

BENTON COUNTY
VINTON, IOWA

FINANCIAL STATEMENTS
JUNE 30, 2005

BENTON COUNTY

Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-15
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	<u>Exhibit</u>
Statement of Net Assets	A 16
Statement of Activities	B 17
Governmental Fund Financial Statements	
Balance Sheet	C 18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 19
Statement of Revenues, Expenditures, and Changes in Fund Balances	E 20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements	
Statement of Net Assets	G 22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 23
Statement of Cash Flows	I 24
Fiduciary Fund Financial Statements	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 25
Notes to Financial Statements	26-39
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds	40
Budgetary Comparison Schedule – Budget to GAAP Reconciliation	41
Notes to Required Supplementary Information – Budgetary Reporting	42
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>
Nonmajor Governmental Funds	
Combining Balance Sheet	1 43
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	2 44
Agency Funds	
Combining Schedule of Changes in Fiduciary Assets and Liabilities	3 45-50
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	4 51

BENTON COUNTY

Table of Contents

	<u>Page</u>
INFORMATION PROVIDED TO COMPLY WITH <i>GOVERNMENT</i>	
<i>AUDITING STANDARDS AND OMB CIRCULAR A-133</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	54-55
Schedule of Expenditures of Federal Awards	56-57
Notes to the Schedule of Expenditures of Federal Awards	58
Schedule of Findings and Questioned Costs	59-62

BENTON COUNTY

BENTON COUNTY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Vermedahl	Board of Supervisors	December 2008
Ron Buch	Board of Supervisors	December 2008
Jason Sanders	Board of Supervisors	December 2006
Jill Marlow	County Auditor	December 2008
Kelly Rae Geater	County Treasurer	December 2006
Betty Wright	County Recorder	December 2006
Randall L. Forsyth	County Sheriff	December 2008
David C. Thompson	County Attorney	December 2006
Larry Andreesen	County Assessor	Appointed



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Officials of Benton County:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2005, on our consideration of Benton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Benton County. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Benton County. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa
October 18, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Revenues of the County's governmental activities increased 1%, or approximately \$109,000, from 2004 to 2005.

Property taxes levied increased approximately 2% from \$5.119 million in 2004 to \$5.223 million in 2005. Net property taxes also increased approximately 2% or \$96,770. Net property taxes are levied taxes less credits.

Intergovernmental revenues, including grants and contributions, increased approximately \$320,500 from \$5.538 million in 2004 to \$5.859 million in 2005, approximately 6%.

Governmental activities program expenses were approximately \$583,000 more in 2005 than in 2004. Roads and transportation expense increased approximately \$738,000 and Mental Health expense increased approximately \$78,000.

Benton County continued with the communications tower project with the erection of the tower structure and beginning installation of radio equipment. Benton County also continued with replacement of bridge structures on its secondary road system.

The County's net assets increased approximately 13%, or approximately \$2.215 million, at June 30, 2005.

USING THIS ANNUAL REPORT

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

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The *Government-wide Financial Statements* consist of a statement of net assets and a statement of activities. These provide information about the activities of Benton County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Benton County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Benton County acts solely as an agent or custodian for the benefit of those outside of the government.
- The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.
- *Other Supplementary Information* provides detailed information about the nonmajor special revenue and the individual agency funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include:
 - a. The General Fund
 - b. The Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads,
 - c. The Debt Service Fund,

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

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

- 2) Proprietary funds account for the County's employee group health insurance, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

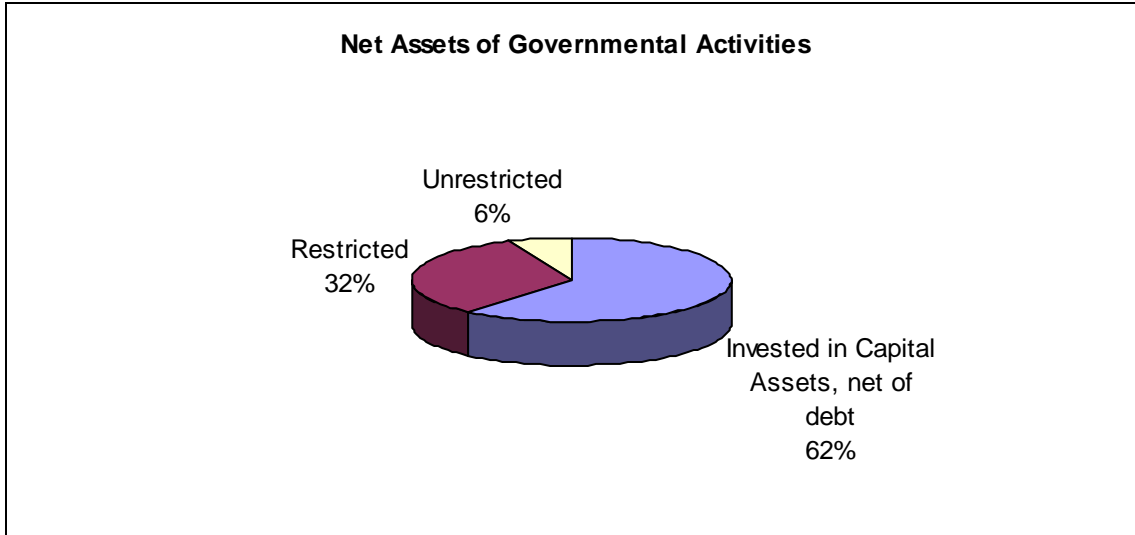
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The County's combined net assets increased from \$17.405 million in 2004 to \$19.620 million in 2005. Our analysis below focuses on the net assets and changes in net assets of the County's governmental activities.

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

	<u>2005</u>	<u>2004</u> (as restated)
Current and other assets	\$ 15,905,140	\$ 16,400,303
Capital assets	<u>12,006,354</u>	<u>8,732,492</u>
Total assets	<u>27,911,494</u>	<u>25,132,795</u>
Long-term debt outstanding	1,405,743	1,598,852
Other liabilities	<u>6,885,489</u>	<u>6,128,725</u>
Total liabilities	<u>8,291,232</u>	<u>7,727,577</u>
Net assets:		
Invested in capital assets, net of debt	12,006,354	8,732,492
Restricted	6,374,855	6,992,197
Unrestricted	<u>1,239,053</u>	<u>1,680,529</u>
Total net assets	<u>\$ 19,620,262</u>	<u>\$ 17,405,218</u>



*Net assets of the County's governmental activities increased by approximately 13 percent (\$19,620,262 compared to \$17,405,218). **The largest portion of the County's net assets is invested in capital assets, net of debt.** Currently, the County has no related debt to capital assets. The County's debt is related to infrastructure that was constructed by Benton County and subsequently sold to the City of Urbana. Unrestricted net assets are that part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.*

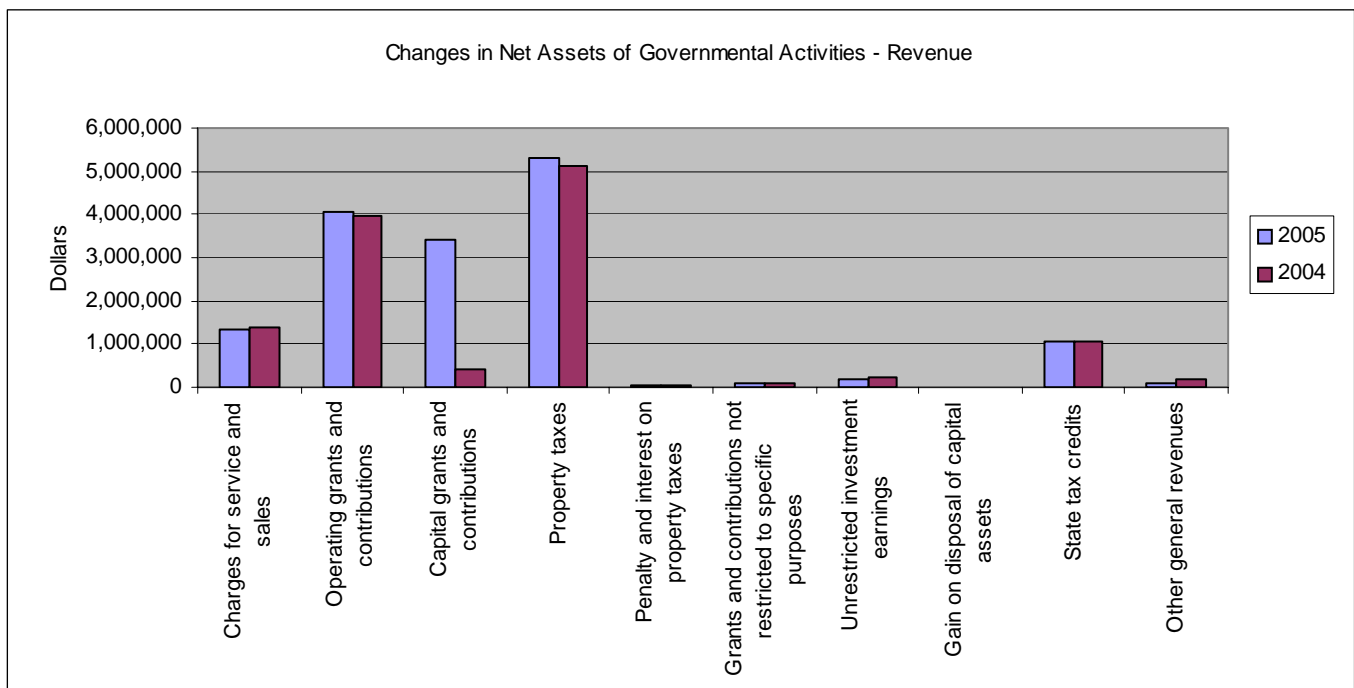
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
(as shown in the Statement of Activities)

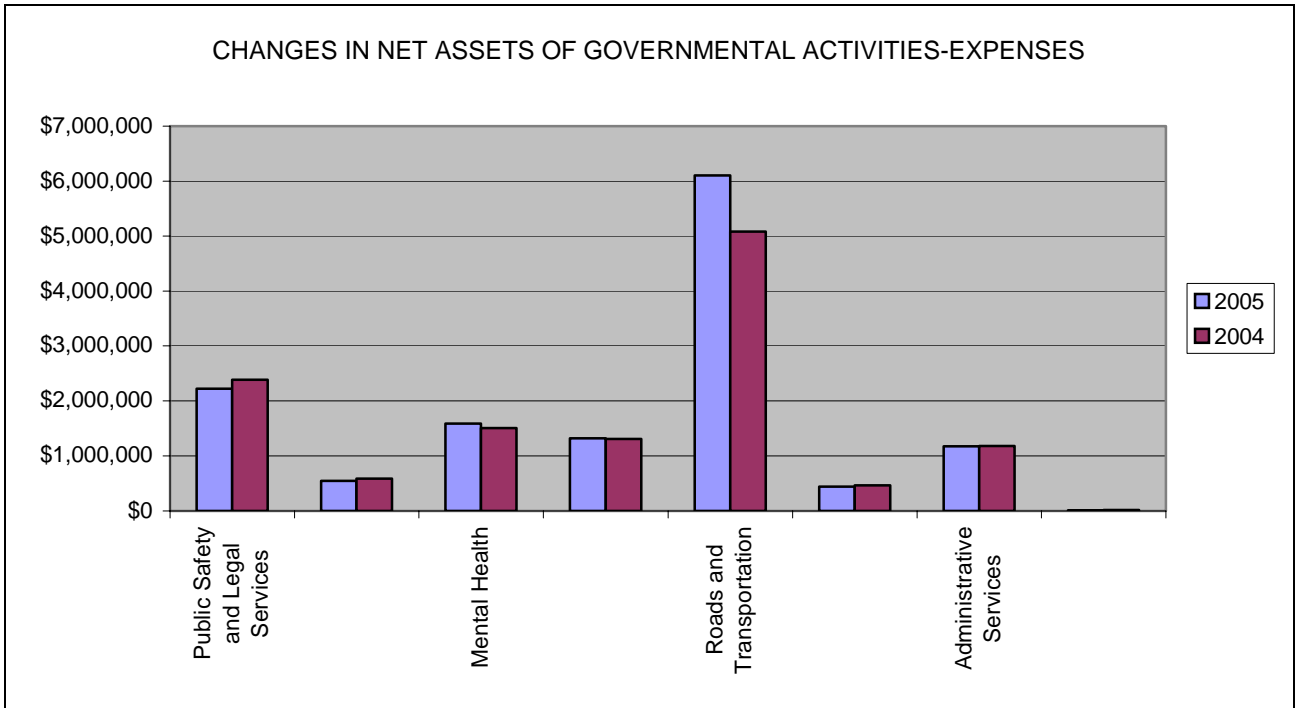
	2005	2004 (as restated)
Revenues:		
Program Revenues		
Charges for service and sales	\$ 1,330,210	\$ 1,389,979
Operating grants and contributions	4,058,965	3,967,264
Capital grants and contributions	3,406,213	3,445,645
General Revenues		
Property taxes	5,285,484	5,122,913
Penalty and interest on property taxes	57,509	27,478
Grants and contributions not restricted to specific purposes	96,631	104,181
Unrestricted investment earnings	191,887	226,131
Gain on disposal of capital assets	6,466	3,385
State tax credits	1,077,301	1,063,087
Other general revenues	112,599	164,203
Total revenues	15,623,265	15,514,266

(continued)

	2005	2004 (as restated)
Program Expenses:		
Public safety and legal services	\$ 2,223,203	\$ 2,382,928
Physical health and social services	546,800	588,649
Mental health	1,586,114	1,508,439
County environment and education	1,321,444	1,307,276
Roads and transportation	6,101,335	5,362,927
Governmental services to residents	441,912	463,709
Administrative services	1,175,249	1,195,657
Interest on long-term debt	12,164	16,031
Total expenses	<u>13,408,221</u>	<u>12,825,616</u>
Increase in net assets	2,215,044	2,688,650
Net assets beginning of year, as restated	<u>17,405,218</u>	<u>14,716,568</u>
Net assets end of year	<u>\$ 19,620,262</u>	<u>\$ 17,405,218</u>

Benton County's total revenues and total cost of all programs increased from 2004 to 2005 with no new programs added this year. The County relied on fund reserves to cover the difference between revenues and expenses.





Governmental Activities

The results of governmental activities for the year resulted in Benton County's net assets increasing by approximately \$2.215 million. Revenues for governmental activities increased by approximately \$109,000 million over the prior year, with property tax increasing from the prior year by approximately \$163,000, or slightly more than 3%.

The County's property tax rates in 2005 remained virtually unchanged from 2004. This is primarily due to growth in the total assessed property valuation.

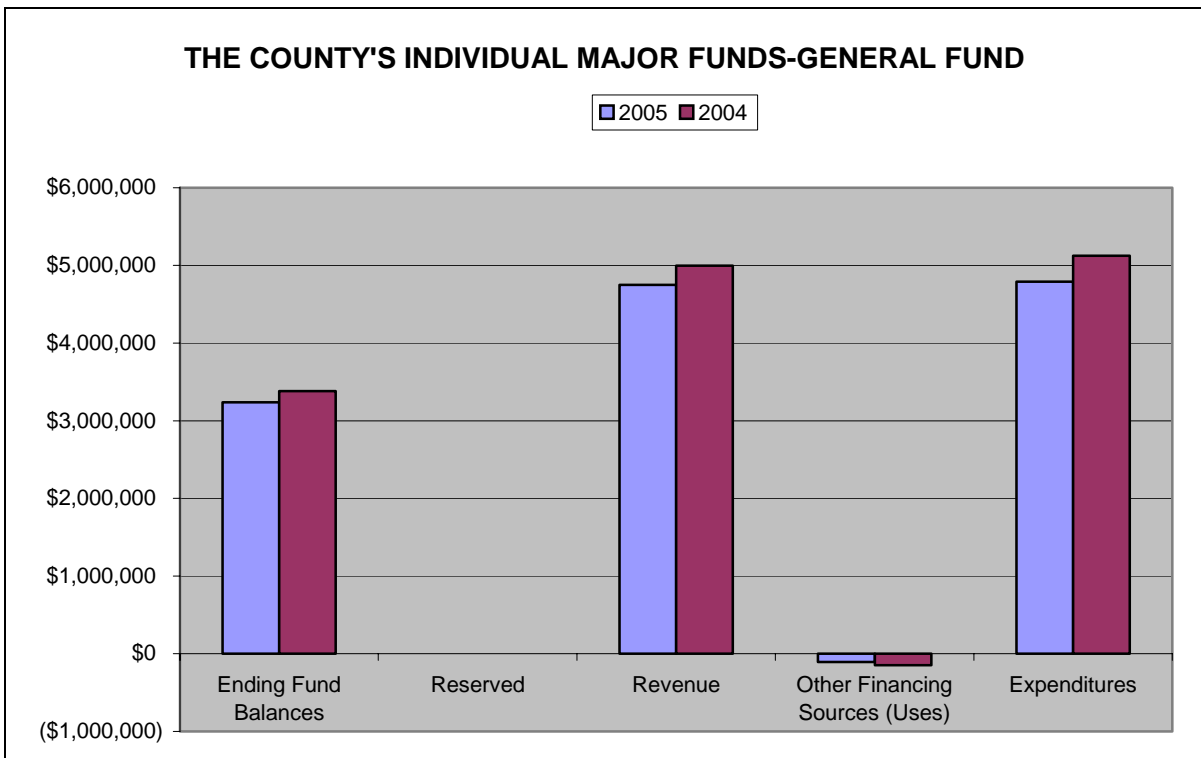
	FY2005	FY2004
Countywide taxable value	\$ 897,938,378	\$ 927,771,510
Countywide levy rate less debt	4.06130	3.76903
Dollars levied less debt	3,646,795	3,496,795
Countywide taxable debt service value	943,920,059	979,439,131
Countywide debt service levy rate	.09283	.07284
Dollars levied for debt service	87,628	71,340
Total countywide levy rate	4.15413	3.84187
Total dollars levied countywide	3,734,423	3,568,135
Rural taxable value	596,966,650	647,223,253
Rural tax levy rate	2.83347	2.72903
Dollars levied for rural area only	1,691,489	1,766,294
Total dollars levied	5,425,912	5,334,429

The cost of all governmental activities this year was \$13.408 million compared to \$12.826 million last year. However, as shown in the Statement of Activities on Page 17, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5.261 million because some of the cost was paid by those directly benefiting from the programs (\$1.330 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.562 million). The County paid for the remaining "public benefit" portion of governmental activities with approximately \$81,732 in taxes (which could only be used for debt service) and with other revenues, such as interest and general entitlements.

General Fund

General Fund revenues decreased \$249,376 while expenditures decreased \$333,459 when compared to the prior year. The ending fund balance decreased from the prior year by \$146,430. The County began constructing and equipping a radio communications tower in FY05 with a portion of the expenses coming from the General Fund. The County has designated a portion of the ending fund balance to acquire election equipment that is compliant with the *Help America Vote Act* and to address any hazardous material incident in Benton County.

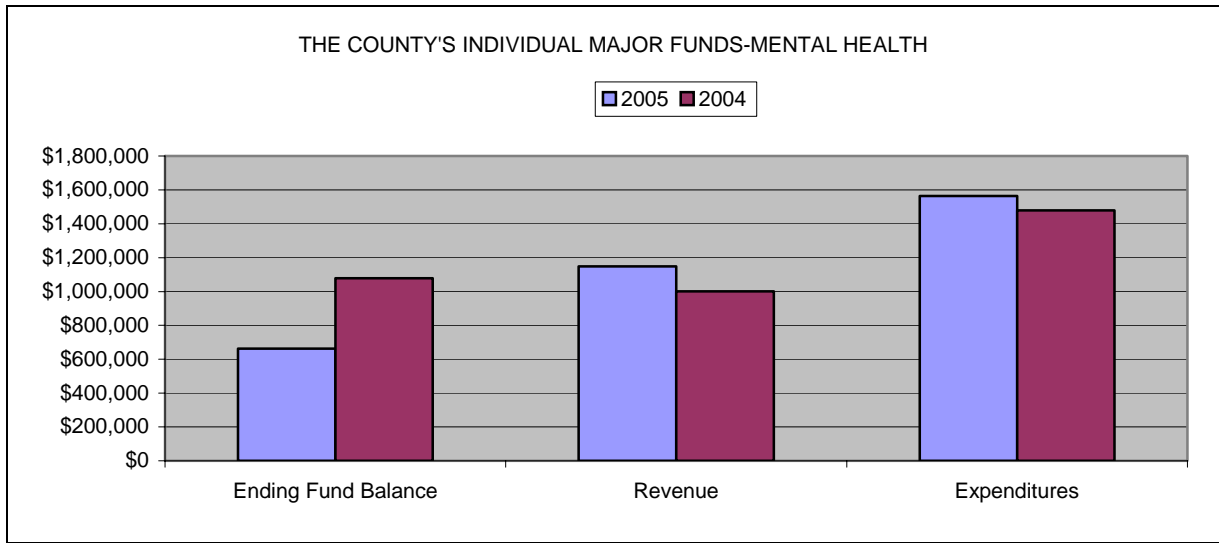
	2005	2004
Ending Fund Balances	\$ 3,236,360	\$ 3,382,790
Reserved	5,139	3,377
Revenue	4,746,588	4,995,964
Other Financing Sources (Uses)	(105,346)	(146,283)
Expenditures	4,789,434	5,122,893



Mental Health

The County continues to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1.563 million, an increase of approximately 5.8% from the prior year. The County continues its efforts to manage mental health costs and maintain a 25% operating reserve. The Mental Health Fund balance at year end decreased by approximately \$415,872 from the prior year, a direct result of the County's desire to reach that 25% level.

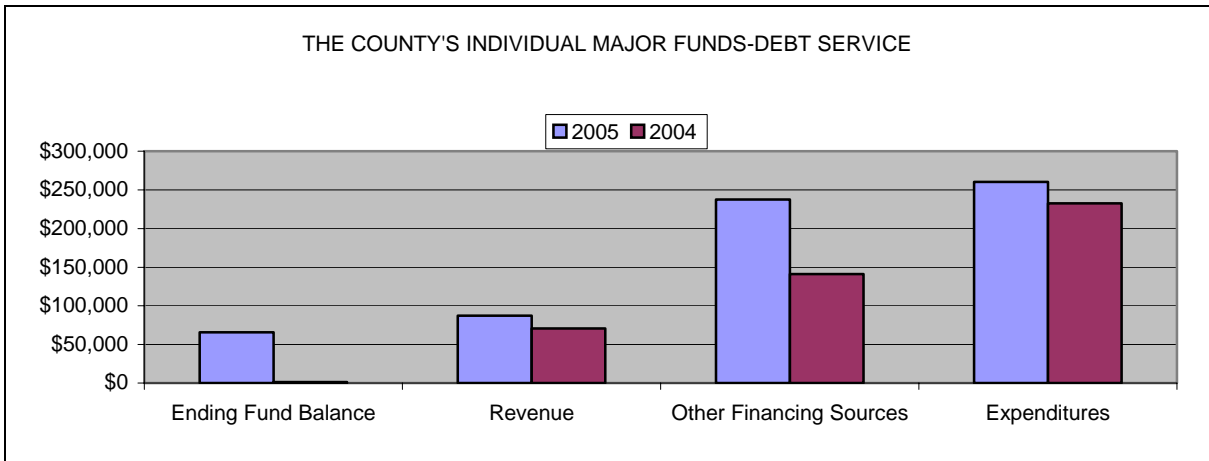
	2005	2004
Ending Fund Balance	\$ 663,034	\$ 1,078,906
Revenue	1,147,889	1,000,697
Expenditures	1,563,761	1,478,350



Debt Service

Debt Service Fund expenditures increased by \$27,835 over the prior year. This increase is directly related to increased revenue being received from the County's tax increment finance district resulting in additional expenditures towards retirement of outstanding obligations.

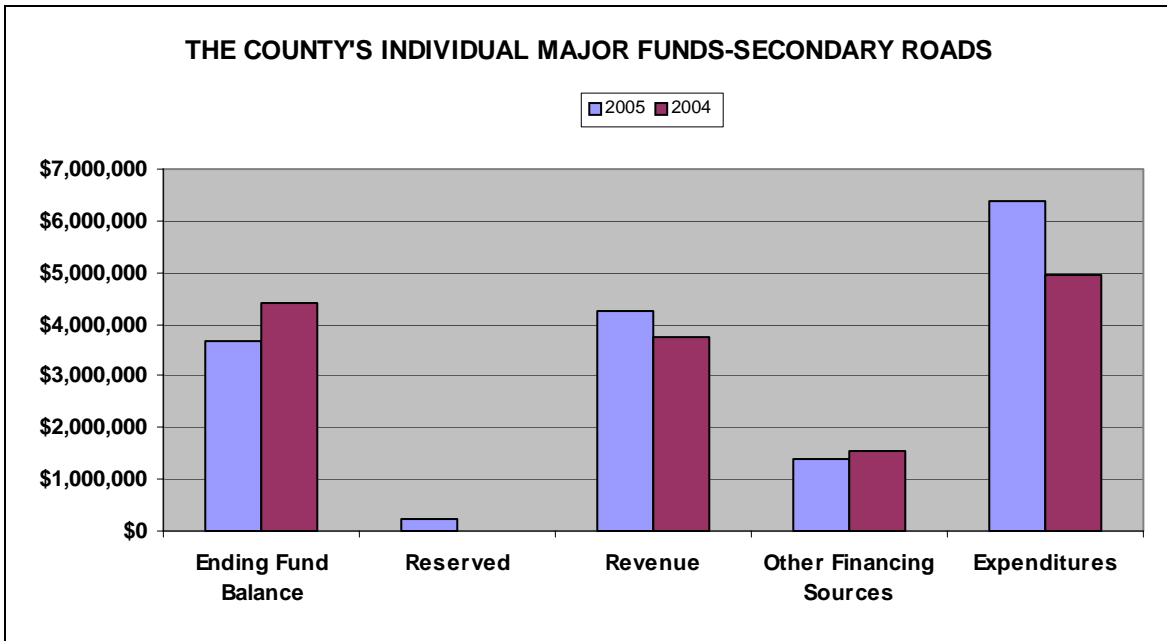
	2005	2004
Ending Fund Balance	\$ 65,948	\$ 1,050
Revenue	87,514	70,948
Other Financing Sources	237,681	141,122
Expenditures	260,297	232,462



Secondary Roads

Secondary Roads Fund expenditures increased by approximately \$1.457 million over the prior year which was primarily the result of the replacement of several bridges. This has resulted in a decrease in the Secondary Roads Fund unreserved ending fund balance of approximately \$761,000 or approximately 18%. The County continues to plan for a major road construction project known as the Oak Grove Road project with land acquisition beginning in early 2006 and construction tentatively scheduled to begin in the summer of 2006. The project will take several years to complete. The County believes that adequate funds have been set aside for completion of the project based on current estimates.

	2005	2004
Ending Fund Balance	\$ 3,688,962	\$ 4,427,025
Reserved	245,776	222,769
Revenue	4,247,088	3,734,932
Other Financing Sources	1,386,449	1,538,463
Expenditures	6,394,607	4,937,839



BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY05, Benton County had approximately \$12.006 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Debt

At year-end, the County had \$165,000 in general obligation bonds compared to \$412,818 in general obligation bonds and tax increment financed debt in 2004.

The County's current general obligation debt is for infrastructure (water and sewer) constructed in Benton Commerce Village. Benton County did not issue any additional general obligation bonds in FY05. The County called the remaining general obligation bonds in the first half of FY06 utilizing tax increment revenue. Repayment of the general fund loan will begin in FY06, and it is anticipated that repayment will be complete in FY09.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$75.807 million limit.

100% Assessed Values for Calculating Debt Capacity

2005	2004	2003
\$1,516,141,560	\$1,455,301,996	\$1,421,832,554

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Benton County's elected and appointed officials and citizens considered many factors when setting the 2006 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Unemployment in the County currently (November 2005) stands at 5.1 percent compared with the State's unemployment rate of 4.8 percent and the national rate of 5.0 percent.

Inflation in the State is similar to the national Consumer Price Index. The Midwest's CPI increase was 2.5 percent for the fiscal year ending June 30, 2005 compared with the national rate of 2.5 percent.

These indicators were taken into account when adopting the General Fund budget for 2006. The County continued its commitment to moderating the growth in property taxes as demonstrated by a slight increase in tax revenue in the general fund in FY06. Benton County will use fund reserves to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$2.863 million. Increases are across all areas except for a small decrease in secondary roads. The increase in capital projects represents the largest increment. The County has included the construction of the radio communications tower and the purchase of HAVA complying election equipment in the 2006 budget. The County also continues to budget expenditures towards the Oak Grove Road project. The County also began a designation of the general fund balance for special projects in FY06. The funds for this designation are those monies received from repayment of the general fund loan to the tax increment fund.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

BENTON COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2005

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and pooled investments	\$ 9,000,174
Receivables:	
Property tax:	
Delinquent	149,306
Succeeding year	6,120,622
Interest and penalty on property tax	6,845
Accounts	19,868
Accrued interest	37,283
Due from other governments	320,127
Inventories	250,915
Land and construction in progress	4,660,611
Buildings and equipment (net of accumulated depreciation)	<u>7,345,743</u>
Total assets	<u>27,911,494</u>
LIABILITIES	
Accounts payable	475,779
Salaries and benefits payable	75,061
Due to other governments	213,315
Deferred revenue:	
Succeeding year property tax	6,120,622
Accrued interest payable	712
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	80,000
Compensated absences	267,108
Portion due or payable after one year:	
Notes payable	85,000
Landfill closure and postclosure care	<u>973,635</u>
Total liabilities	<u>8,291,232</u>
NET ASSETS	
Invested in capital assets, net of related debt	12,006,354
Restricted for or by:	
Supplemental levy purposes	967,159
Mental health purposes	663,034
Secondary roads purposes	3,688,962
Landfill closure and postclosure care	653,456
Debt service	65,236
State statute	4,181
Other purposes	332,827
Unrestricted	<u>1,239,053</u>
Total net assets	<u>\$ 19,620,262</u>

See notes to financial statements.

BENTON COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	<u>Expenses</u>	<u>Charges for Service</u>
Functions/Programs:		
Governmental activities:		
Public safety and legal services	\$ 2,223,203	\$ 307,438
Physical health and social services	546,800	38,457
Mental health	1,586,114	5,907
County environment and education	1,321,444	231,996
Roads and transportation	6,101,335	271,516
Governmental services to residents	441,912	445,975
Administration	1,175,249	28,921
Interest on long-term debt	<u>12,164</u>	<u>-</u>
 Total	 <u>\$ 13,408,221</u>	 <u>\$ 1,330,210</u>

General Revenues:

Property and other County tax levied for:
General purposes
Debt service
Penalty and interest on property tax
State tax credits
Grants and contributions not restricted to specific purposes
Unrestricted investment earnings
Gain on disposal of capital assets
Miscellaneous
 Total general revenues
 Change in net assets
 Net assets beginning of year, as restated
 Net assets end of year

See notes to financial statements.

<u>Program Revenues</u>		Net (Expense)
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
\$ 2,890	\$ 31,296	\$ (1,881,579)
130,334	-	(378,009)
114,449	-	(1,465,758)
278,637	5,421	(805,390)
3,532,392	3,369,496	1,072,069
-	-	4,063
263	-	(1,146,065)
-	-	(12,164)
<u>\$ 4,058,965</u>	<u>\$ 3,406,213</u>	<u>(4,612,833)</u>

5,203,752
81,732
57,509
1,077,301
96,631
191,887
6,466
112,599
6,827,877
2,215,044
17,405,218
\$ 19,620,262

**BENTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Rural Services</u>
ASSETS		
Cash and pooled investments	\$ 3,281,244	\$ 152,556
Receivables:		
Property tax:		
Delinquent	149,283	19
Succeeding year	3,613,792	1,824,544
Interest and penalty on property tax	6,845	-
Accounts	10,601	-
Accrued interest	32,482	-
Due from other funds	-	-
Due from other governments	32,545	-
Inventories	5,139	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 7,131,931</u>	<u>\$ 1,977,119</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 75,596	\$ 509
Salaries and benefits payable	42,115	2,684
Due to other funds	3,336	616
Due to other governments	4,716	-
Deferred revenue:		
Succeeding year property tax	3,613,792	1,824,544
Other	156,016	-
	<u> </u>	<u> </u>
Total liabilities	<u>3,895,571</u>	<u>1,828,353</u>
Fund balances:		
Reserved for or by:		
Landfill closure and postclosure care	-	-
Inventories	5,139	-
Debt service	-	-
State statute	-	-
Unreserved, reported in:		
General fund:		
Designated for election equipment	50,000	-
Designated for emergency response	50,000	-
Designated for historic preservation	8,000	-
Designated for special projects	47,765	-
Undesignated	3,075,456	-
Special revenue funds	-	148,766
	<u> </u>	<u> </u>
Total fund balances	<u>3,236,360</u>	<u>148,766</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 7,131,931</u>	<u>\$ 1,977,119</u>

See notes to financial statements.

<u>Special Revenue</u>		<u>Nonmajor</u>	
<u>Secondary</u>	<u>Mental</u>	<u>Governmental</u>	<u>Total</u>
<u>Roads</u>	<u>Health</u>	<u>Funds</u>	
\$ 3,522,035	\$ 916,090	\$ 1,057,437	\$ 8,929,362
-	4	-	149,306
-	453,501	228,785	6,120,622
-	-	-	6,845
3,095	-	6,172	19,868
-	-	4,800	37,282
4,320	-	-	4,320
279,161	-	8,421	320,127
245,776	-	-	250,915
<u>\$ 4,054,387</u>	<u>\$ 1,369,595</u>	<u>\$ 1,305,615</u>	<u>\$ 15,838,647</u>
\$ 337,681	\$ 52,249	\$ 9,744	\$ 475,779
25,817	1,045	3,400	75,061
-	-	368	4,320
1,927	199,766	6,906	213,315
-	453,501	228,785	6,120,622
-	-	-	156,016
<u>365,425</u>	<u>706,561</u>	<u>249,203</u>	<u>7,045,113</u>
-	-	653,456	653,456
245,776	-	-	250,915
-	-	65,948	65,948
-	-	4,181	4,181
-	-	-	50,000
-	-	-	50,000
-	-	-	8,000
-	-	-	47,765
-	-	-	3,075,456
<u>3,443,186</u>	<u>663,034</u>	<u>332,827</u>	<u>4,587,813</u>
<u>3,688,962</u>	<u>663,034</u>	<u>1,056,412</u>	<u>8,793,534</u>
<u>\$ 4,054,387</u>	<u>\$ 1,369,595</u>	<u>\$ 1,305,615</u>	<u>\$ 15,838,647</u>

BENTON COUNTY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Exhibit D

Total fund balances for governmental funds	\$ 8,793,534
Total net assets reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	12,006,354
Other assets, such as County taxes, are not available to pay for current period expenditures and therefore are deferred in the funds.	156,016
The Internal Service Fund is used by the County to charge costs of health insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	70,813
Long-term liabilities, including notes payable, accrued interest payable, compensated absences, and landfill closure and postclosure care are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest on notes	\$ (712)
Notes payable	(165,000)
Compensated absences	(267,108)
Landfill closure and postclosure care	<u>(973,635)</u>
	<u>(1,406,455)</u>
Total net assets of governmental activities	<u>\$ 19,620,262</u>

BENTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Rural Services</u>
Revenues:		
Property and other County tax	\$ 3,071,283	\$ 1,575,227
Interest and penalty on property tax	52,646	-
Intergovernmental	658,421	114,282
Licenses and permits	19,745	-
Charges for service	674,280	15,285
Use of money and property	193,817	-
Miscellaneous	76,396	-
Total revenues	<u>4,746,588</u>	<u>1,704,794</u>
Expenditures:		
Operating:		
Public safety and legal services	2,163,446	1,320
Physical health and social services	540,076	-
Mental health	-	-
County environment and education	480,898	179,403
Roads and transportation	-	78,515
Governmental services to residents	406,759	5,073
Administration	1,111,214	12,363
Debt service	-	-
Capital projects	87,041	-
Total expenditures	<u>4,789,434</u>	<u>276,674</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,846)</u>	<u>1,428,120</u>
Other financing sources (uses):		
Sale of capital assets	10,665	-
Transfers in	-	-
Transfers out	<u>(116,011)</u>	<u>(1,453,603)</u>
Total other financing sources (uses)	<u>(105,346)</u>	<u>(1,453,603)</u>
Net change in fund balances	(148,192)	(25,483)
Fund balances beginning of year	3,382,790	174,249
Increase in reserve for inventories	<u>1,762</u>	<u>-</u>
Fund balances end of year	<u>\$ 3,236,360</u>	<u>\$ 148,766</u>

See notes to financial statements.

Special Revenue		Nonmajor	
Secondary Roads	Mental Health	Governmental Funds	Total
\$ -	\$ 326,059	\$ 295,181	\$ 5,267,750
-	-	-	52,646
3,929,415	811,920	344,547	5,858,585
2,925	-	-	22,670
63	5,907	101,364	796,899
-	-	25,618	219,435
314,685	4,003	7,744	402,828
<u>4,247,088</u>	<u>1,147,889</u>	<u>774,454</u>	<u>12,620,813</u>
-	-	-	2,164,766
-	-	5,267	545,343
-	1,563,761	-	1,563,761
-	-	402,143	1,062,444
5,404,377	-	-	5,482,892
-	-	26,345	438,177
-	-	10,447	1,134,024
-	-	260,297	260,297
990,230	-	64,909	1,142,180
<u>6,394,607</u>	<u>1,563,761</u>	<u>769,408</u>	<u>13,793,884</u>
<u>(2,147,519)</u>	<u>(415,872)</u>	<u>5,046</u>	<u>(1,173,071)</u>
-	-	-	10,665
1,386,449	-	492,346	1,878,795
-	-	(309,181)	(1,878,795)
<u>1,386,449</u>	<u>-</u>	<u>183,165</u>	<u>10,665</u>
(761,070)	(415,872)	188,211	(1,162,406)
4,427,025	1,078,906	868,201	9,931,171
23,007	-	-	24,769
<u>\$ 3,688,962</u>	<u>\$ 663,034</u>	<u>\$ 1,056,412</u>	<u>\$ 8,793,534</u>

BENTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Exhibit F

Net change in fund balances - Total governmental funds \$ (1,162,406)

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

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

Expenditures for capital assets	\$ 1,157,377	
Capital assets contributed by the Iowa Department of Transportation	2,973,389	
Depreciation expense	<u>(852,704)</u>	3,278,062

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (4,199)

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. 22,598

Bond proceeds provide current financial resources to governmental funds, and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. 247,819

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

Change in compensated absences	(15,555)	
Change in accrued interest on long-term debt	315	
Change in landfill closure/postclosure liability	<u>(39,154)</u>	(54,394)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 24,769

The Internal Service Fund is used by the County to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (137,205)

Change in net assets of governmental activities. \$ 2,215,044

BENTON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

Exhibit G

	<u>Internal Service- Benton County Co-Insurance</u>
ASSETS	
Cash and pooled investments	\$ <u>70,813</u>
NET ASSETS	
Unrestricted	\$ <u>70,813</u>

BENTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

Exhibit H

	<u>Internal Service - Benton County Co-Insurance</u>
Operating revenues:	
Co-insurance receipts	\$ 909,977
Miscellaneous	<u>1,090</u>
Total operating revenues	911,067
Operating expenses:	
Claims and administrative expenses	<u>1,048,272</u>
Change in net assets	(137,205)
Net assets beginning of year	<u>208,018</u>
Net assets end of year	<u><u>\$ 70,813</u></u>

BENTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

Exhibit I

	<u>Internal Service - Benton County Co-Insurance</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 911,153
Cash paid for administrative fees and supplies	(16,779)
Cash paid for insurance claims/premiums	<u>(1,031,493)</u>
Net cash used for operating activities	(137,119)
Cash and pooled investments at beginning of year	<u>207,932</u>
Cash and pooled investments at end of year	<u>\$ 70,813</u>
Reconciliation of change in net assets to net cash used for operating activities:	
Change in net assets	\$ (137,205)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Decrease in accounts receivable	<u>86</u>
Net cash used for operating activities	<u>\$ (137,119)</u>

BENTON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005

Exhibit J

ASSETS

Cash and pooled investments	\$ 1,691,207
Receivables:	
Property tax:	
Delinquent	148
Succeeding year	18,663,455
Accounts	35,720
Accrued interest	490
Special assessments	244,064
Interest on special assessments	13,192
Due from other governments	<u>1,378</u>
 Total assets	 <u>20,649,654</u>

LIABILITIES

Accounts payable	38,565
Salaries and benefits payable	6,427
Due to other governments	20,577,416
Trusts payable	<u>27,246</u>
 Total liabilities	 <u>20,649,654</u>

NET ASSETS

\$ -

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Based on the above criteria, the County has determined that there are no potential component units which must be included in the County's financial statements as of and for the year ended June 30, 2005.

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: Benton County Assessor's Conference Board, Benton County Emergency Management Commission, and Benton County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Government-wide Financial Statements

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

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.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following fund types:

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Assets, Liabilities, and Fund Equity

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

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

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

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

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

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

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

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

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

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

The County is required to record infrastructure acquired after July 1, 2002. The County will retroactively record infrastructure in a future year.

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	30 – 50
Buildings	10 – 40
Equipment	2 – 30

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

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

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation benefits payable to employees. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, Secondary Roads, and Sanitary Disposal Funds.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts 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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 – CASH AND POOLED INVESTMENTS

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

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

The County held no investments at June 30, 2005.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2005, is as follows:

Receivable Fund	Payable Fund	Amount
Secondary Roads	General	\$ 3,336
	Rural Services	616
	Nonmajor Governmental	<u>368</u>
Total		<u>\$ 4,320</u>

These balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payment between funds are made.

NOTE 4 – INTERFUND TRANSFERS

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

Transfer to	Transfer from	Amount
Secondary Roads	General	\$ 113,646
	Rural Services	1,272,803
Nonmajor Governmental	General	2,365
	Rural Services	180,800
	Nonmajor Governmental	<u>309,181</u>
Total		<u>\$ 1,878,795</u>

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 – DUE TO OTHER GOVERNMENTS

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

Fund	Description	Amount
General	Services	\$ 4,716
Secondary Roads	Services	1,927
Mental Health		199,766
Nonmajor Governmental		<u>6,906</u>
Total for governmental funds		<u>213,315</u>
Agency:		
County Recorder	Collections	17,970
County Recorder's Electronic Fee		620
County Sheriff		18
Agricultural Extension Education		162,517
County Assessor		794,831
Schools		12,796,880
Community Colleges		654,864
Corporations		4,784,175
Townships		266,491
Auto License and Use Tax		495,440
Brucellosis and Tuberculosis Eradication		3,696
Fire Districts		90,099
E911 Surcharge		166,645
Joint Disaster Services		12,898
City Special Assessments		261,270
Empowerment Board		<u>69,002</u>
Total for agency funds		<u>20,577,416</u>
Total		<u>\$ 20,790,731</u>

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 – CAPITAL ASSETS

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

	Balance Beginning of Year <u>(as restated)</u>	<u>Increases</u>	<u>Decreases</u>	Balance End of Year <u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,648,171	\$ 165,824	\$ -	\$ 1,813,995
Construction in progress	<u>208,117</u>	<u>2,701,011</u>	<u>(62,512)</u>	<u>2,846,616</u>
Total capital assets not being depreciated	<u>1,856,288</u>	<u>2,866,835</u>	<u>(62,512)</u>	<u>4,660,611</u>
Capital assets being depreciated:				
Buildings	3,863,060	-	-	3,863,060
Equipment	8,275,509	543,729	(297,562)	8,521,676
Infrastructure	<u>2,449,578</u>	<u>782,713</u>	<u>-</u>	<u>3,232,291</u>
Total capital assets being depreciated	<u>14,588,147</u>	<u>1,326,442</u>	<u>(297,562)</u>	<u>15,617,027</u>
Less accumulated depreciation for:				
Buildings	1,486,555	87,224	-	1,573,779
Equipment	5,932,157	517,646	(293,363)	6,156,440
Infrastructure	<u>293,231</u>	<u>247,834</u>	<u>-</u>	<u>541,065</u>
Total accumulated depreciation	<u>7,711,943</u>	<u>852,704</u>	<u>(293,363)</u>	<u>8,271,284</u>
Total capital assets being depreciated, net	<u>6,876,204</u>	<u>473,738</u>	<u>(4,199)</u>	<u>7,345,743</u>
Governmental activities capital assets, net	<u>\$ 8,732,492</u>	<u>\$ 3,340,573</u>	<u>\$ (66,711)</u>	<u>\$ 12,006,354</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 140,378
Physical health and social services	366
Mental health	22,353
County environment and education	60,583
Roads and transportation	575,972
Governmental services to residents	5,988
Administration	<u>47,064</u>
Total depreciation expense – governmental activities	<u>\$ 852,704</u>

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 – NOTES PAYABLE

Notes payable have been issued to provide funds for improvements to buildings that have subsequently been transferred to the City of Urbana and are no longer on the County's books. At June 30, 2005, there are notes payable outstanding as follows:

<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding End of Year</u>
October 12, 1996	6/1/06—6/1/07	5.15 – 5.20%	\$ <u>655,000</u>	\$ <u>165,000</u>

The notes mature in varying amounts as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 80,000	\$ 8,540	\$ 88,540
2007	<u>85,000</u>	<u>4,420</u>	<u>89,420</u>
	<u>\$ 165,000</u>	<u>\$ 12,960</u>	<u>\$ 177,960</u>

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

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

	<u>Notes Payable</u>	<u>Tax-Increment Financing Notes</u>	<u>Compensated Absences</u>	<u>Liability for Landfill Closure and Postclosure Care</u>	<u>Total</u>
Balance beginning of year	\$ 240,000	\$ 172,818	\$ 251,553	\$ 934,481	\$ 1,598,852
Additions	-	-	267,108	39,154	306,262
Reductions	<u>75,000</u>	<u>172,818</u>	<u>251,553</u>	-	<u>499,371</u>
Balance end of year	<u>\$ 165,000</u>	<u>\$ -</u>	<u>\$ 267,108</u>	<u>\$ 973,635</u>	<u>\$ 1,405,743</u>
Due within one year	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 267,108</u>	<u>\$ -</u>	<u>\$ 347,108</u>

NOTE 9 – PENSION AND RETIREMENT BENEFITS

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Plan members are required to contribute 3.70% of their annual covered salary, and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005, are 8.535% and 8.535%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$262,114, \$257,256, and \$243,278, respectively, equal to the required contributions for each year.

NOTE 10 – RISK MANAGEMENT

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

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

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

Initial risk of loss for the self-insured coverages is retained by the risk pool. The risk pool obtained a reinsurance policy for the year ended June 30, 2005, which covers exposures of specific losses in excess of \$750,000 per occurrence up to the statutory limits for workers' compensation, including the retention of the pool, and in excess of \$400,000 per occurrence up to a maximum of \$7,000,000 per occurrence, including the retention of the pool, for general liability, automobile liability, police professional, and errors and omissions. The risk pool fund records a liability for unpaid claims based on estimates of the costs of individual cases of losses and claims reported to year-end, plus a provision for losses incurred but not yet reported. The estimates are based on the past experience of the Pool and upon the experience of similar organizations as determined by Arthur J. Gallagher Risk Management Services, Inc., the pool's service agent. The Pool also works with an outside actuary on a periodic basis. At June 30, 2005, 2004, and 2003, the risk pool fund reported a surplus of pool assets over liabilities.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Member counties retain the risk of claims, if any, exceeding maximum reinsurance coverages and/or the amount of surplus maintained in the risk pool, by means of an assessment that would be charged to the member county in addition to the premium contributions. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since commencement of the risk pool.

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

NOTE 11 – LANDFILL CLOSURE AND POSTCLOSURE CARE

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

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an increase in the general long-term debt account group in each period based on landfill capacity used as of each balance sheet date. The \$973,635 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 77 percent of the estimated capacity. Total estimated closure and postclosure costs are \$239,000 and \$1,109,350, respectively. The County will recognize the remaining estimated cost of closure and postclosure care of \$374,715 as the remaining estimated capacity is used.

These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2005. The County expects to close the entire landfill in the year 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

No expenditures for landfill closure and postclosure care were made during the year ended June 30, 2005. The liability in the statement of net assets for closure and postclosure care increased by \$39,154 for the year.

The County has begun to accumulate resources to fund these costs in accordance with state and federal requirements. At June 30, 2000, a fund dedicated to closure and postclosure costs was established to demonstrate financial assurance. The County transferred \$71,500 to the fund during the fiscal year and the balance of this fund at June 30, 2005, is \$648,889. The County has demonstrated financial assurance for the landfill by using the Local Government Financial Test in combination with Local Government Dedicated Fund.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 12 – COMMITMENTS

The Iowa Department of Natural Resources has mandated the County make improvements to its sanitary lagoons. The County has agreed the lagoons are in need of improvement. Instead of making the improvements, the lagoons will no longer be used and connections to the City of Vinton's sanitary sewer lines will be made. The total cost of the project is estimated at \$1,000,000. However, the County is only responsible for approximately \$125,000, with the City of Vinton funding the remaining cost. As of June 30, 2005, no expenditures regarding this project have been made.

NOTE 13 – RESTATEMENT OF BEGINNING BALANCE

During the fiscal year, the County valued and included in capital assets the value of roads and right of way that was transferred from the state during the past few years. In addition, it was discovered that assessor and emergency management capital assets were inadvertently included on the County's records and have been removed for reporting purposes.

Net assets at June 30, 2004, as previously reported	\$ 14,666,217
Cost of roads, transfer of jurisdiction	2,038,472
Accumulated depreciation on roads, transfer of jurisdiction	(284,270)
Cost of right of way, transfer of jurisdiction	999,351
Cost of assessor and emergency management capital assets	(90,114)
Accumulated depreciation on assessor and emergency management capital assets	<u>75,562</u>
Net assets at June 30, 2004, as restated	<u>\$ 17,405,218</u>

NOTE 14 – PROSPECTIVE ACCOUNTING PRONCEMENTS

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

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the County for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

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

Statement No. 44, *Economic Condition Reporting: The Statistical Section*, issued May 2004, will be effective for the County for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, issued December 2004, will be effective for the County for the fiscal year ending June 30, 2006. This statement clarifies the definition of a legally enforceable enabling legislation restriction. It also specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

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

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental		
	Fund Types	Budgeted Amounts	
	Actual	Original	Final
Receipts:			
Property and other County tax	\$ 5,268,334	\$ 5,299,210	\$ 5,299,210
Interest and penalty on property tax	52,983	52,900	52,900
Intergovernmental	5,929,523	6,470,963	6,470,963
Licenses and permits	22,640	19,050	19,050
Charges for service	788,353	590,580	590,580
Use of money and property	227,925	218,209	218,209
Miscellaneous	403,675	341,955	341,955
Total receipts	<u>12,693,433</u>	<u>12,992,867</u>	<u>12,992,867</u>
Disbursements:			
Public safety and legal services	2,150,542	2,409,458	2,409,458
Physical health and social services	545,852	713,912	713,912
Mental health	1,552,478	1,826,748	1,826,748
County environment and education	1,051,860	1,298,021	1,298,021
Roads and transportation	5,332,356	5,355,051	5,355,051
Governmental services to residents	435,949	660,204	660,204
Administration	1,132,860	1,250,584	1,250,584
Non-program	-	4,000	4,000
Debt service	260,296	302,628	302,628
Capital projects	1,062,792	2,986,254	2,986,254
Total disbursements	<u>13,524,985</u>	<u>16,806,860</u>	<u>16,806,860</u>
Deficiency of receipts under disbursements	(831,552)	(3,813,993)	(3,813,993)
Other financing sources, net	<u>8,507</u>	<u>19,300</u>	<u>19,300</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(823,045)	(3,794,693)	(3,794,693)
Balance beginning of year	<u>9,648,097</u>	<u>9,648,097</u>	<u>9,648,097</u>
Balance end of year	<u>\$ 8,825,052</u>	<u>\$ 5,853,404</u>	<u>\$ 5,853,404</u>

Variance- Over (Under) Budget	Actual as % of Final Budget
\$ (30,876)	99%
83	100
(541,440)	92
3,590	119
197,773	133
9,716	104
<u>61,720</u>	<u>118</u>
<u>(299,434)</u>	<u>98</u>

(258,916)	89%
(168,060)	76
(274,270)	85
(246,161)	81
(22,695)	100
(224,255)	66
(117,724)	91
(4,000)	-
(42,332)	86
<u>(1,923,462)</u>	<u>36</u>
<u>(3,281,875)</u>	<u>80</u>

2,982,441

(10,793)

2,971,648

-

\$ 2,971,648

BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 12,693,433	\$ (72,620)	\$ 12,620,813
Expenditures	<u>13,524,985</u>	<u>268,899</u>	<u>13,793,884</u>
Net	(831,552)	(341,519)	(1,173,071)
Other financing sources, net	8,507	2,158	10,665
Beginning fund balances	9,648,097	283,074	9,931,171
Increase in reserve for:			
Inventories	<u>-</u>	<u>24,769</u>	<u>24,769</u>
Ending fund balances	<u>\$ 8,825,052</u>	<u>\$ (31,518)</u>	<u>\$ 8,793,534</u>

BENTON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING JUNE 30, 2005

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. There were no budget amendments.

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.

OTHER SUPPLEMENTARY INFORMATION

BENTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue				
	Resource Enhancement and Protection	Sanitary Disposal	Ground Water	Emergency Food and Shelter Program	County Recorder's Records Management
ASSETS					
Cash and pooled investments	\$ 45,305	\$ 806,797	\$ 3,044	\$ 485	\$ 30,324
Receivables:					
Property tax:					
Succeeding year	-	-	-	-	-
Accounts	-	1,558	4,614	-	-
Accrued interest	97	4,567	-	-	63
Due from other governments	-	1,041	-	2,904	-
Total assets	<u>\$ 45,402</u>	<u>\$ 813,963</u>	<u>\$ 7,658</u>	<u>\$ 3,389</u>	<u>\$ 30,387</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 5,235	\$ 644	\$ 1,009	\$ -
Salaries and benefits payable	-	3,400	-	-	-
Due to other funds	-	368	-	-	-
Due to other governments	-	6,453	-	453	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Total liabilities	<u>-</u>	<u>15,456</u>	<u>644</u>	<u>1,462</u>	<u>-</u>
Fund balances:					
Reserved for or by:					
Landfill closure and postclosure care	-	653,456	-	-	-
Debt service	-	-	-	-	-
State statute	-	4,181	-	-	-
Unreserved, reported in:					
Special revenue funds	<u>45,402</u>	<u>140,870</u>	<u>7,014</u>	<u>1,927</u>	<u>30,387</u>
Total fund balances	<u>45,402</u>	<u>798,507</u>	<u>7,014</u>	<u>1,927</u>	<u>30,387</u>
Total liabilities and fund balances	<u>\$ 45,402</u>	<u>\$ 813,963</u>	<u>\$ 7,658</u>	<u>\$ 3,389</u>	<u>\$ 30,387</u>

Funds

<u>Environmental Projects</u>	<u>Urbana TIF</u>	<u>CDBG</u>	<u>Conservation Land Acquisition Trust Fund</u>	<u>County Recorder's Electronic Transaction</u>	<u>Debt Service</u>	<u>Total</u>
\$ 23,642	\$ 4,733	\$ 76	\$ 66,169	\$ 10,914	\$ 65,948	\$ 1,057,437
-	228,785	-	-	-	-	228,785
-	-	-	-	-	-	6,172
50	-	-	-	23	-	4,800
-	-	4,476	-	-	-	8,421
<u>\$ 23,692</u>	<u>\$ 233,518</u>	<u>\$ 4,552</u>	<u>\$ 66,169</u>	<u>\$ 10,937</u>	<u>\$ 65,948</u>	<u>\$ 1,305,615</u>
\$ -	\$ -	\$ 2,856	\$ -	\$ -	\$ -	\$ 9,744
-	-	-	-	-	-	3,400
-	-	-	-	-	-	368
-	-	-	-	-	-	6,906
-	228,785	-	-	-	-	228,785
-	228,785	2,856	-	-	-	249,203
-	-	-	-	-	-	653,456
-	-	-	-	-	65,948	65,948
-	-	-	-	-	-	4,181
<u>23,692</u>	<u>4,733</u>	<u>1,696</u>	<u>66,169</u>	<u>10,937</u>	<u>-</u>	<u>332,827</u>
<u>23,692</u>	<u>4,733</u>	<u>1,696</u>	<u>66,169</u>	<u>10,937</u>	<u>65,948</u>	<u>1,056,412</u>
<u>\$ 23,692</u>	<u>\$ 233,518</u>	<u>\$ 4,552</u>	<u>\$ 66,169</u>	<u>\$ 10,937</u>	<u>\$ 65,948</u>	<u>\$ 1,305,615</u>

BENTON COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue				
	Resource Enhancement and Protection	Sanitary Disposal	Ground Water	Emergency Food and Shelter Program	County Recorder's Records Management
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12,782	259,450	16,152	5,599	-
Charges for service	-	80,030	-	-	7,138
Use of money and property	615	23,779	-	13	451
Miscellaneous	-	7,245	-	-	-
Total revenues	13,397	370,504	16,152	5,612	7,589
Expenditures:					
Operating:					
Physical health and social services	-	-	-	5,267	-
County environment and education	-	380,771	16,446	-	-
Governmental services to residents	-	-	-	-	-
Administration	-	10,447	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	-	391,218	16,446	5,267	-
Excess (deficiency) of revenues over (under) expenditures	13,397	(20,714)	(294)	345	7,589
Other financing sources (uses):					
Transfers in	-	252,300	-	-	-
Transfers out	-	(71,500)	-	-	-
Total other financing sources (uses)	-	180,800	-	-	-
Net change in fund balances	13,397	160,086	(294)	345	7,589
Fund balances beginning of year	32,005	638,421	7,308	1,582	22,798
Fund balances end of year	<u>\$ 45,402</u>	<u>\$ 798,507</u>	<u>\$ 7,014</u>	<u>\$ 1,927</u>	<u>\$ 30,387</u>

Funds						
<u>Environmental Projects</u>	<u>Urbana TIF</u>	<u>CDBG</u>	<u>Conservation Land Acquisition Trust Fund</u>	<u>County Recorder's Electronic Transaction</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 213,449	\$ -	\$ -	\$ -	\$ 81,732	\$ 295,181
-	-	4,476	40,306	-	5,782	344,547
-	-	-	-	14,196	-	101,364
424	-	-	-	336	-	25,618
-	-	-	499	-	-	7,744
<u>424</u>	<u>213,449</u>	<u>4,476</u>	<u>40,805</u>	<u>14,532</u>	<u>87,514</u>	<u>774,454</u>
-	-	-	-	-	-	5,267
-	-	4,926	-	-	-	402,143
-	-	-	-	26,345	-	26,345
-	-	-	-	-	-	10,447
-	-	-	-	-	260,297	260,297
<u>3,200</u>	<u>-</u>	<u>-</u>	<u>61,709</u>	<u>-</u>	<u>-</u>	<u>64,909</u>
<u>3,200</u>	<u>-</u>	<u>4,926</u>	<u>61,709</u>	<u>26,345</u>	<u>260,297</u>	<u>769,408</u>
<u>(2,776)</u>	<u>213,449</u>	<u>(450)</u>	<u>(20,904)</u>	<u>(11,813)</u>	<u>(172,783)</u>	<u>5,046</u>
-	-	2,365	-	-	237,681	492,346
-	(237,681)	-	-	-	-	(309,181)
-	(237,681)	2,365	-	-	237,681	183,165
(2,776)	(24,232)	1,915	(20,904)	(11,813)	64,898	188,211
<u>26,468</u>	<u>28,965</u>	<u>(219)</u>	<u>87,073</u>	<u>22,750</u>	<u>1,050</u>	<u>868,201</u>
<u>\$ 23,692</u>	<u>\$ 4,733</u>	<u>\$ 1,696</u>	<u>\$ 66,169</u>	<u>\$ 10,937</u>	<u>\$ 65,948</u>	<u>\$ 1,056,412</u>

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

Schedule 3

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
COUNTY AUDITOR				
ASSETS:				
Cash and pooled investments	\$ 494	\$ 2,575	\$ 2,574	\$ 495
LIABILITIES:				
Due to other funds	\$ -	\$ 2,574	\$ 2,574	\$ -
Trusts payable	494	1	-	495
Total liabilities	\$ 494	\$ 2,575	\$ 2,574	\$ 495
COUNTY RECORDER				
ASSETS:				
Cash and pooled investments	\$ 21,462	\$ 419,777	\$ 423,330	\$ 17,909
Accounts receivable	-	61	-	61
Total assets	\$ 21,462	\$ 419,838	\$ 423,330	\$ 17,970
LIABILITIES:				
Due to other funds	\$ -	\$ 197,153	\$ 197,153	\$ -
Due to other governments	21,462	222,691	226,183	17,970
Total liabilities	\$ 21,462	\$ 419,844	\$ 423,336	\$ 17,970
COUNTY RECORDER'S ELECTRONIC FEE				
ASSETS:				
Cash and pooled investments	\$ -	\$ 10,064	\$ 9,444	\$ 620
LIABILITIES:				
Due to other governments	\$ -	\$ 10,064	\$ 9,444	\$ 620
COUNTY SHERIFF				
ASSETS:				
Accounts receivable	\$ 849	\$ 1,310	\$ 849	\$ 1,310
LIABILITIES:				
Due to other funds	\$ -	\$ 129,632	\$ 129,632	\$ -
Due to other governments	18	73,698	73,698	18
Trusts payable	831	25,284	24,823	1,292
Total liabilities	\$ 849	\$ 228,614	\$ 228,153	\$ 1,310

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

Schedule 3
(continued)

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
AGRICULTURAL EXTENSION EDUCATION FUND				
ASSETS:				
Cash and pooled investments	\$ 2,468	\$ 142,859	\$ 142,521	\$ 2,806
Property tax receivable:				
Delinquent	16	-	16	-
Succeeding year	142,498	159,711	142,498	159,711
Total assets	<u>\$ 144,982</u>	<u>\$ 302,570</u>	<u>\$ 285,035</u>	<u>\$ 162,517</u>
LIABILITIES:				
Due to other governments	<u>\$ 144,982</u>	<u>\$ 302,570</u>	<u>\$ 285,035</u>	<u>\$ 162,517</u>
COUNTY ASSESSOR FUND				
ASSETS:				
Cash and pooled investments	\$ 633,054	\$ 237,462	\$ 293,809	\$ 576,707
Property tax receivable:				
Delinquent	26	2	26	2
Succeeding year	232,041	232,650	232,041	232,650
Total assets	<u>\$ 865,121</u>	<u>\$ 470,114</u>	<u>\$ 525,876</u>	<u>\$ 809,359</u>
LIABILITIES:				
Accounts payable	\$ 349	\$ 8,868	\$ 349	\$ 8,868
Salaries and benefits payable	1,847	5,660	1,847	5,660
Due to other governments	862,925	455,586	523,680	794,831
Total liabilities	<u>\$ 865,121</u>	<u>\$ 470,114</u>	<u>\$ 525,876</u>	<u>\$ 809,359</u>
SCHOOLS FUND				
ASSETS:				
Cash and pooled investments	\$ 222,166	\$ 12,270,538	\$ 12,251,065	\$ 241,639
Property tax receivable:				
Delinquent	1,382	124	1,382	124
Succeeding year	12,239,497	12,555,117	12,239,497	12,555,117
Total assets	<u>\$ 12,463,045</u>	<u>\$ 24,825,779</u>	<u>\$ 24,491,944</u>	<u>\$ 12,796,880</u>
LIABILITIES:				
Due to other governments	<u>\$ 12,463,045</u>	<u>\$ 24,825,779</u>	<u>\$ 24,491,944</u>	<u>\$ 12,796,880</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

Schedule 3
(continued)

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
COMMUNITY COLLEGES FUND				
ASSETS:				
Cash and pooled investments	\$ 11,296	\$ 645,766	\$ 644,765	\$ 12,297
Property tax receivable:				
Delinquent	-	5	-	5
Succeeding year	644,312	642,562	644,312	642,562
Total assets	<u>\$ 655,608</u>	<u>\$ 1,288,333</u>	<u>\$ 1,289,077</u>	<u>\$ 654,864</u>
LIABILITIES:				
Due to other governments	<u>\$ 655,608</u>	<u>\$ 1,288,333</u>	<u>\$ 1,289,077</u>	<u>\$ 654,864</u>
CORPORATIONS FUND				
ASSETS:				
Cash and pooled investments	\$ 76,546	\$ 4,784,033	\$ 4,797,180	\$ 63,399
Property tax receivable:				
Delinquent	661	9	661	9
Succeeding year	4,761,577	4,720,767	4,761,577	4,720,767
Total assets	<u>\$ 4,838,784</u>	<u>\$ 9,504,809</u>	<u>\$ 9,559,418</u>	<u>\$ 4,784,175</u>
LIABILITIES:				
Due to other governments	<u>\$ 4,838,784</u>	<u>\$ 9,504,809</u>	<u>\$ 9,559,418</u>	<u>\$ 4,784,175</u>
TOWNSHIPS FUND				
ASSETS:				
Cash and pooled investments	\$ 4,946	\$ 252,338	\$ 251,771	\$ 5,513
Property tax receivable:				
Delinquent	51	8	51	8
Succeeding year	251,490	260,970	251,490	260,970
Total assets	<u>\$ 256,487</u>	<u>\$ 513,316</u>	<u>\$ 503,312</u>	<u>\$ 266,491</u>
LIABILITIES:				
Due to other governments	<u>\$ 256,487</u>	<u>\$ 513,316</u>	<u>\$ 503,312</u>	<u>\$ 266,491</u>
AUTO LICENSE AND USE TAX FUND				
ASSETS:				
Cash and pooled investments	<u>\$ 465,727</u>	<u>\$ 5,757,557</u>	<u>\$ 5,727,844</u>	<u>\$ 495,440</u>
LIABILITIES:				
Due to other governments	<u>\$ 465,727</u>	<u>\$ 5,757,557</u>	<u>\$ 5,727,844</u>	<u>\$ 495,440</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

Schedule 3
(continued)

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
BRUCELLOSIS AND TUBERCULOSIS ERADICATION FUND				
ASSETS:				
Cash and pooled investments	\$ 1,775	\$ 3,588	\$ 5,294	\$ 69
Property tax receivable:				
Succeeding year	3,579	3,627	3,579	3,627
Total assets	<u>\$ 5,354</u>	<u>\$ 7,215</u>	<u>\$ 8,873</u>	<u>\$ 3,696</u>
LIABILITIES:				
Due to other governments	<u>\$ 5,354</u>	<u>\$ 7,215</u>	<u>\$ 8,873</u>	<u>\$ 3,696</u>
FIRE DISTRICTS FUND				
ASSETS:				
Cash and pooled investments	\$ 1,937	\$ 87,766	\$ 87,655	\$ 2,048
Property tax receivable:				
Succeeding year	87,623	88,051	87,623	88,051
Total assets	<u>\$ 89,560</u>	<u>\$ 175,817</u>	<u>\$ 175,278</u>	<u>\$ 90,099</u>
LIABILITIES:				
Due to other governments	<u>\$ 89,560</u>	<u>\$ 175,817</u>	<u>\$ 175,278</u>	<u>\$ 90,099</u>
E911 SURCHARGE FUND				
ASSETS:				
Cash and pooled investments	\$ 274,071	\$ 147,680	\$ 285,982	\$ 135,769
Receivables:				
Accounts	25,103	34,349	25,103	34,349
Accrued interest	204	296	204	296
Due from other governments	-	1,373	-	1,373
Total assets	<u>\$ 299,378</u>	<u>\$ 183,698</u>	<u>\$ 311,289</u>	<u>\$ 171,787</u>
LIABILITIES:				
Accounts payable	\$ 1,073	\$ 5,142	\$ 1,073	\$ 5,142
Due to other governments	298,305	178,556	310,216	166,645
Total liabilities	<u>\$ 299,378</u>	<u>\$ 183,698</u>	<u>\$ 311,289</u>	<u>\$ 171,787</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

Schedule 3
(continued)

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
JOINT DISASTER SERVICES FUND				
ASSETS:				
Cash and pooled investments	\$ 45,067	\$ 87,343	\$ 116,831	\$ 15,579
Due from other governments	7,800	-	7,800	-
Total assets	<u>\$ 52,867</u>	<u>\$ 87,343</u>	<u>\$ 124,631</u>	<u>\$ 15,579</u>
LIABILITIES:				
Accounts payable	\$ 3,194	\$ 1,914	\$ 3,194	\$ 1,914
Salaries and benefits payable	534	767	534	767
Due to other governments	49,139	84,662	120,903	12,898
Total liabilities	<u>\$ 52,867</u>	<u>\$ 87,343</u>	<u>\$ 124,631</u>	<u>\$ 15,579</u>
CITY SPECIAL ASSESSMENTS FUND				
ASSETS:				
Cash and pooled investments	\$ 1,188	\$ 48,372	\$ 45,546	\$ 4,014
Receivables:				
Special assessments	268,371	244,064	268,371	244,064
Interest on special assessments	14,657	13,192	14,657	13,192
Total assets	<u>\$ 284,216</u>	<u>\$ 305,628</u>	<u>\$ 328,574</u>	<u>\$ 261,270</u>
LIABILITIES:				
Due to other governments	<u>\$ 284,216</u>	<u>\$ 305,628</u>	<u>\$ 328,574</u>	<u>\$ 261,270</u>
TREASURER'S TRUST FUND				
ASSETS:				
Cash and pooled investments	<u>\$ 14,793</u>	<u>\$ 10,666</u>	<u>\$ -</u>	<u>\$ 25,459</u>
LIABILITIES:				
Trusts payable	<u>\$ 14,793</u>	<u>\$ 10,666</u>	<u>\$ -</u>	<u>\$ 25,459</u>

(continued)

BENTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

Schedule 3
(continued)

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
EMPOWERMENT BOARD FUND				
ASSETS:				
Cash and pooled investments	\$ 94,917	\$ 189,381	\$ 192,854	\$ 91,444
Accrued interest receivable	60	194	60	194
Due from other governments	267	5	267	5
Total assets	<u>\$ 95,244</u>	<u>\$ 189,580</u>	<u>\$ 193,181</u>	<u>\$ 91,643</u>
LIABILITIES:				
Accounts payable	\$ 19,543	\$ 22,641	\$ 19,543	\$ 22,641
Due to other governments	75,701	166,939	173,638	69,002
Total liabilities	<u>\$ 95,244</u>	<u>\$ 189,580</u>	<u>\$ 193,181</u>	<u>\$ 91,643</u>
TOTAL COMBINED FUNDS				
ASSETS:				
Cash and pooled investments	\$ 1,871,907	\$ 25,097,765	\$ 25,278,465	\$ 1,691,207
Receivables:				
Property tax:				
Delinquent	2,136	148	2,136	148
Succeeding year	18,362,617	18,663,455	18,362,617	18,663,455
Accounts	25,952	35,720	25,952	35,720
Accrued interest	264	490	264	490
Special assessments	268,371	244,064	268,371	244,064
Interest on special assessments	14,657	13,192	14,657	13,192
Due from other governments	8,067	1,378	8,067	1,378
Total assets	<u>\$ 20,553,971</u>	<u>\$ 44,056,212</u>	<u>\$ 43,960,529</u>	<u>\$ 20,649,654</u>
LIABILITIES:				
Accounts payable	\$ 24,159	\$ 38,565	\$ 24,159	\$ 38,565
Salaries and benefits payable	2,381	6,427	2,381	6,427
Due to other funds	-	329,359	329,359	-
Due to other governments	20,511,313	43,873,220	43,807,117	20,577,416
Trusts payable	16,118	35,951	24,823	27,246
Total liabilities	<u>\$ 20,553,971</u>	<u>\$ 44,283,522</u>	<u>\$ 44,187,839</u>	<u>\$ 20,649,654</u>

BENTON COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION –
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

Schedule 4

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Property and other County tax	\$ 5,267,750	\$ 5,120,351	\$ 5,102,139	\$ 5,352,576
Interest and penalty on property tax	52,646	59,856	29,079	60,454
Intergovernmental	5,858,585	5,538,005	5,927,952	5,894,202
Licenses and permits	22,670	24,704	19,745	19,926
Charges for service	796,899	751,132	738,542	658,388
Use of money and property	219,435	253,989	293,095	428,427
Miscellaneous	402,828	425,577	416,094	374,609
Total	\$ 12,620,813	\$ 12,173,614	\$ 12,526,646	\$ 12,788,582
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,164,766	\$ 2,319,768	\$ 2,010,361	\$ 1,993,841
Physical health and social services	545,343	587,215	612,349	633,033
Mental health	1,563,761	1,478,350	1,546,983	1,405,714
County environment and education	1,062,444	1,206,933	1,388,614	1,255,508
Roads and transportation	5,482,892	4,730,145	4,977,374	4,348,320
Governmental services to residents	438,177	454,203	400,896	386,932
Administration	1,134,024	1,215,945	1,207,992	1,048,167
Debt service	260,297	232,462	220,474	182,724
Capital projects	1,142,180	349,294	293,039	445,615
Total	\$ 13,793,884	\$ 12,574,315	\$ 12,658,082	\$ 11,699,854

**INFORMATION PROVIDED TO COMPLY WITH
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**



CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Officials of Benton County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise Benton County's basic financial statements and have issued our report thereon dated October 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We also noted certain additional matters that we reported to management of Benton County in a separate letter dated October 18, 2005.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Benton County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 18, 2005



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Officials of Benton County:

Compliance

We have audited the compliance of Benton 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 its major federal program for the year ended June 30, 2005. The County's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on Benton County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 the 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 of the County's compliance with those requirements.

In our opinion, Benton County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Benton 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 the 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 the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. 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 judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described as item III-A-05 of the accompanying Schedule of Findings and Questioned Costs.

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 18, 2005

BENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct			
Department of Justice			
State and Local Task Force Agreement	N/A		\$ <u>31,049</u>
Total Direct			<u>31,049</u>
Indirect			
Department of Agriculture			
Iowa Department of Human Services			
Human Services Administrative Reimbursements			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>7,730</u>
Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grants/ State's Program	14.228	03-WS-040	<u>4,476</u>
HOME Investment Partnerships Program	14.239	00-HM-106-65	<u>4,811</u>
Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-CO06(59)- -8J-06	193,427
Highway Planning and Construction	20.205	BROS-CO06(61)- -8J-06	<u>202,681</u>
			<u>396,108</u>
Iowa Department of Transportation and East Central Iowa Council of Governments			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		<u>20,001</u>
Iowa Department of Transportation			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		<u>1,890</u>
Department of Health and Human Services			
Iowa Department of Human Services			
Child Care and Development Block Grant	93.575		45,469
Child Care and Development Block Grant	93.575		<u>793</u>
			<u>46,262</u>
Human Services Administrative Reimbursements			
Temporary Assistance for Needy Families	93.558		<u>10,213</u>
Refugee and Entrant Assistance – State Administered Programs			
	93.566		<u>12</u>

(continued)

BENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued)			
Department of Health and Human Services (continued)			
Iowa Department of Human Services (continued)			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		\$ <u>2,010</u>
Foster Care – Title IV-E	93.658		<u>5,407</u>
Adoption Assistance	93.659		<u>1,261</u>
Medical Assistance Program	93.778		<u>11,058</u>
Social Services Block Grant	93.667		6,796
Social Services Block Grant	93.667		<u>76,678</u>
			<u>83,474</u>
Department of Homeland Security			
Iowa Department of Public Defense			
State Domestic Preparedness Equipment Support Program	97.004		49,278
State Domestic Preparedness Equipment Support Program	97.004		<u>73,488</u>
			<u>122,766</u>
Public Assistance Grants	97.036		<u>22,305</u>
United Way of America			
Emergency Food and Shelter National Board Program	97.024	22-2856-00	<u>5,220</u>
Total Indirect			<u>745,004</u>
Total			<u>\$ 776,053</u>

N/A – Not Available.
See notes to the Schedule of Expenditures of Federal Awards.

BENTON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

Note 1. Basis of Presentation

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

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Benton County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
State Domestic Preparedness Equipment Support Program	97.004	\$ 66,692

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements but were not considered material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements but was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Benton County did not qualify as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITIONS

II-A-05 Sheriff's Office - Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

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

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

Response – The front office only employs two people. The duties are shared for the most part. Quarterly reports are prepared for supervisor review and a yearly audit of the books are done. We feel that with only two people in the front office, this is the best that can be offered.

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

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

II-B-05 County Recorder's Office - Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

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

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

Response - We do segregate the duties in the Recorder's Office as much as possible with the staff we have.

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

II-C-05 Treasurer's Office - Segregation of Duties - Several persons in the Treasurer's office take turns receipting funds, making deposits, and reconciling bank statements. This situation presents a lack of segregation of duties.

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

Response - I continue to pull work sporadically to check over work and verify deposit of funds. I also balance the daily work with the state motor vehicle report and the daily cash receipting report.

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

Part III: Findings and Questioned Costs for Federal Awards:

REPORTABLE CONDITION

CFDA Number 20.205: Highway Planning and Construction
Pass-Through Agency Numbers: BROS-CO06(59)- -8J-06 and BROS-CO06(61)- - 8J-06
Department of Transportation
Passed Through the Iowa Department of Transportation

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs for Federal Awards: (continued)

III-A-05 Segregation of Duties over Federal Revenues and Expenditures – Lack of segregation of duties over revenues and expenditures, including those related to federal programs, exist in the Treasurer’s Office. See audit finding II-C-05.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories - A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, did not exceed the amounts budgeted by function.

IV-C-05 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

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

IV-E-05 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Robert Mahood, Jr., conservation board member, owner of Mahood Shoes	Supplies	\$ 492
Mary Halstead, Transportation Director, husband is owner of Halstead Auto	Maintenance	100
Jeff Winsor, employee of secondary roads, owner of Winsor Concrete Designs	Equipment rental	973
David Henkel, member of the conservation board, owner of Henkel’s Service and Repair	Maintenance	6,140
David Vermedahl, member of Board of Supervisors, owner of Three Rivers Insurance	Insurance	950

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were either less than \$1,500 during the fiscal year or were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

- IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-G-05 Board Minutes – No transactions were found that we believe should have been approved in the board minutes but were not.
- IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-I-05 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-05 Solid Waste Fees Retainage - The County used or retained the solid waste fees in accordance with Chapter 455E.11.2(a)(11), (13), and (15) of the Code of Iowa.
- IV-K-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005, for the County Extension Office did not exceed the amounts budgeted.