	79,696	31,795	111,491
329,058	0	48,347	155,164	22,731	0	0	1,089,482
329,058	137,638	48,347	155,164	22,731	79,696	31,795	1,397,380
\$329,058	\$144,258	\$61,479	\$161,648	\$22,731	\$80,032	\$31,795	\$1,429,694

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS Year Ended June 30, 2004

	Resource Enhancement and Protection	Recorder's Records Management	General County Betterment	Nature Center	Conservation Parks
REVENUES:					
Property and Other County Tax	\$ 0	\$ 0	\$88,492	\$ 0	\$ 0
Intergovernmental	17,801	0	0	0	0
Licenses and Permits	0	0	0	0	0
Charges For Service	0	14,324	0	0	36,777
Use of Money and Property	43	344	0	1,241	0
Miscellaneous	0	0	0	59,709	0
Total Revenues	17,844	14,668	88,492	60,950	36,777
EXPENDITURES:					
Operating:					
Public Safety and Legal Services	0	0	5,000	0	0
Physical Health and Social Services	0	0	40,853	0	0
County Environment and Education	125	0	2,500	55,945	34,503
Governmental Services to Residents	0	3,526	0	0	0
Administration	0	0	26,338	0	0
Non-Program	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	125	3,526	74,691	55,945	34,503
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,719	11,142	13,801	5,005	2,274
Other Financing Sources:					
Proceeds From Drainage Warrants	0	0	0	0	0
Operating Transfers In	0	0	0	0	0
Total Other Financing Sources	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	17,719	11,142	13,801	5,005	2,274
Fund Balances Beginning of Year	1,832	52,047	37,715	263,131	31,999
Fund Balances End of Year	\$19,551	\$63,189	\$51,516	\$268,136	\$34,273

See Notes to Financial Statements.

Rural County Betterment	Economic Development	Drainage	Public Health Inspections	Empowerment	Recorder's Electronic Transfer	Strand Estate Grant	Conservation Land Acquisition Trust	Total
\$353,968	\$176,984	\$0	\$0	\$0	\$0	\$0	\$0	\$619,444
0	0	0	22,616	444,421	0	0	727	485,565
0	0	0	245,316	0	0	0	0	245,316
0	0	0	3,742	0	22,689	20	0	77,552
0	0	0	0	1,745	42	636	27,460	31,511
0	0	58,385	1,833	1,546	0	1,550	0	123,023
353,968	176,984	58,385	273,507	447,712	22,731	2,206	28,187	1,582,411
112,488	0	0	0	0	0	0	0	117,488
0	0	0	298,458	499,180	0	0	0	838,491
218,580	85,845	0	0	0	0	2,642	0	400,140
0	0	0	0	0	0	0	0	3,526
0	0	0	0	0	0	0	0	26,338
0	0	166,720	0	0	0	0	0	166,720
0	300,000	0	0	0	0	0	0	300,000
331,068	385,845	166,720	298,458	499,180	0	2,642	0	1,852,703
22,900	(208,861)	(108,335)	(24,951)	(51,468)	22,731	(436)	28,187	(270,292)
0	0	16,543	0	0	0	0	0	16,543
0	0	0	0	12,995	0	0	0	12,995
0	0	16,543	0	12,995	0	0	0	29,538
22,900	(208,861)	(91,792)	(24,951)	(38,473)	22,731	(436)	28,187	(240,754)
133,386	537,919	229,430	73,298	193,637	0	80,132	3,608	1,638,134
\$156,286	\$329,058	\$137,638	\$48,347	\$155,164	\$22,731	\$79,696	\$31,795	\$1,397,380

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS OTHER SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	Nonmajor Special Revenue		
	Actual	Less Funds Not Required To Be Budgeted	Net
REVENUES:			
Property and Other County Tax	\$619,444	\$ 0	\$619,444
Intergovernmental	485,565	0	485,565
Licenses and Permits	245,316	0	245,316
Charges for Service	77,552	0	77,552
Use of Money and Property	31,511	0	31,511
Miscellaneous	123,023	58,385	64,638
Total Revenues	1,582,411	58,385	1,524,026
EXPENDITURES:			
Public Safety and Legal Services	117,488	0	117,488
Physical Health and Education	838,491	0	838,491
County Environment and Education Services	400,140	0	400,140
Governmental Services to Residents	3,526	0	3,526
Administrative Services	26,338	0	26,338
Non-Program	166,720	166,720	0
Capital Projects	300,000	0	300,000
Total Expenditures	1,852,703	166,720	1,685,983
Excess (Deficiency) of Revenues Over (Under) Expenditures	(270,292)	(108,335)	(161,957)
Other Financing Sources (Uses), Net	29,538	16,543	12,995
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(240,754)	(91,792)	(148,962)
Balance - Beginning of Year	1,638,134	229,430	1,408,704
Balance - End of Year	\$1,397,380	\$137,638	\$1,259,742

See Accompanying Independent Auditors' Report.

Nonmajor Special Revenue

Budgeted Amounts		Final to Net Variance - Positive (Negative)	Net as % of Amended Budget
Original	Final		
\$437,500	\$619,444	\$ 0	100.00%
438,822	512,742	(27,177)	94.70%
256,249	252,899	(7,583)	97.00%
42,500	67,350	10,202	115.15%
8,600	30,700	811	102.64%
53,546	55,096	9,542	117.32%
1,237,217	1,538,231	(14,205)	99.08%
120,000	120,000	2,512	97.91%
739,999	884,567	46,076	94.79%
388,876	454,726	54,586	88.00%
5,000	5,000	1,474	70.52%
26,338	26,338	0	100.00%
0	0	0	0.00%
300,000	300,000	0	100.00%
1,580,213	1,790,631	104,648	94.16%
(342,996)	(252,400)	90,443	
(33,401)	(33,401)	46,396	
(376,397)	(285,801)	136,839	
1,346,131	1,346,131	62,573	
\$969,734	\$1,060,330	\$199,412	

(Continued)

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND OTHER SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	Debt Service				Actual as % of Amended Budget
	Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)	
		Original	Final		
REVENUES:					
Intergovernmental	\$ 195	\$ 0	\$ 0	\$ 195	0.00%
Miscellaneous	75,659	56,000	74,400	1,259	101.69%
Total Revenues	<u>75,854</u>	<u>56,000</u>	<u>74,400</u>	<u>1,454</u>	<u>101.95%</u>
EXPENDITURES:					
Debt Service	78,738	78,438	79,438	700	99.12%
Total Expenditures	<u>78,738</u>	<u>78,438</u>	<u>79,438</u>	<u>700</u>	<u>99.12%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,884)	(22,438)	(5,038)	2,154	
Balance - Beginning of Year	<u>78,070</u>	<u>78,070</u>	<u>78,070</u>	<u>0</u>	
Balance - End of Year	<u>\$75,186</u>	<u>\$55,632</u>	<u>\$73,032</u>	<u>\$2,154</u>	

See Accompanying Independent Auditors' Report.

(Continued)

CERRO GORDO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUNDS OTHER SUPPLEMENTARY INFORMATION Year Ended June 30, 2004

	Capital Projects				Actual as % of Amended Budget
	Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)	
		Original	Final		
REVENUES:					
Intergovernmental	\$64,771	\$5,000	\$60,000	\$4,771	107.95%
Total Revenues	<u>64,771</u>	<u>5,000</u>	<u>60,000</u>	<u>4,771</u>	<u>107.95%</u>
EXPENDITURES:					
Capital Projects	325,545	26,208	322,508	(3,037)	100.94%
Total Expenditures	<u>325,545</u>	<u>26,208</u>	<u>322,508</u>	<u>(3,037)</u>	<u>100.94%</u>
Deficiency of Revenues Under Expenditures	(260,774)	(21,208)	(262,508)	1,734	
Other Financing Sources					
Proceeds of Long Term Debt	<u>1,109,907</u>	<u>0</u>	<u>1,109,907</u>	<u>0</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	849,133	(21,208)	847,399	1,734	
Balance - Beginning of Year	<u>35,713</u>	<u>22,141</u>	<u>22,141</u>	<u>13,572</u>	
Balance - End of Year	<u><u>\$884,846</u></u>	<u><u>\$933</u></u>	<u><u>\$869,540</u></u>	<u><u>\$15,306</u></u>	

See Accompanying Independent Auditors' Report.

(Concluded)

CERRO GORDO COUNTY, IOWA

COMBINING BALANCE SHEET – INTERNAL SERVICE FUNDS

June 30, 2004

	Central Services	Health Insurance	Total
ASSETS			
Cash and Pooled Investments	\$47,332	\$299,611	\$346,943
Total Assets	\$47,332	\$299,611	\$346,943
LIABILITIES			
Liabilities			
Accounts Payable	\$2,297	\$103,647	\$105,944
Net Assets			
Unrestricted	\$45,035	\$195,964	\$240,999

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - INTERNAL SERVICE FUNDS Year Ended June 30, 2004

	Central Services	Health Insurance	Total
OPERATING REVENUES:			
Reimbursements from Operating Funds	\$219,320	\$642,465	\$861,785
Reimbursements from Employees	0	92,246	92,246
Total Operating Revenues	219,320	734,711	954,031
OPERATING EXPENSES:			
Health Insurance			
Medical Claims Paid	0	1,007,741	1,007,741
Insurance Premiums	0	70,440	70,440
Administrative Fees	0	126,198	126,198
Miscellaneous	0	10,856	10,856
Central Services			
Telephone	30,648	0	30,648
Insurance	177,687	0	177,687
Total Operating Expenses	208,335	1,215,235	1,423,570
Operating Income (Loss)	10,985	(480,524)	(469,539)
NON-OPERATING REVENUES:			
Interest	0	4,224	4,224
Net Income (Loss)	10,985	(476,300)	(465,315)
Net Assets - Beginning of Year	34,050	672,264	706,314
Net Assets - End of Year	\$45,035	\$195,964	\$240,999

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF CASH FLOWS – INTERNAL SERVICE FUNDS Year Ended June 30, 2004

	Central Services	Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Operating Fund Reimbursements	\$220,706	\$643,941	\$864,647
Cash Received from Employees & Others	0	92,246	92,246
Cash Payments to Suppliers for Services	(208,632)	(1,237,107)	(1,445,739)
Net Cash Provided by (Used in) Operating Activities	12,074	(500,920)	(488,846)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	0	4,224	4,224
Net Increase (Decrease) in Cash	12,074	(496,696)	(484,622)
Cash - Beginning of Year	35,258	796,307	831,565
Cash - End of Year	\$47,332	\$299,611	\$346,943
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income (Loss)	\$10,985	(\$480,524)	(\$469,539)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Decrease in Receivables	1,386	1,476	2,862
(Decrease) in Payables	(297)	(21,872)	(22,169)
Net Cash Provided by (Used in) Operating Activities	\$12,074	\$(500,920)	\$(488,846)

See Notes to Financial Statements.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES – ALL AGENCY FUNDS June 30, 2004

	Elected Officials	Other	Total
ASSETS			
Cash and Pooled Investments			
County Treasurer	\$ 0	\$2,580,671	\$2,580,671
Other County Officials	131,384	0	131,384
Receivables:			
Property Tax			
Delinquent	0	2,421	2,421
Succeeding Year	0	37,095,372	37,095,372
Accounts	87	9,741	9,828
Accrued Interest		2,486	2,486
Assessments	0	1,110,931	1,110,931
Due From Other Governments	0	25,670	25,670
Total Assets	\$131,471	\$40,827,292	\$40,958,763
LIABILITIES			
Accounts Payable	\$0	\$12,642	\$12,642
Salaries and Benefits Payable	0	22,956	22,956
Due to Other Governments	51,472	40,672,940	40,724,412
Trusts Payable	79,999	101,428	181,427
Compensated Absences	0	17,326	17,326
Total Liabilities	\$131,471	\$40,827,292	\$40,958,763

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES – ELECTED OFFICIALS

June 30, 2004

	Board of Supervisors Conservators	Veterans Affairs	Recorder	Sheriff	Total
ASSETS					
Cash and Pooled Investments					
Other County Officials	\$27,295	\$1,001	\$51,385	\$51,703	\$131,384
Receivables:					
Accounts	0	0	87	0	87
Total Assets	\$27,295	\$1,001	\$51,472	\$51,703	\$131,471
LIABILITIES					
Due to Other Governments	\$0	\$0	\$51,472	\$0	\$51,472
Trusts Payable	27,295	1,001	0	51,703	79,999
Total Liabilities	\$27,295	\$1,001	\$51,472	\$51,703	\$131,471

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES – OTHER AGENCY FUNDS June 30, 2004

	Agricultural Extension Education	County Assessor	County Special Appraisal	City Assessor
ASSETS				
Cash and Pooled Investments				
County Treasurer	\$2,241	\$119,820	\$208,395	\$59,408
Receivables:				
Property Tax				
Delinquent	16	34	12	5
Succeeding Year	179,212	241,504	80,183	137,857
Accounts	0	1,723	0	59
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
Due From Other Governments	97	98	32	94
Total Assets	\$181,566	\$363,179	\$288,622	\$197,423
LIABILITIES				
Accounts Payable	\$0	\$566	\$6,123	\$249
Salaries and Benefits Payable	0	12,380	0	6,627
Due to Other Governments	181,566	341,673	282,499	185,727
Trusts Payable	0	0	0	0
Compensated Absences	0	8,560	0	4,820
Total Liabilities	\$181,566	\$363,179	\$288,622	\$197,423

City Special Appraisal	Schools	Area Schools	Corporations	Townships	City Special Assessments
\$130,635	\$268,926	\$12,572	\$145,432	\$2,358	\$26,456
0	1,876	88	331	51	0
26,286	21,510,599	975,267	13,115,156	193,366	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	1,110,931
18	11,729	528	7,603	53	0
\$156,939	\$21,793,130	\$988,455	\$13,268,522	\$195,828	\$1,137,387
\$559	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
156,380	21,793,130	988,455	13,268,522	195,828	1,137,387
0	0	0	0	0	0
0	0	0	0	0	0
\$156,939	\$21,793,130	\$988,455	\$13,268,522	\$195,828	\$1,137,387

(Continued)

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES – OTHER AGENCY FUNDS June 30, 2004

	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Joint Disaster Services	Clear Lake Sanitary
ASSETS				
Cash and Pooled Investments				
County Treasurer	\$835,428	\$82	\$10,725	\$16,924
Receivables:				
Property Tax				
Delinquent	0	0	0	8
Succeeding Year	0	6,232	0	629,710
Accounts	0	0	289	0
Accrued Interest	0	0	2,486	0
Assessments	0	0	0	0
Due From Other Governments	0	3	0	292
Total Assets	\$835,428	\$6,317	\$13,500	\$646,934
LIABILITIES				
Accounts Payable	\$0	\$0	\$980	\$0
Salaries and Benefits Payable	0	0	1,611	0
Due to Other Governments	835,428	6,317	10,909	646,934
Trusts Payable	0	0	0	0
Compensated Absences	0	0	0	0
Total Liabilities	\$835,428	\$6,317	\$13,500	\$646,934

See Accompanying Independent Auditors' Report.

Advance Tax	Cash Long/Short	Dispute Resolution	E911 Operations	Advanced Law Enforcement Investigative and Administrative System	Recorder's Transfer Fee	Pass- Through Projects	Employee Benefits	Total
\$98,278	\$869	\$54,427	\$559,892	\$25,710	\$0	\$71	\$2,022	\$2,580,671
0	0	0	0	0	0	0	0	2,421
0	0	0	0	0	0	0	0	37,095,372
0	0	1,170	0	0	6,500	0	0	9,741
0	0	0	0	0	0	0	0	2,486
0	0	0	0	0	0	0	0	1,110,931
0	0	0	0	0	0	5,123	0	25,670
\$98,278	\$869	\$55,597	\$559,892	\$25,710	\$6,500	\$5,194	\$2,022	\$40,827,292
\$0	\$0	\$99	\$0	\$0	\$0	\$4,066	\$0	\$12,642
0	0	2,338	0	0	0	0	0	22,956
0	869	49,214	559,892	25,710	6,500	0	0	40,672,940
98,278	0	0	0	0	0	1,128	2,022	101,428
0	0	3,946	0	0	0	0	0	17,326
\$98,278	\$869	\$55,597	\$559,892	\$25,710	\$6,500	\$5,194	\$2,022	\$40,827,292

(Concluded)

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – ALL AGENCY FUNDS Year Ended June 30, 2004

	Elected Officials		
	Balance July 1, 2003	Additions	Balance June 30, 2004
ASSETS			
Cash and Pooled Investments			
Other County Officials	\$178,424	\$2,534,358	\$2,581,398
Receivables			
Accounts	240	87	240
Total Assets	\$178,664	\$2,534,445	\$2,581,638
LIABILITIES			
Due to County Funds	\$100	\$0	\$100
Due to Other Governments	35,899	2,454,446	2,438,873
Trusts Payable	142,665	79,999	142,665
Total Liabilities	\$178,664	\$2,534,445	\$2,581,638

	Other Agency Funds		
	Balance July 1, 2003	Additions	Balance June 30, 2004
ASSETS			
Cash and Pooled Investments			
County Treasurer	\$2,395,305	\$12,491,459	\$12,306,093
Receivables			
Property Tax			
Delinquent	826	2,421	826
Succeeding Year	35,479,482	37,095,372	35,479,482
Accounts	47,327	9,741	47,327
Interest	0	2,486	0
Due From Other Governments	3,886	25,670	3,886
Assessments	315,866	1,110,931	315,866
Total Assets	\$38,242,692	\$50,738,080	\$48,153,480
LIABILITIES			
Accounts Payable	\$10,941	\$12,642	\$10,941
Salaries and Benefits Payable	19,203	22,956	19,203
Due to County Funds	2,062	0	2,062
Due to Other Governments	38,171,360	50,583,728	48,082,148
Trusts Payable	34,449	101,428	34,449
Compensated Absences	4,677	17,326	4,677
Total Liabilities	\$38,242,692	\$50,738,080	\$48,153,480

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – ELECTED OFFICIALS Year Ended June 30, 2004

	Board of Supervisors Conservators	Veterans Affairs	Auditor	Recorder	Sheriff	Total
ASSETS AND LIABILITIES						
Balance - Beginning of Year	\$32,601	\$1,012	\$ 0	\$35,999	\$109,052	\$178,664
Additions:						
Office Fees and Collections	0	0	4,091	490,672	1,179,653	1,674,416
Trusts	273,514	1	0	344,141	242,373	860,029
Total Additions	273,514	1	4,091	834,813	1,422,026	2,534,445
Deductions:						
Agency Remittances:						
To County Funds	0	0	4,091	490,772	115,671	610,534
To Other Governments	0	0	0	327,218	637	327,855
Trusts Paid Out	278,820	12	0	1,350	1,363,067	1,643,249
Total Deductions	278,820	12	4,091	819,340	1,479,375	2,581,638
Balance - End of Year	\$27,295	\$1,001	\$ 0	\$51,472	\$51,703	\$131,471

See Accompanying Independent Auditors' Report.

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – OTHER AGENCY FUNDS Year Ended June 30, 2004

	Agricultural Extension Education	County Assessor	County Special Appraisal	City Assessor
ASSETS AND LIABILITIES				
Balance - Beginning of Year	\$173,522	\$369,368	\$255,270	\$198,900
Additions:				
Property and Other County Tax	180,086	245,262	81,382	137,047
E911 Surcharge	0	0	0	0
State Tax Credits	7,931	10,619	3,384	6,890
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	0	0	0	0
Miscellaneous	0	7,727	0	5,470
Total Additions	188,017	263,608	84,766	149,407
Deductions:				
Agency Remittances:				
To Other Governments	179,973	269,797	51,414	150,884
Trusts Paid Out	0	0	0	0
Total Deductions	179,973	269,797	51,414	150,884
Balance - End of Year	\$181,566	\$363,179	\$288,622	\$197,423

See Accompanying Independent Auditors' Report.

City Special Appraisal	Schools	Area Schools	Corporations	Townships	City Special Assessments	Auto License and Use Tax
\$142,475	\$20,980,802	\$973,289	\$12,467,648	\$184,573	\$349,478	\$830,516
26,092	21,626,546	980,164	13,036,286	199,506	0	0
0	0	0	0	0	0	0
1,642	963,478	44,483	552,171	8,428	0	0
0	0	0	0	0	0	9,377,452
0	0	0	0	0	1,281,076	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
27,734	22,590,024	1,024,647	13,588,457	207,934	1,281,076	9,377,452
13,270	21,777,696	1,009,481	12,787,583	196,679	493,167	9,372,540
0	0	0	0	0	0	0
13,270	21,777,696	1,009,481	12,787,583	196,679	493,167	9,372,540
\$156,939	\$21,793,130	\$988,455	\$13,268,522	\$195,828	\$1,137,387	\$835,428

(Continued)

CERRO GORDO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – OTHER AGENCY FUNDS Year Ended June 30, 2004

	Brucellosis and Tuberculosis Eradication	Joint Disaster Services	Clear Lake Sanitary	Advance Tax
ASSETS AND LIABILITIES				
Balance - Beginning of Year	\$6,353	\$8,909	\$645,564	\$27,861
Additions:				
Property and Other County Tax	13,584	0	625,791	0
E911 Surcharge	0	0	0	0
State Tax Credits	289	0	19,086	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	81,690	0
Trusts	0	0	0	70,417
Miscellaneous	0	63,190	0	0
Total Additions	13,873	63,190	726,567	70,417
Deductions:				
Agency Remittances:				
To Other Governments	13,909	58,599	725,197	0
Trusts Paid Out	0	0	0	0
Total Deductions	13,909	58,599	725,197	0
Balance - End of Year	\$6,317	\$13,500	\$646,934	\$98,278

Cash Long/Short	Tax Sale Redemption	Dispute Resolution	E911 Operations	Advanced Law Enforcement Investigative and Administrative System	Recorder's Transfer Fee	Pass-Through Projects	Employee Benefits	Total
\$495	\$ 0	\$52,826	\$549,460	\$18,795	\$ 0	\$ 0	\$6,588	\$38,242,692
0	0	0	0	0	0	0	0	37,151,746
0	0	0	58,055	0	0	0	0	58,055
0	0	0	0	0	0	0	0	1,618,401
0	0	0	0	0	0	0	0	9,377,452
0	0	0	0	0	0	0	0	1,362,766
0	617,717	0	0	0	0	15,123	103,267	806,524
374	0	65,783	61,341	49,850	71,503	0	37,898	363,136
374	617,717	65,783	119,396	49,850	71,503	15,123	141,165	50,738,080
0	0	63,012	108,964	42,935	65,003	0	0	47,380,103
0	617,717	0	0	0	0	9,929	145,731	773,377
0	617,717	63,012	108,964	42,935	65,003	9,929	145,731	48,153,480
\$869	\$ 0	\$55,597	\$559,892	\$25,710	\$6,500	\$5,194	\$2,022	\$40,827,292

(Concluded)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF CAPITAL ASSETS BY FUNDING SOURCE

Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
ASSETS				
Land	\$ 1,666,892	\$ -	\$ -	\$ 1,666,892
Construction in Process	-	-	-	-
Buildings and Structures	4,248,474	-	-	4,248,474
Improvements other than Buildings	417,751	-	-	417,751
Machinery and Equipment	5,866,920	497,394	212,013	6,152,301
Licensed Vehicles	2,910,762	245,646	151,479	3,004,929
Infrastructure	1,169,386	1,422,548	-	2,591,934
	<u>\$ 16,280,185</u>	<u>\$ 2,165,588</u>	<u>\$ 363,492</u>	<u>\$ 18,082,281</u>
FUNDING SOURCE				
General Fund	\$ 6,116,162	\$ -	\$ 187,251	\$ 5,928,911
Special Revenue Funds	9,216,791	2,000,588	176,241	11,041,138
Capital Project Fund	947,232	165,000	-	1,112,232
	<u>\$ 16,280,185</u>	<u>\$ 2,165,588</u>	<u>\$ 363,492</u>	<u>\$ 18,082,281</u>

CERRO GORDO COUNTY, IOWA

SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY AS OF JUNE 30, 2004

	Land	Construction in Process	Buildings and Structures
Public Safety and Legal Services			
Law Enforcement	\$ -	-	610,931
Legal Services	-	-	-
Total Public Safety and Legal Services	-	-	610,931
Physical Health and Social Services:			
Physical Health Services	-	-	-
Services to Poor	-	-	-
Services to Military Veterans	-	-	-
Total Physical Health and Social Services	-	-	-
Mental Health:			
Persons with Chronic Mental Illness	-	-	-
Total Mental Health	-	-	-
County Environment and Education:			
Environmental Quality Program	-	-	-
Conservation and Recreation Services	150,798	-	490,292
County Development	-	-	-
Total County Environment and Education	150,798	-	490,292
Roads and Transportation:			
Secondary Roads Administration and Engineering	-	-	325,259
Roadway Maintenance	-	-	-
General Roadway Expenditures	-	-	229,970
Total Roads and Transportation	-	-	555,229
State and Local Government Services:			
Representation Services	-	-	-
State Administration Services	-	-	-
Total State and Local Government Services	-	-	-
Interprogram Services:			
Policy and Administration	-	-	273,715
Central Services	1,516,094	-	2,318,307
Total Interprogram Services	1,516,094	-	2,592,022
Total Capital Assets	\$ 1,666,892	-	\$ 4,248,474

Improvements other than Buildings	Machinery and Equipment	Licensed Vehicles	Infrastructure	Total
-	370,370	493,452	-	\$ 1,474,753
-	28,165	-	-	28,165
-	398,535	493,452	-	1,502,918
-	225,889	70,757	-	296,646
-	6,371	-	-	6,371
-	-	-	-	-
-	232,260	70,757	-	303,017
-	23,260	21,271	-	44,531
-	23,260	21,271	-	44,531
-	-	-	-	-
44,974	254,318	184,413	-	1,124,795
-	5,157	-	-	5,157
44,974	259,475	184,413	-	1,129,952
31,151	58,225	51,827	-	466,462
-	40,019	107,837	2,591,934	2,739,790
-	4,343,879	2,064,222	-	6,638,071
31,151	4,442,123	2,223,886	2,591,934	9,844,323
-	259,737	-	-	259,737
-	37,318	-	-	37,318
-	297,055	-	-	297,055
-	42,276	-	-	315,991
341,626	457,317	11,150	-	4,644,494
341,626	499,593	11,150	-	4,960,485
417,751	\$ 6,152,301	\$ 3,004,929	\$ 2,591,934	18,082,281

CERRO GORDO COUNTY, IOWA

SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deletions	Transfers	Balance June 30, 2004
Public Safety and Legal Services					
Law Enforcement	\$ 1,441,971	\$ 93,712	\$ 60,930	\$	\$ 1,474,753
Legal Services	28,165	-	-		28,165
Total Public Safety and Legal Services	1,470,136	93,712	60,930		1,502,918
Physical Health and Social Services:					
Physical Health Services	309,156	32,942	45,452		296,646
Services to Poor	6,371	-	-		6,371
Services to Military Veterans	-	-	-		-
Total Physical Health and Social Services	315,527	32,942	45,452		303,017
Mental Health:					
Persons with Chronic Mental Illness	44,531	-	-		44,531
Total Mental Health	44,531	-	-		44,531
County Environment and Education:					
Environmental Quality Program	-	-	-		-
Conservation and Recreation Services	1,124,795	-	-		1,124,795
County Development	5,157	-	-		5,157
Total County Environment and Education	1,129,952	-	-		1,129,952
Roads and Transportation:					
Secondary Roads Administration and Engineering	466,462	-	-		466,462
Roadway Maintenance	1,317,242	1,422,548	-		2,739,790
General Roadway Expenditures	6,264,114	451,386	77,429		6,638,071
Total Roads and Transportation	8,047,818	1,873,934	77,429		9,844,323
Government Services to Residents:					
Representation Services	94,737	165,000	-		259,737
State Administration Services	37,318	-	-		37,318
Total Government Services to Residents	132,055	165,000	-		297,055
Administration:					
Policy and Administration	315,991	-	-		315,991
Central Services	4,824,175	-	179,681		4,644,494
Total Administration	5,140,166	-	179,681		4,960,485
Total Capital Assets	\$ 16,280,185	\$ 2,165,588	\$ 363,492	-	18,082,281

CERRO GORDO COUNTY, IOWA

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

Years Ended June 30,

		Modified Accrual Basis				
		2004	2003	2002	2001	2000
Revenues:						
Property and other County Tax	\$	10,570,374	10,152,625	9,928,084	9,963,952	9,681,668
Interest and Penalty on property tax		118,275	110,045	128,449	113,886	109,952
Intergovernmental		9,722,154	9,214,984	8,150,270	7,642,241	7,531,032
Licenses and permits		270,476	255,666	17,870	25,682	16,856
Charges for services		1,292,565	1,537,166	1,607,381	1,232,500	1,168,535
Use of money and property		228,181	274,923	405,278	705,077	676,919
Fines, forfeitures, and defaults		0	-	2,369	1,928	2,721
Miscellaneous		1,215,451	863,485	679,024	784,551	644,793
Total		23,417,476	22,408,894	20,918,725	20,469,817	19,832,476
Expenditures:						
Current:						
Public safety and legal services	\$	4,251,143	4,222,779	3,838,927	3,644,249	3,278,743
Physical health and social services		3,913,976	3,615,357	3,494,239	3,038,370	2,843,920
Mental Health		5,198,915	5,003,304	4,790,348	5,263,698	5,007,406
County environment and education services		921,991	855,482	591,227	578,945	531,926
Roads and transportation		4,551,633	4,496,519	4,577,949	4,328,377	3,546,455
Governmental services to residents		742,415	729,694	754,305	612,996	589,493
Administrative services		1,902,524	1,719,801	1,626,570	1,652,354	1,625,355
Non-program		207,694	296,741	31,871	34,299	88,137
Debt service		78,738	265,192	339,763	662,871	535,583
Capital projects		2,281,067	1,605,101	611,437	1,230,675	1,966,240
Total		24,050,096	22,809,970	20,656,636	21,046,834	20,013,258

See accompanying independent auditors' report.

CERRO GORDO COUNTY, IOWA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1) LAST TEN FISCAL YEARS

Fiscal Year	Public Safety & Legal Services (2)	Physical Health & Education (2)	Physical Health & Social Services (2)	Mental Health	Social Services (2)	County Environment (2)	County Environment & Education (2)
1994-1995	\$ 2,127,578	\$ 1,217,138	\$	\$ 4,526,452	\$ 772,222	\$ 391,933	\$
1995-1996	2,239,238	1,365,671		4,699,294	806,870	399,864	
1996-1997	2,381,446	1,337,328		4,480,179	806,790	398,715	
1997-1998	2,734,446	1,466,007		4,556,624	956,140	507,873	
1998-1999	2,939,989	1,640,437		5,016,103	1,059,042	652,852	
1999-2000	3,278,743	1,763,585		5,007,406	1,080,335	531,926	
2000-2001	3,644,249	1,910,286		5,263,698	1,128,084	578,945	
2001-2002	3,838,927	2,021,633		4,790,348	1,472,606	591,227	
2002-2003	4,222,779		3,615,357	5,003,304			855,482
2003-2004	4,251,143		3,913,976	5,198,915			921,991

(1) General governmental expenditures include expenditures of the General, Special Revenue, Capital Projects, and Debt Service fund types only.

(2) Beginning with fiscal year 2003, the following changes were implemented according to the Iowa Uniform Chart of Account Codes: Public Safety and Legal Services were combined into one function, Social Services were combined with Physical Health, Education was combined with County Environment, State & Local Government Services is now called Government Services to Residents, and Interprogram Services is now referred to as Administration.

Source: Cerro Gordo County Auditor's Office

Roads and Transportation	Government Services to Residents (2)	Administration (2)	Nonprogram Services	Capital Projects	Debt Service	Total
\$ 2,975,130	\$ 426,214	\$ 1,155,500	\$ 173,097	\$ 1,826,928	\$ 328,157	\$ 15,920,349
3,261,170	429,679	1,597,704	18,784	797,608	508,962	16,124,844
3,799,441	460,082	1,810,102	36,543	1,385,394	505,900	17,401,920
3,675,686	520,785	1,673,415	47,556	1,524,879	557,505	18,220,916
3,630,491	577,648	1,620,502	69,611	2,161,535	138,655	19,506,865
3,546,455	589,493	1,625,355	88,137	1,966,240	535,583	20,013,258
4,328,377	612,996	1,652,354	34,299	1,230,675	662,871	21,046,834
4,577,949	754,305	1,626,570	31,871	611,437	339,763	20,656,636
4,496,519	729,694	1,719,801	296,741	1,605,101	265,192	22,809,970
4,551,633	742,415	1,984,928	207,694	2,281,067	78,738	24,132,500

CERRO GORDO COUNTY, IOWA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1) LAST TEN FISCAL YEARS

Fiscal Year	(2) Taxes	Interest and Penalties on Delinquent Taxes	Intergovernmental	Licenses and Permits
1994-1995	\$ 8,875,328	\$ 100,443	\$ 4,994,645	\$ 14,050
1995-1996	8,419,972	119,943	5,547,370	20,157
1996-1997	8,808,411	98,128	6,528,872	20,745
1997-1998	8,534,454	114,008	6,483,887	20,378
1998-1999	9,085,059	150,527	6,898,244	23,438
1999-2000	9,681,668	109,952	7,531,032	16,856
2000-2001	9,963,952	113,886	7,642,241	25,682
2001-2002	9,928,084	128,449	8,150,270	17,870
2002-2003	10,152,625	110,045	9,214,984	255,666
2003-2004	10,570,374	118,275	9,722,154	270,476

- (1) General governmental revenues include revenues of the General, Special Revenue, Capital Projects, and Debt Service fund types only.
- (2) Taxes include net current property taxes, delinquent property tax revenue, and other County taxes.
- (3) The County began reporting Proceeds from Fixed Asset Sales with Other Financing Sources (Uses) on the Statement of Revenues, Expenditures and Changes in Fund Balance after the fiscal year ended June 30, 1995.
- (4) The County began reporting Fines, Forfeitures & Defaults separately beginning with fiscal year 1997-1998. In prior years, Fines, Forfeitures & Defaults were classified as Miscellaneous revenue. Beginning with fiscal year 2002-2003, the county resumed reporting Fines, Forfeitures & Defaults as Miscellaneous revenue to comply with the Iowa Uniform Chart of Account Code changes.

Source: Cerro Gordo County Auditor's Office

Charges for Services	Use of Money and Property	(3) Proceeds from Fixed Asset Sales	(4) Fines, Forfeitures & Defaults	Miscellaneous	Total
\$ 874,504	\$ 489,307	\$ 18,400	\$	\$ 988,226	\$ 16,354,903
934,322	562,311			485,821	16,089,896
997,916	557,444			514,842	17,526,358
1,155,324	591,580		496	470,524	17,370,651
1,193,928	524,289		1,627	859,981	18,737,093
1,168,535	676,919		2,721	644,793	19,832,476
1,232,500	705,077		1,928	784,551	20,469,817
1,607,381	405,278		2,369	679,024	20,918,725
1,537,166	274,923			863,485	22,408,894
1,292,565	228,181			1,215,451	23,417,476

CERRO GORDO COUNTY, IOWA

PROPERTY TAX LEVY AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections
1994-1995	\$ 33,635,664	\$ 33,415,855	99.35%	\$ 23,034
1995-1996	34,462,372	34,203,452	99.25%	19,412
1996-1997	33,653,254	33,029,933	98.15%	47,140
1997-1998	35,904,786	35,763,919	99.61%	24,056
1998-1999	38,974,766	38,912,357	99.84%	69,769
1999-2000	39,957,583	39,870,744	99.78%	7,310
2000-2001	39,666,372	39,603,479	99.84%	8,684
2001-2002	42,976,436	42,543,086	98.99%	18,382
2002-2003	44,383,926	44,169,153	99.52%	8,059
2003-2004	44,544,314	42,566,151	95.56%	144,700

Source: Cerro Gordo County Treasurer's Office

(1) Total tax collections solely for Cerro Gordo County were:

<u>Fiscal Year</u>	<u>Amount</u>
1994-1995	\$7,741,141
1995-1996	\$7,349,693
1996-1997	\$7,246,784
1997-1998	\$7,319,823
1998-1999	\$7,830,349
1999-2000	\$8,433,188
2000-2001	\$8,311,186
2001-2002	\$9,016,960
2002-2003	\$9,175,330

Total Tax Collections (1)	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
\$ 33,438,889	99.41%	\$ 232,380	0.69%
34,222,864	99.31%	148,330	0.43%
33,077,073	98.29%	132,548	0.39%
35,787,975	99.67%	106,223	0.30%
38,982,126	100.02%	106,584	0.27%
39,878,054	99.80%	140,451	0.35%
39,612,163	99.86%	71,893	0.18%
42,561,468	99.03%	87,249	0.20%
44,177,212	99.53%	151,658	0.34%
42,710,851	95.88%	129,644	0.29%

CERRO GORDO COUNTY, IOWA

ASSESSED AND TAXABLE VALUES OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Taxable Utilities/Railroads	
	Taxable Value	Assessed Value (1)	Taxable Value	Assessed Value (1)
1994-1995	\$ 1,137,294,973	\$ 1,406,613,726	\$ 111,112,707	\$ 111,112,707
1995-1996	1,169,289,308	1,449,622,420	116,641,022	119,989,940
1996-1997	1,139,660,095	1,491,584,224	120,960,484	121,463,334
1997-1998	1,158,767,216	1,562,868,784	134,081,125	134,081,125
1998-1999	1,229,489,646	1,766,820,130	135,374,288	135,791,817
1999-2000	1,293,292,051	1,813,263,085	134,648,246	134,648,246
2000-2001	1,364,701,922	1,967,451,453	66,377,054	66,549,007
2001-2002	1,438,189,521	2,049,297,607	71,812,595	71,812,595
2002-2003	1,452,765,606	2,167,995,784	74,784,573	75,142,038
2003-2004	1,500,758,693	2,236,342,544	79,384,077	79,384,077

Source: Cerro Gordo County Auditor's Office

- (1) Assessed value equals estimated actual value.
- (2) Values for property classed as gas & electric utilities are no longer taxed as real estate, but through an excise tax. They are, however, still included in budget valuations for calculation of tax levy rates.

Gas & Electric Utilities (2)		Real Property Tax Increment		Total		Ratio of
Taxable	Assessed	Taxable	Assessed	Taxable	Assessed	Assessed to
Value	Value (1)	Value	Value (1)	Value	Value (1)	Total Taxable
\$ 0	\$ 0	\$ 61,265,569	\$ 61,265,569	\$ 1,309,673,249	\$ 1,578,992,002	82.9%
0	0	57,038,094	57,038,094	1,342,968,424	1,626,650,454	82.6%
0	0	65,528,984	65,528,984	1,326,149,563	1,678,576,542	79.0%
0	0	64,613,275	64,613,275	1,357,461,616	1,761,563,184	77.1%
0	0	65,462,038	65,462,038	1,430,325,972	1,968,073,985	72.7%
0	0	64,944,208	64,944,208	1,492,884,505	2,012,855,539	74.2%
68,442,172	68,442,172	63,173,024	63,173,024	1,562,694,172	2,165,615,656	72.2%
73,009,862	73,009,862	66,247,060	66,247,060	1,649,259,038	2,260,367,124	73.0%
74,322,389	74,322,389	63,909,159	63,909,159	1,665,781,727	2,381,369,370	70.0%
76,374,771	76,374,771	63,650,574	63,650,574	1,720,168,115	2,455,751,966	70.0%

CERRO GORDO COUNTY, IOWA

PROPERTY TAX RATES PER \$1000 TAXABLE VALUATION- DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

Fiscal Year	Taxing Body	City of Mason City	City of Clear Lake		City of Dougherty
			Clear Lake Schools	Ventura Schools	
1994-1995	City	\$ 8.82595	\$ 10.95315	\$ 10.95315	\$ 9.12700
	School	14.51470	12.68335	9.87121	12.06577
	North Iowa Area Community College	0.50080	0.50080	0.50080	0.50080
	County	5.60740	5.60740	5.60740	5.60740
	Assessor	0.19102	0.41012	0.41012	0.41012
	Other (1)	0.07709	0.61709	0.61709	0.07709
	Total Levy	<u>29.71696</u>	<u>30.77191</u>	<u>27.95977</u>	<u>27.78818</u>
Percent of Cerro Gordo County to totals		<u>18.87%</u>	<u>18.22%</u>	<u>20.06%</u>	<u>20.18%</u>
1995-1996	City	\$ 9.35175	\$ 9.48608	\$ 9.48608	\$ 13.55611
	School	14.47985	12.79274	9.76576	12.06746
	North Iowa Area Community College	0.49509	0.49509	0.49509	0.49509
	County	5.11407	5.11407	5.11407	5.11407
	Assessor	0.29119	0.40575	0.40575	0.40575
	Other (1)	0.09210	1.82641	1.82641	0.09210
	Total Levy	<u>29.82405</u>	<u>30.12014</u>	<u>27.09316</u>	<u>31.73058</u>
Percent of Cerro Gordo County to totals		<u>17.15%</u>	<u>16.98%</u>	<u>18.88%</u>	<u>16.12%</u>
1996-1997	City	\$ 9.73944	\$ 9.48608	\$ 9.48608	\$ 16.75204
	School	13.82872	11.98784	9.48265	11.28389
	North Iowa Area Community College	0.48565	0.48565	0.48565	0.48565
	County	5.12506	5.12506	5.12506	5.12506
	Assessor	0.20094	0.44186	0.44186	0.44186
	Other (1)	0.10638	1.84069	1.84069	0.10638
	Total Levy	<u>29.48619</u>	<u>29.36718</u>	<u>26.86199</u>	<u>34.19488</u>
Percent of Cerro Gordo County to totals		<u>17.38%</u>	<u>17.45%</u>	<u>19.08%</u>	<u>14.99%</u>
1997-1998	City	\$ 10.17958	\$ 9.48702	\$ 9.48702	\$ 14.27599
	School	14.41913	13.93380	11.32911	11.24634
	North Iowa Area Community College	0.50619	0.50619	0.50619	0.50619
	County	4.93858	4.93858	4.93858	4.93858
	Assessor	0.23978	0.43716	0.43716	0.43716
	Other (1)	0.11097	1.91843	1.91843	0.11097
	Total Levy	<u>30.39423</u>	<u>31.22118</u>	<u>28.61649</u>	<u>31.51523</u>
Percent of Cerro Gordo County to totals		<u>16.25%</u>	<u>15.82%</u>	<u>17.26%</u>	<u>15.67%</u>

City of Meservey	City of Plymouth	City of Rock Falls	City of Rockwell	City of Swaledale	City of Thornton	City of Ventura
\$ 7.98139	\$ 5.01832	\$ 4.70645	\$ 10.62284	\$ 18.78676	\$ 10.29160	\$ 9.36892
9.82510	12.08750	14.62241	10.30422	10.30422	9.82510	9.87121
0.50080	0.50080	0.50080	0.50080	0.50080	0.50080	0.50080
5.60740	5.60740	5.60740	5.60740	5.60740	5.60740	5.60740
0.41012	0.41012	0.41012	0.41012	0.41012	0.41012	0.41012
0.07709	0.07709	0.14459	0.07709	0.07709	0.07709	0.61709
<u>24.40190</u>	<u>23.70123</u>	<u>25.99177</u>	<u>27.52247</u>	<u>35.68639</u>	<u>26.71211</u>	<u>26.37554</u>
<u>22.98%</u>	<u>23.66%</u>	<u>21.57%</u>	<u>20.37%</u>	<u>15.71%</u>	<u>20.99%</u>	<u>21.26%</u>
\$ 7.98137	\$ 2.96522	\$ 5.62536	\$ 11.99551	\$ 25.52791	\$ 10.58832	\$ 8.69930
10.18953	11.58140	14.78042	10.54360	10.54360	10.18953	9.76576
0.49509	0.49509	0.49509	0.49509	0.49509	0.49509	0.49509
5.11407	5.11407	5.11407	5.11407	5.11407	5.11407	5.11407
0.40575	0.40575	0.40575	0.40575	0.40575	0.40575	0.40575
0.09210	0.09210	0.15960	0.09210	0.09210	0.09210	1.82641
<u>24.27791</u>	<u>20.65363</u>	<u>26.58029</u>	<u>28.64612</u>	<u>42.17852</u>	<u>26.88486</u>	<u>26.30638</u>
<u>21.06%</u>	<u>24.76%</u>	<u>19.24%</u>	<u>17.85%</u>	<u>12.12%</u>	<u>19.02%</u>	<u>19.44%</u>
\$ 8.10000	\$ 2.17020	\$ 5.62563	\$ 12.24156	\$ 13.77264	\$ 10.64551	\$ 9.56607
9.91413	10.73167	14.06352	10.20883	10.20883	9.91413	9.48265
0.48565	0.48565	0.48565	0.48565	0.48565	0.48565	0.48565
5.12506	5.12506	5.12506	5.12506	5.12506	5.12506	5.12506
0.44186	0.44186	0.44186	0.44186	0.44186	0.44186	0.44186
0.10638	0.10638	0.17388	0.10638	0.10638	0.10638	1.84069
<u>24.17308</u>	<u>19.06082</u>	<u>25.91560</u>	<u>28.60934</u>	<u>30.14042</u>	<u>26.71859</u>	<u>26.94198</u>
<u>21.20%</u>	<u>26.89%</u>	<u>19.78%</u>	<u>17.91%</u>	<u>17.00%</u>	<u>19.18%</u>	<u>19.02%</u>
\$ 8.10000	\$ 1.66589	\$ 6.12568	\$ 8.10000	\$ 23.14525	\$ 10.67118	\$ 8.73660
9.74858	13.69412	15.00006	10.78486	10.78486	9.74858	11.32911
0.50619	0.50619	0.50619	0.50619	0.50619	0.50619	0.50619
4.93858	4.93858	4.93858	4.93858	4.93858	4.93858	4.93858
0.43716	0.43716	0.43716	0.43716	0.43716	0.43716	0.43716
0.11097	0.11097	0.17847	0.11097	0.11097	0.11097	1.91843
<u>23.84148</u>	<u>21.35291</u>	<u>27.18614</u>	<u>24.87776</u>	<u>39.92301</u>	<u>26.41266</u>	<u>27.86607</u>
<u>20.71%</u>	<u>23.13%</u>	<u>18.17%</u>	<u>19.85%</u>	<u>12.37%</u>	<u>18.70%</u>	<u>17.72%</u>

(Continued)

CERRO GORDO COUNTY, IOWA

PROPERTY TAX RATES PER \$1000 TAXABLE VALUATION- DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

Fiscal Year	Taxing Body	City of Mason City	City of Clear Lake		City of Dougherty
			Clear Lake Schools	Ventura Schools	
1998-1999	City	\$ 10.43269	\$ 8.32973	\$ 8.32973	\$ 13.87222
	School	15.87631	13.83670	11.28793	13.76158
	North Iowa Area Community College	0.50619	0.50619	0.50619	0.50619
	County	4.93858	4.93858	4.93858	4.93858
	Assessor	0.25255	0.42749	0.42749	0.42749
	Other (1)	0.11197	1.93018	1.93018	0.11197
	Total Levy	<u>32.11829</u>	<u>29.96887</u>	<u>27.42010</u>	<u>33.61803</u>
Percent of Cerro Gordo County to totals		<u>15.38%</u>	<u>16.48%</u>	<u>18.01%</u>	<u>14.69%</u>
1999-2000	City	\$ 10.08216	\$ 8.10782	\$ 8.10782	\$ 14.25469
	School	14.93590	13.21620	11.59822	13.36669
	North Iowa Area Community College	0.53536	0.53536	0.53536	0.53536
	County	5.15524	5.15524	5.15524	5.15524
	Assessor	0.27839	0.42358	0.42358	0.42358
	Other (1)	0.11215	1.93605	1.93605	0.11215
	Total Levy	<u>31.09920</u>	<u>29.37425</u>	<u>27.75627</u>	<u>33.84771</u>
Percent of Cerro Gordo County to totals		<u>16.58%</u>	<u>17.55%</u>	<u>18.57%</u>	<u>15.23%</u>
2000-2001	City	\$ 10.11793	\$ 8.10782	\$ 8.10782	\$ 13.64253
	School	14.49999	13.33615	11.61854	13.09529
	North Iowa Area Community College	0.53329	0.53329	0.53329	0.53329
	County	5.14422	5.14422	5.14422	5.14422
	Assessor	0.31438	0.48496	0.48496	0.48496
	Other (1)	0.11170	1.91904	1.91904	0.11170
	Total Levy	<u>30.72151</u>	<u>29.52548</u>	<u>27.80787</u>	<u>33.01199</u>
Percent of Cerro Gordo County to totals		<u>16.74%</u>	<u>17.42%</u>	<u>18.50%</u>	<u>15.58%</u>
2001-2002	City	\$ 10.09507	\$ 7.82587	\$ 7.82587	\$ 14.77826
	School	14.38998	12.85907	11.56408	12.79336
	North Iowa Area Community College	0.52425	0.52425	0.52425	0.52425
	County	4.70156	4.70156	4.70156	4.70156
	Assessor	0.28817	0.47343	0.47343	0.47343
	Other (1)	0.11050	1.91864	1.91864	0.11050
	Total Levy	<u>30.10953</u>	<u>28.30282</u>	<u>27.00783</u>	<u>33.38136</u>
Percent of Cerro Gordo County to totals		<u>15.61%</u>	<u>16.61%</u>	<u>17.41%</u>	<u>14.08%</u>

City of Meservey	City of Plymouth	City of Rock Falls	City of Rockwell	City of Swaledale	City of Thornton	City of Ventura
\$ 7.88507	\$ 1.50618	\$ 6.62565	\$ 8.10000	\$ 26.34119	\$ 10.40305	\$ 8.22400
9.93471	13.43712	15.20852	10.58491	10.58491	9.93471	11.28793
0.50619	0.50619	0.50619	0.50619	0.50619	0.50619	0.50619
4.93858	4.93858	4.93858	4.93858	4.93858	4.93858	4.93858
0.42749	0.42749	0.42749	0.42749	0.42749	0.42749	0.42749
0.11197	0.11197	0.17947	0.11197	0.11197	0.11197	1.93018
<u>23.80401</u>	<u>20.92753</u>	<u>27.88590</u>	<u>24.66914</u>	<u>42.91033</u>	<u>26.32199</u>	<u>27.31437</u>
<u>20.75%</u>	<u>23.60%</u>	<u>17.71%</u>	<u>20.02%</u>	<u>11.51%</u>	<u>18.76%</u>	<u>18.08%</u>
\$ 7.99474	\$ 1.92648	\$ 6.57256	\$ 8.09995	\$ 25.07823	\$ 10.26151	\$ 8.68209
9.73511	13.99011	14.52902	11.08636	11.08636	9.73511	11.59822
0.53536	0.53536	0.53536	0.53536	0.53536	0.53536	0.53536
5.15524	5.15524	5.15524	5.15524	5.15524	5.15524	5.15524
0.42358	0.42358	0.42358	0.42358	0.42358	0.42358	0.42358
0.11215	0.11215	0.17965	0.11215	0.11215	0.11215	1.93605
<u>23.95618</u>	<u>22.14292</u>	<u>27.39541</u>	<u>25.41264</u>	<u>42.39092</u>	<u>26.22295</u>	<u>28.33054</u>
<u>21.52%</u>	<u>23.28%</u>	<u>18.82%</u>	<u>20.29%</u>	<u>12.16%</u>	<u>19.66%</u>	<u>18.20%</u>
\$ 8.10000	\$ 2.42652	\$ 6.54969	\$ 8.10000	\$ 20.31488	\$ 10.36119	\$ 7.40352
10.76966	13.43595	14.67755	10.81268	10.81268	10.76966	11.61854
0.53329	0.53329	0.53329	0.53329	0.53329	0.53329	0.53329
5.14422	5.14422	5.14422	5.14422	5.14422	5.14422	5.14422
0.48496	0.48496	0.48496	0.48496	0.48496	0.48496	0.48496
0.11170	0.11170	0.17920	0.11170	0.11170	0.11170	1.91904
<u>25.14383</u>	<u>22.13664</u>	<u>27.56891</u>	<u>25.18685</u>	<u>37.40173</u>	<u>27.40502</u>	<u>27.10357</u>
<u>20.46%</u>	<u>23.24%</u>	<u>18.66%</u>	<u>20.42%</u>	<u>13.75%</u>	<u>18.77%</u>	<u>18.98%</u>
\$ 8.10000	\$ 2.97462	\$ 6.54956	\$ 8.10000	\$ 20.91731	\$ 10.39334	\$ 6.22365
10.19321	13.02753	14.72708	10.75622	10.75622	10.19321	11.56408
0.52425	0.52425	0.52425	0.52425	0.52425	0.52425	0.52425
4.70156	4.70156	4.70156	4.70156	4.70156	4.70156	4.70156
0.47343	0.47343	0.47343	0.47343	0.47343	0.47343	0.47343
0.11050	0.11050	0.17800	0.11050	0.11050	0.11050	1.91864
<u>24.10295</u>	<u>21.81189</u>	<u>27.15388</u>	<u>24.66596</u>	<u>37.48327</u>	<u>26.39629</u>	<u>25.40561</u>
<u>19.51%</u>	<u>21.56%</u>	<u>17.31%</u>	<u>19.06%</u>	<u>12.54%</u>	<u>17.81%</u>	<u>18.51%</u>

(Continued)

CERRO GORDO COUNTY, IOWA

PROPERTY TAX RATES PER \$1000 TAXABLE VALUATION- DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

Fiscal Year	Taxing Body	City of Mason City	City of Clear Lake		City of Dougherty
			Clear Lake Schools	Ventura Schools	
2002-2003	City	\$ 10.24691	\$ 8.23096	\$ 8.23096	\$ 14.85957
	School	15.10747	12.94453	11.58402	12.94041
	North Iowa Area Community College	0.59547	0.59547	0.59547	0.59547
	County	4.70156	4.70156	4.70156	4.70156
	Assessor	0.23647	0.40448	0.40448	0.40448
	Other (1)	0.11262	1.86993	1.86993	0.11262
	Total Levy	<u>31.00050</u>	<u>28.74693</u>	<u>27.38642</u>	<u>33.61411</u>
Percent of Cerro Gordo County to totals		<u>15.17%</u>	<u>16.35%</u>	<u>17.17%</u>	<u>13.99%</u>
2003-2004	City	\$ 10.46693	\$ 8.41204	\$ 8.41204	\$ 14.53176
	School	13.65051	12.82648	11.71607	12.90455
	North Iowa Area Community College	0.61307	0.61307	0.61307	0.61307
	County	4.59418	4.59418	4.59418	4.59418
	Assessor	0.22759	0.39979	0.39979	0.39979
	Other (1)	0.11327	1.81058	1.81058	0.11327
	Total Levy	<u>29.66555</u>	<u>28.65614</u>	<u>27.54573</u>	<u>33.15662</u>
Percent of Cerro Gordo County to totals		<u>15.49%</u>	<u>16.03%</u>	<u>16.68%</u>	<u>13.86%</u>

Source: Cerro Gordo County Auditor's Office

(1) County Agricultural Extension levy, State levy, Sanitary District levy, and Cemetery levy.

Not shown are the Rural Services Fund of the County and 16 townships over and above the cities listed.

City of Meservey	City of Plymouth	City of Rock Falls	City of Rockwell	City of Swaledale	City of Thornton	City of Ventura
\$ 9.75095	\$ 3.15246	\$ 6.74136	\$ 8.10000	\$ 19.51574	\$ 10.46965	\$ 6.52280
9.82561	14.34289	16.16114	11.68277	11.68277	9.82561	11.58402
0.59547	0.59547	0.59547	0.59547	0.59547	0.59547	0.59547
4.70156	4.70156	4.70156	4.70156	4.70156	4.70156	4.70156
0.40448	0.40448	0.40448	0.40448	0.40448	0.40448	0.40448
0.11262	0.11262	0.17988	0.11262	0.11262	0.11262	1.86993
<u>25.39069</u>	<u>23.30948</u>	<u>28.78389</u>	<u>25.59690</u>	<u>37.01264</u>	<u>26.10939</u>	<u>25.67826</u>
<u>18.52%</u>	<u>20.17%</u>	<u>16.33%</u>	<u>18.37%</u>	<u>12.70%</u>	<u>18.01%</u>	<u>18.31%</u>
\$ 9.78939	\$ 3.40129	\$ 6.74217	\$ 8.10000	\$ 17.95069	\$ 10.45614	\$ 7.33972
9.01725	13.97236	16.26620	11.90008	11.90008	9.01725	11.71607
0.61307	0.61307	0.61307	0.61307	0.61307	0.61307	0.61307
4.59418	4.59418	4.59418	4.59418	4.59418	4.59418	4.59418
0.39979	0.39979	0.39979	0.39979	0.39979	0.39979	0.39979
0.11327	0.11327	0.18077	0.11327	0.11327	0.11327	0.11327
<u>24.52695</u>	<u>23.09396</u>	<u>28.79618</u>	<u>25.72039</u>	<u>35.57108</u>	<u>25.19370</u>	<u>24.77610</u>
<u>18.73%</u>	<u>19.89%</u>	<u>15.95%</u>	<u>17.86%</u>	<u>12.92%</u>	<u>18.24%</u>	<u>18.54%</u>

(Concluded)

CERRO GORDO COUNTY, IOWA

RATIO OF OUTSTANDING GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUES AND DEBT PER CAPITA LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonded Debt Outstanding (2)	Assessed Value	Percent of Debt to Assessed Value	Population (1)	Debt Per Capita
1994-1995	\$ 1,375,000	\$ 1,578,992,002	0.09%	46,518	\$ 29.56
1995-1996	940,000	1,626,650,454	0.06%	46,633	20.16
1996-1997	885,000	1,678,576,542	0.05%	46,584	19.00
1997-1998	375,000	1,761,563,184	0.02%	46,371	8.09
1998-1999	1,480,000	1,968,073,985	0.08%	46,159	32.06
1999-2000	1,520,000	2,012,855,539	0.08%	45,669	33.28
2000-2001	930,000	2,165,615,656	0.04%	46,447	20.02
2001-2002	635,000	2,260,367,124	0.03%	45,638	13.91
2002-2003	400,000	2,381,369,370	0.02%	45,339	8.82
2003-2004	1,460,000	2,455,751,966	0.06%	45,118	32.36

(1) U. S. Bureau of the Census. Actual decennial counts for FY 2000-2001, all other years are estimates of the U.S. Bureau of the Census.

(2) The fund balance of the debt service fund has been excluded due to the immateriality of such balances.

CERRO GORDO COUNTY, IOWA

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2004

Assessed valuation, at 100% of actual valuation	\$ 2,455,751,966
Multiply by 5%	<u>0.05</u>
Debt Limit	122,787,598
Less: Outstanding General Obligation Debt	<u>1,460,000</u>
Legal Debt Margin	<u>\$ 121,327,598</u>

Source: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2004

Jurisdiction	Net General Obligation Debt	Applicable to Cerro Gordo County	
		Percent	Amount
Cerro Gordo County	\$ 1,460,000	100.00%	\$ 1,460,000
Cities and Towns:			
Clear Lake	3,560,000	100.00%	3,560,000
Mason City	10,051,214	100.00%	10,051,214
Nora Springs	592,521	7.82%	46,340
Thornton	390,000	100.00%	390,000
Ventura	350,000	100.00%	350,000
School Districts:			
Clear Lake	5,485,000	100.00%	5,485,000
Forest City	3,305,000	3.79%	125,152
Mason City	6,350,000	100.00%	6,350,000
Meservey-Thornton	240,000	66.94%	160,660
Nora Springs-Rock Falls	765,000	46.46%	355,418
North Central	2,835,000	31.89%	904,150
Rudd-Rockford-Marble Rock	2,335,000	7.35%	171,649
Sheffield-Chapin	2,085,000	23.19%	483,526
Ventura	895,988	71.42%	639,898
Other Districts:			
Clear Lake Sanitary District	7,559,977	100.00%	<u>7,559,977</u>
Total overlapping debt			\$ <u>36,632,986</u>
Total direct and overlapping debt			\$ <u>38,092,986</u>

Source: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest	Total Debt Service Expenditures	Total Governmental Expenditures	Percent of General Debt Service Expenditures To Total Governmental Expenditures
1994-1995	\$ 261,599	\$ 66,558	\$ 328,157	\$ 15,920,349	2.06%
1995-1996	435,000	73,962	508,962	16,124,844	3.16%
1996-1997	455,000	50,900	505,900	17,401,920	2.91%
1997-1998	510,000	47,505	557,505	18,220,916	3.06%
1998-1999	115,000	23,655	138,655	19,506,865	0.71%
1999-2000	465,000	70,583	535,583	20,013,258	2.68%
2000-2001	590,000	72,871	662,871	21,046,834	3.15%
2001-2002	295,000	44,763	339,763	20,656,636	1.64%
2002-2003	235,000	30,192	265,192	22,809,970	1.16%
2003-2004	60,000	18,738	78,738	24,132,500	0.33%

Source: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (2)	Median Age (2)	Unemployment Rate (3)	School Enrollment (4)
1994-1995	46,518	\$ 19,537	37.12	3.84%	7,765
1995-1996	46,633	20,448	37.56	3.75%	7,781
1996-1997	46,584	22,833	37.84	3.35%	7,521
1997-1998	46,408	23,169	38.25	2.83%	7,970
1998-1999	46,159	23,637	38.04	2.70%	7,886
1999-2000	45,669	25,647	39.16	2.59%	7,894
2000-2001	46,447	28,024	39.30	2.82%	7,769
2001-2002	45,638	29,176	39.95	3.73%	7,764
2002-2003	45,339	29,530	40.30	3.93%	7,475
2003-2004	45,118	30,747	41.13	3.92%	7,444

Source:

- (1) U. S. Bureau of the Census. Actual decennial counts for FY 2000-2001, all other years are estimates.
- (2) Woods & Poole Economics, Inc
- (3) Research and Information Services Division, Labor Market Information Bureau
- (4) Northern Trails Area Education Agency

CERRO GORDO COUNTY, IOWA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS LAST TEN FISCAL YEARS

Fiscal Year	Assessed Value	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
1994-1995	\$ 1,467,879,295	212	\$ 25,894,556	642	\$ 11,768,884	\$ 564,328,000
1995-1996	1,506,660,514	(3)	(3)	64	6,436,563	590,437,000
1996-1997	1,557,113,208	(3)	(3)	150	12,354,060	710,789,000
1997-1998	1,627,482,059	(3)	(3)	110	12,412,234	683,764,000
1998-1999	1,832,282,168	(3)	(3)	174	16,001,147	769,110,000
1999-2000	1,878,207,293	(3)	(3)	80	9,948,155	725,000,000
2000-2001	2,030,624,477	(3)	(3)	80	9,994,006	733,000,000
2001-2002	2,115,544,667	(3)	(3)	79	10,199,309	775,000,000
2002-2003	2,231,904,943	(3)	(3)	100	14,972,017	810,000,000
2003-2004	2,299,993,118	(3)	(3)	134	19,338,511	804,000,000

Source: (1) Bureau of the Census, Building Permits Branch - Construction Statistics Division

(2) Federal Deposit Insurance Corporation

(3) Information for commercial construction units and value are no longer available.

CERRO GORDO COUNTY, IOWA

TEN PRINCIPAL TAXPAYERS

JUNE 30, 2004

	Taxable Value	Percent of Total Taxable Value
Interstate Power Company	\$ 73,321,360	4.26%
Lehigh Portland Cement Company	19,635,844	1.14%
Union Pacific	15,697,665	0.91%
Holnam Inc / Nothwestern States Portland Cement Company	15,594,756	0.91%
QWEST Corporation	15,504,145	0.90%
Curries Company	14,282,012	0.83%
Northern Border Pipeline	12,440,097	0.72%
Mall Associates LLC	12,082,830	0.70%
Mason City Shopping Center	9,947,570	0.58%
Clear Lake Independent Telephone Company	9,806,649	0.57%
	<u>198,312,928</u>	<u>11.53%</u>

Source: Cerro Gordo County Auditor's Office, City Assessor's Office and County Assessor's Office

CERRO GORDO COUNTY, IOWA

SALARIES OF PRINCIPAL OFFICERS

June 30, 2004

Official Title	Name of Official	2003-2004 Salary
Board of Supervisors	Robert Amosson	\$ 36,200
	Phillip Dougherty	36,200
	Jay Urdahl	36,200
County Attorney	Paul Martin	81,500
County Auditor	Ken Kline	50,000
County Recorder	Colleen Pearce	49,250
County Sheriff	Kevin Pals	68,000
County Treasurer	Michael Grandon	50,000
Conservation Director	Fred Heinz	47,963
County Engineer	Jim Witt	89,550
Public Health Director	Ronald Osterholm	71,718
County Relief Director	Elaine Merrill	21,690
Veterans Affairs Director	Rosetta Waychus	41,086
Case Management Director	MaryBeth Nelson	51,277
Management Information Systems Director	Jim Rice	69,293

Source: Cerro Gordo County Auditor's Office

CERRO GORDO COUNTY, IOWA

MISCELLANEOUS STATISTICS

June 30, 2004

Date of Incorporation: January 15, 1851

Form of Government: County Board

County Seat: Mason City

Median Age: 41.13

Land Area: 576 square miles

Miles of roads and streets:

Interstate highways 24

State highways 95

County roads 962

City street 254

Total miles 1,335

Farming acres 322,800

Number of Farms 790

County employees:

Board members 3

Elected officials 5

Full and Part-time 238

Total Employees 246

Elections:

Last general election:

Registered voters: 31,413

Votes cast 16,343

Percent 52.0%

Last municipal election:

Registered voters 27,169

Votes cast 7,894

Percent 29.1%

Public Safety:

County Sheriff department 1

City police department 4

Fire Department:

Full-time 1

Volunteer 8

Recreation:

Parks:

County Parks 30

Number of acres 3,016

City Parks 58

Number of acres 582

Snowmobile trails, total miles 144

Number of lakes 5

Total acres 3,740

Number of boat launches 8

Number of beaches 4

Number of public swimming pools 3

Number of golf courses 9

Schools within the County:

Public schools:

Elementary 11

Junior High 6

Senior High 5

Total students 6773

Nonpublic schools:

Elementary 2

Junior High 2

Senior High 1

Total students 671

Higher Education (students):

1 University 225

1 Junior college 2767

1 Business college 326

Total students 3318

**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Officials of Cerro Gordo County
Mason City, Iowa

We have audited the financial statements of Cerro Gordo County, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. These financial statements are the responsibility of Cerro Gordo County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, which is also the responsibility of the County's management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

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

December 17, 2004

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct			
U.S. Environmental Protection Agency Surveys, Studies, Investigations and Special Purpose	66.606		13,945
Total Direct			13,945
Indirect:			
U.S. Department of Agriculture Iowa Department of Human Services Human Services Administrative Reimbursements State Administrative Matching Grants for Food Stamp Program	10.561		22,884
U.S. Department of Housing & Urban Development Community Development Block Grant/ Small Cities Program	14.219	03-CF-047	109,680
U.S. Department of Justice Iowa Office of Justice STOP Violence Against Women	16.588	VW-04-6604	35,000
Iowa Department of Justice Crime Victim Assistance	16.575	VA-04-6603	21,440
Iowa Office of Drug Control Policy Edward Byrne Memorial State and Local Law Enforcement Grant	16.579	03D-1312	64,770
Federal Emergency Management Agency Iowa Emergency Management Agency Emergency Management Performance Grant Citizens Emergency Response Team Domestic Preparedness Exercise State Homeland Security Grant Program	97.042 97.054 97.005 97.004		10,512 3,774 191 724
U.S. Department of Health and Human Services Iowa Department of Public Health Childhood Lead Poisoning Prevention Immunization Action Plan Breast & Cervical Cancer Prevention Community Based Cardiovascular Risk Reduction Program HIV Counseling, Testing & Referral Wisewoman Cardiovascular Study	93.197 93.268 93.283 93.991 93.940 93.283	5884LP12 58831410 5884NB07 5883RR01 5883AP16 5884WW05	33,728 32,982 77,736 14,533 29,454 11,620
Iowa Department of Human Services Human Services Administrative Reimbursement Temporary Assistance to Needy Families Refugee & Entrant Assistance – State Administered Programs Child Care Mandatory & Matching Funds of the Child Care & Development Fund Foster Care Title IV-E Adoption Assistance Medical Assistance Program Social Services Block Grant Social Services Block Grant Public Health Preparedness and Response for Bioterrorism	93.558 93.566 93.596 93.658 93.659 93.778 93.667 93.667 93.283		29,872 97 5,519 13,574 3,629 29,991 19,634 190,999 210,633 12,006

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Officials of Cerro Gordo County
Mason City, Iowa

We have audited the financial statements of Cerro Gordo County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with U.S generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

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

Internal Control Over Financial Reporting

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

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

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

December 17, 2004

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE**

To the Officials of Cerro Gordo County
Mason City, Iowa

Compliance

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

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

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

Internal Control Over Compliance

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

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Cerro Gordo County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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

December 17, 2004

CERRO GORDO COUNTY, IOWA

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

Part I: Summary of the Independent Auditors' Results

- a. An unqualified opinion was issued on the financial statements.
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- e. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- f. Major programs were as follows:
 - CFDA Numbers 93.778, 93.667, 93.558, 93.658, 93.566, 10.561, 93.659 and 93.596 – Social Services – Local Administrative Expense
 - CFDA Number 14.219 – Community Development Block Grant – Small Cities Program.
 - CFDA Number 93.667 – Social Services Block Grant – Local Purchases
- g. The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- h. Cerro Gordo County did not qualify as a low-risk auditee.

CERRO GORDO COUNTY, IOWA

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

Part II: Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

II-A-04 **Segregation of Duties**—During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

Response—We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy will be separated and spread among the County Official, Deputy and Clerks. We plan to implement these changes as soon as possible.

Conclusion—Responses accepted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

No matters were reported.

CERRO GORDO COUNTY, IOWA

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

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-04 **Official Depositories** – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- IV-B-04 **Certified Budget** – Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted.
- IV-C-04 **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979
- IV-D-04 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-04 **Business Transactions** – Business transactions between the County and County officials or employees are detailed as follows:

Name & Title	Transaction	Amount
John Bakehouse, spouse of Penny Bakehouse	Janitorial Service	\$16,396

The transactions with John Bakehouse may not be authorized in accordance with Chapter 331.342 of the Code of Iowa.

Response – John Bakehouse: The Cerro Gordo County Department of Public Health seeks annual bids from at least three (3) cleaning companies. Bid requests including cleaning specifications are mailed out around March/April time period. The contract is from July (fiscal year beginning) to June (fiscal year ending). Each year the health department's attorney reviews the contract procedures and awarding.

Conclusion – Response accepted.

- IV-F-04 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- IV-G-04 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-04 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's Investment Policy were noted.
- IV-I-04 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-04 **Economic Development** – During the year ended June 30, 2004, the County paid \$85,845 for Economic Development, which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
- IV-K-04 **Grant Activity** – The County complied with grant regulations; no violations were noted.
- IV-L-04 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations. Disbursements for the County Extension Office during the year ended June 30, 2003, did not exceed the amount budgeted.