

CERRO GORDO COUNTY, IOWA

OFFICIALS
June 30, 2002

Board of Supervisors

<u>Name</u>	<u>Term Expires</u>	<u>Address</u>
Robert Amosson.....	January 2003.....	Rockwell, Iowa
Phillip Dougherty.....	January 2005.....	Dougherty, Iowa
Jay Urdahl.....	January 2005.....	Mason City, Iowa

Officers

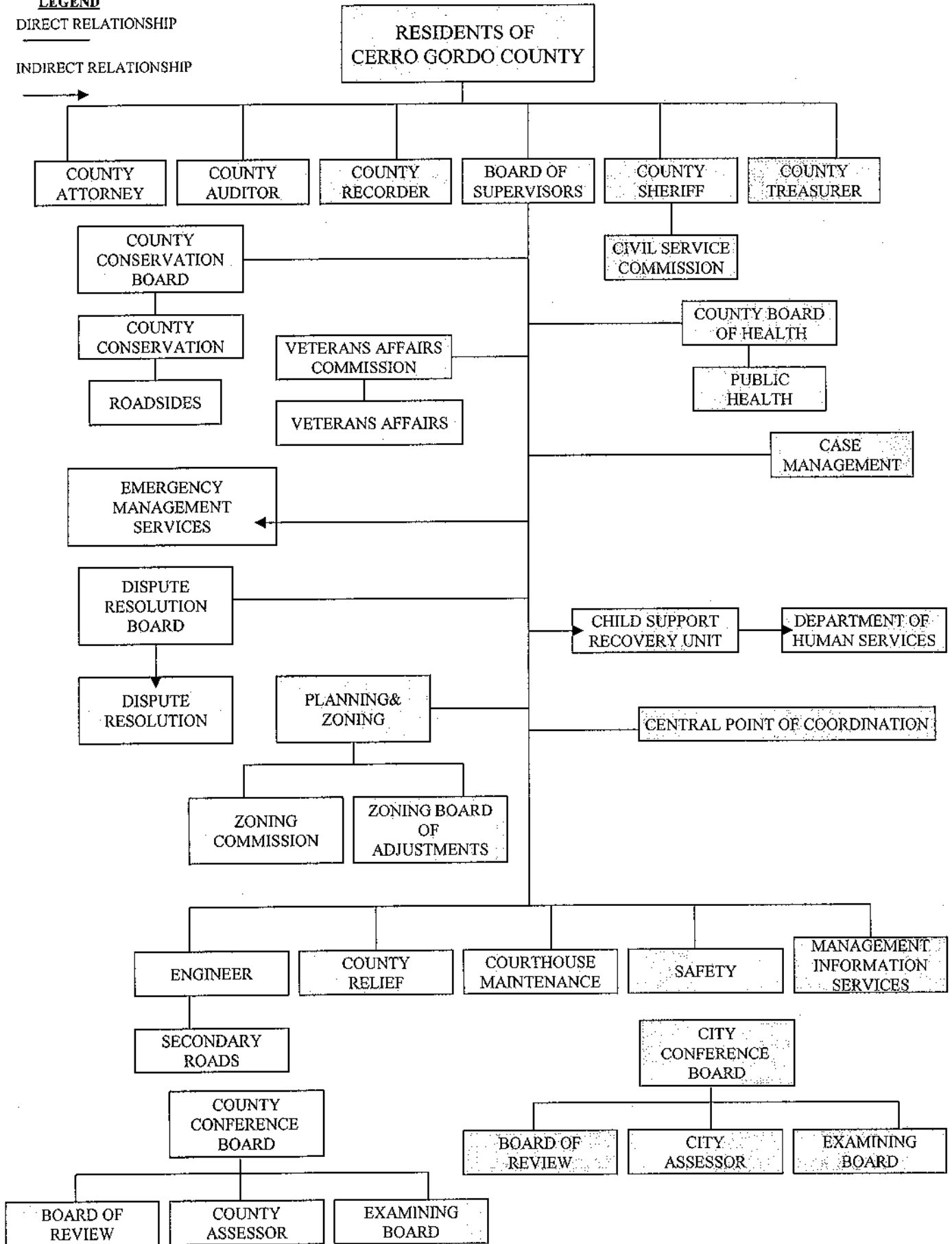
<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kenneth Kline.....	January 2005.....	Auditor
Michael J. Grandon.....	January 2003.....	Treasurer
Colleen Pearce.....	January 2003.....	Recorder
Kevin Pals.....	January 2005.....	Sheriff
John Boedeker.....	Appointed.....	County Assessor
Robert Zinnel.....	Appointed.....	City Assessor
Paul Martin.....	January 2003.....	County Attorney

CERRO GORDO COUNTY ORGANIZATIONAL CHART

LEGEND

DIRECT RELATIONSHIP

INDIRECT RELATIONSHIP



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cerro Gordo County,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Vate
President

Jeffrey L. Essler
Executive Director



County Auditor

Cerro Gordo County

220 North Washington
Ken Kline, County Auditor

Mason City, Iowa 50401

(515) 421-3027
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December 19, 2002

County Board of Supervisors and Citizens
Cerro Gordo County, Iowa

The Comprehensive Annual Financial Report of Cerro Gordo County, Iowa for the fiscal year ended June 30, 2002 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

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

Economic Condition and Outlook

Cerro Gordo County, with the Cities of Mason City, Clear Lake, and eight smaller cities, is the eleventh largest of ninety-nine counties in the state, and serves as a regional center for north central Iowa in the areas of commerce, industry, retail shopping, higher education, and health care services. The surrounding area has an economic base that is historically agricultural in nature, but Cerro Gordo County also has several strong industries and commercial enterprises. With a low rate of unemployment and the lack of a single, dominant employer, the economy of the area is dynamic, robust, and broad-based. Tourism is an important industry in Cerro Gordo County, largely due to Clear Lake, which, at 3,865 acres, is the third largest natural lake in Iowa, and is the namesake of the surrounding city.

The City of Mason City has about two-thirds of the 46,000 persons in the County, and is ranked as the seventh best "micropolitan" in the Midwest and in the top 10% nationally by The Rating Guide to Life in America's Small Cities. Factors that led to this ranking include the cost of living, excellence in education, overall quality of life, health care, and affordable housing. The ranking was for cities with populations between 15,000 and 50,000 persons. Mason City continues to be active in industrial and commercial recruitment and development, and has received the Community Economic Preparedness Program (CEPP) certification by the Iowa Department of Economic Development.

Cerro Gordo County is the regional center for retail shopping. Total retail sales for Cerro Gordo County were \$571 million in 2000, the latest year for which figures are available, compared to \$637 million in 1999 and \$615 million in 1998. This is the fifth year in a row that retail sales have exceeded one-half billion dollars, according to analysts at Iowa State University.

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

Cerro Gordo County serves as a regional hub for transportation with an airport, three railroad branch lines, and Interstate 35, which runs north-south the length of the County. In November 1999 the Iowa Department of Transportation opened the "Avenue of the Saints", (the link between Interstates 35 and 80). With the completion of this major transportation artery, Cerro Gordo County is poised for future economic growth.

In general news, the 2000 census showed a .6% decline in the population in Cerro Gordo County compared to 1990, from 46,733 to 46,447 persons. Meanwhile, the overall population in the State of Iowa increased by 5.4% during the same period. Also, according to information from the Mason City Economic Development Corporation, no county in North Iowa during the fiscal year exceeded 4% in unemployment, and all counties had 2% less unemployment than the national average.

The County is a regional center for health care services. The City of Mason City has the third highest number of physicians per capita in the State, trailing only the Cities of Des Moines and Iowa City. Mercy Medical Center - North Iowa is the County's largest employer with two facilities and affiliations with nine rural hospitals. The 350-bed health center employed more than 2,600 people during the fiscal year and had supporting services from more than 200 physicians, physician assistants, and nurse practitioners. As the premier health care delivery network in northern Iowa and southern Minnesota, Mercy Health Network - North Iowa spans 23 counties in northern Iowa and consists of a secondary referral medical center, Mercy Medical Center - North Iowa; Mercy Clinics; a primary and specialty physician network; a home health agency; a hospice; a senior services agency; a regional referral laboratory; regional rehabilitation and diagnostic technology services; an emergency services network; pharmacies, and a variety of other health care services.

In retail news, Mills Fleet Farm, a family-owned chain of 28 stores, opened a new 230,000 square foot store, becoming the largest retail outlet in Mason City. The company has 150 to 200 full-time and part-time employees, and sells farm, auto, construction, lawn and garden, sporting goods, hardware, housewares, toys, and clothing supplies, and includes an automobile service center. The company also built a 3,000 square foot convenience store and adjoining car wash on the 62.5-acre site. The new store is located on the west side of Mason City, and opened on May 2, 2002. Mills has owned land at the Mason City site for 16 years, and invested an estimated \$7 million in the project.

In addition to Mills Fleet Farm, other building projects took place on the west side of Mason City. Across the road from Mills, Menards built a 16,500 square foot addition on its retail store. Four local businesses, Wayne's, Ski and Cycle, Decker Sporting Goods, Farm Credit Services, and Culligan moved into new buildings on the western edge of the city. Also, Country Inn and Suites opened a new motel in the same area.

At the close of the fiscal year, construction neared completion on the new Wal-Mart Supercenter located on the west edge of Mason City. The new store is on a 310-acre site approved for a mix of commercial and industrial zoning. The owner of the development, Indianhead Farms, has said that they anticipate a strip mall and industrial park to be developed over the next few years. The company paid almost \$2 million for the site, while the development was held up for 15 months due to a rezoning dispute that involved three Planning and Zoning rejections, a city ordinance change, and the filing of a lawsuit.

Industrial economic news was mixed during the fiscal year. Sunny Fresh Foods announced an \$11 million, 50,000 square foot addition, doubling the size of its egg processing plant. The company had opened the plant the prior year, and officials said the expansion would increase the current number of 46 employees by an additional 15 or 20 new jobs. Company officials said the Mason City plant would begin producing a cooked egg product that is not produced anywhere else in the world, and said that the revolutionary process would eliminate work in restaurants' preparation of eggs. The local plant produces a liquid egg product used by a majority of the 13,000 McDonald's restaurants in the country. The company has about 1,000 other customers, including schools and military operations.

Also on the positive side, Alliant Energy and its subsidiary, Interstate Power and Light Company, selected Cerro Gordo County as the site of a new 500-megawatt, \$400 million, natural gas-fired power plant. Company officials said the project will take nearly two years, and will employ 400 to 500 people during construction. Once completed, the plant will employ about 20 full-time salaried people, and will generate more than \$1 million in new tax revenues annually, as well as enough power to supply 150,000 homes.

Other local industries showed signs that the economy has weakened, with several companies announcing closings during the year. David Manufacturing Co. (DMC) closed its doors after 37 years in business in Mason City, laying off 97 employees. Founded by local inventor David Murphy, the company grew to become a leading producer of agricultural and grain-handling equipment distributed worldwide. DMC was sold in 1997 to GSI Group, an Illinois-based corporation, and was the first local manufacturer to close during the fiscal year. The news of the DMC closing was somewhat tempered when the Mason City Economic Development Corporation announced that it would purchase and lease the plant to Curries Company, Mason City's largest manufacturer. Curries officials moved the frame fabrication and distribution operation to the former DMC site in anticipation of future growth. Curries rented five out of six buildings on the 52-acre site, and the sixth was leased to GSI.

Other manufacturers followed DMC in closing local plants. Mason City Millworks, another long-time Mason City manufacturer, closed after 91 years in business, laying off 20 full-time employees. Company officials said the closing was due to the loss of a contract as an independent distributor for Andersen windows. Wellborn Industries also closed, blaming a depressed electronics industry and competition from China-based companies that have taken over one-third of the U.S. market. Founded in Mason City in 1979, the company manufactured

electronic circuit boards. The Wellborn closing put 65 employees out of work, and followed a downsizing the previous year, which was an effort to respond to the market and competition. Officials from Lexstar Technologies Inc. announced the largest local closing, moving the company's battery manufacturing operations to Juarez, Mexico. Formerly Alexander Technologies, the move affected 150 employees, but company officials said that the product development and design center operations will remain in Mason City. Also, Ron Weber & Associates closed after 11 years in Cerro Gordo County. The national telemarketing company employed 25 people in Mason City at the time of the closing.

In addition to announcements of closings by the several manufacturers, some other local employers laid off employees during the fiscal year. Mercy Medical Center – North Iowa, the County's largest employer, announced the layoff of 10 physicians and 7 physician assistant and nurse practitioners in Mason City and surrounding communities. Principal Financial Group eliminated 41 jobs in its Mason City operation, blaming a decline in the economy and equity markets. Principal is the nations largest provider of 401k retirement plans. FRC Components Products laid off 10% of its workforce, affecting fewer than 20 employees in the Mason City plant. FRC manufactures custom-designed injection-molded products used in commercial and military aviation, and company officials said the layoffs were due to a slowdown in the airline industry following the September 11, 2001 terrorist attacks.

Major Initiatives

The County put a website online for the first time on February 22, 2002. The first use of the website was to inform voters of changes in precincts and polling sites as a result of the decennial census the prior year, and the affect of those changes on a special election to fill a vacancy in Iowa Senate District 10. The special election was held on March 12, 2002 after an order by the governor less than three weeks before. Confusing the process was the fact that the term of the winner of the District 10 seat would end at the close of 2002, at which time the statewide redistricting of the House and Senate seats would split the County into Senate Districts 6 and 7; while at the same time the special election was required by law to be held on the basis of the new precincts. The website contained precinct maps, information on voter registration and absentee voting, including request forms, and general information on the special election, redistricting, canvass of election, and public test of the election equipment. Following this introduction, the website has been used by several offices for the distribution of public information.

The County made major progress during the fiscal year on the Meservey Wastewater Collection and Treatment Facility project. This project was modeled on the innovative Swaledale sewer project in which the City of Swaledale issued a franchise to Cerro Gordo County several years ago to build and maintain a sanitary sewer system within the City. The United States Department of Agricultural (USDA) Office of Rural Development required the County's involvement in both projects, due to concerns that the cities might cease to exist during the 40-year terms of the project loans. Each project was a unique example of intergovernmental cooperation between federal, state, county, and city officials.

Funding for the Meservey sewer project included two USDA grants totaling \$894,900, a \$250,000 community development block grant from the State of Iowa, and two USDA loans totaling \$312,300. User fees will be set in an amount sufficient to pay the loan amounts, as well as operational costs of the sewer system.

Contract I of the project was defined to include construction of a 3-celled controlled discharge lagoon treatment facility. That initial contract totaled \$731,793.59 and was awarded to Holland Contracting Corporation in an agreement dated August 7, 2001. Contract II of the project was defined to include construction of gravity sanitary sewer service connections to 140 residences and businesses. The second contract was awarded to Clair Reutzel and Son Excavating in a separate agreement on the same date as above in the initial amount of \$299,999.45. Construction is now expected to be completed in Spring 2003.

A major political and emotional issue during the fiscal year was the construction of large-scale animal confinement operations. While the issue has been hotly discussed in other areas of the state for several years, even leading to a lawsuit filed by Farm Bureau against a Worth County ordinance, it did not hit home until Sparboe Farms acted to build a large chicken confinement operation seven miles south of Ventura. The point of contention pits the freedom of agricultural business against concerns of public health and the environment. At a governmental level it pits the statutory prohibition of County government from the adoption regulation of production, care, and feeding of animals, against the statutory responsibility of the County to protect the public health.

On February 26, 2002 the board of supervisors approved a resolution imposing a one-year moratorium on the construction or expansion of animal confinement facilities within the County, in apparent challenge to state law. That action was followed by the adoption of an ordinance on May 14, 2002, which imposed a like one-year moratorium. The purpose of the ordinance was to give local public health officials adequate time to assess health and environmental concerns related to confined animal feeding operations, to establish objective measurable standards of enforcement, and to provide penalties for violations.

The action by the Cerro Gordo County board of supervisors was closely watched across the state. Several counties adopted similar ordinances, and the state legislature drafted and adopted Senate File 2293 as a direct result. SF 2293 established standards for manure application based on an index for phosphorus content, established new setback distances for concentrated animal feeding operations (CAFOs), authorized the Iowa Department of Natural Resources (DNR) to monitor and enforce air quality standards near CAFOs, lowered the threshold of the number of livestock within a facility to require a state permit, changed some of the requirements for acceptance of manure management plans, and authorized the use of a scoring system (master matrix) to be used both by county supervisors and the DNR in determining whether a CAFO construction permit would be issued.

During the fiscal year, actions to resolve the ongoing problem of overcrowded conditions in the county jail took a different direction. In the prior fiscal year the County had contracted with Franklin, Floyd, and Butler Counties to hire Plepla and Associates, Inc. to do a study on a possible regional jail. Gordon Plepla had presented to sheriffs and supervisors from Franklin, Floyd, and Cerro Gordo the results of that study at a joint meeting hosted by Cerro Gordo County on 02-01-2001. The proposal included a 166-bed facility and attached courtroom, with a projected cost was \$11.9 million, the majority of which Cerro Gordo County would be responsible to pay, based on inmate population. Separately, Plepla presented a plan to Cerro Gordo County for an individual county jail that detailed a 114-bed facility at a cost of \$7.8 million. Plepla reported that his analysis showed it would be more economical for the County to build an individual county jail as opposed to participating in a regional jail facility.

This year, however, following preliminary discussion with the City of Mason City, the County entered into an agreement with Plepla and Associates, Inc. for a feasibility study of a Joint Law Enforcement Center. Phase I of the agreement is a needs assessment that will address administration and management, building and safety code compliance, facility organization, environmental conditions, security, program, services, and support areas, and fire safety/occupant protection. Phase II of the study will be a review of operations that includes a definition of philosophical similarities and differences, as well as services and space needs.

During the fiscal year the County began the first stage of a geographic information systems (GIS) project by entering into a \$65,000 contract with WHKS & Company, a local engineering firm, to survey and set permanent ground-control points on a three-mile grid across the entire County. These points were established using global positioning satellite (GPS) technology, and are the basis upon which highly accurate aerial photos will be used for engineering and surveying purposes.

The County entered into a \$233,000 contract for the second stage of the GIS project with Aerial Services, Inc. out of Waterloo, Iowa. The second phase will include the acquisition of new color aerial photography and

creation of rectified digital orthophotos and a digital terrain model. Aerial photographs were first taken of the County in 1939, with subsequent photos taken every ten years or so. The last aerial photos were taken in 1989 when the County contracted with The Sidwell Company of Chicago for an initial computerized mapping project. The new aerial photos were taken in March and April 2002. The aerial photos will be digitized and ortho-rectified to correct for the tip and tilt of the camera and the image displacement created in a two-dimensional image by structures on the ground and the relief of the earth. The images will then be blended from a series of overlapping photographs into a continuous electronic image of the County. Finally, a three-dimensional digital terrain model (DTM) will be created. Cerro Gordo County will be the first in the State of Iowa to have digitized color aerial photography.

The final stage of the GIS project was contracted to The Sidwell Company out of Chicago, Illinois. The contract is for a not-to-exceed amount of \$250,000, and will include the correction of the County's cadastral maps (tax maps) based upon the more accurate digital orthophotos. The maps will then be upgraded by creating parcel topology, a process by which a parcel can exist in a GIS system as an entity, as opposed to a series of lines. The benefit of parcel topology is the ability to do "spatial analysis" by relating the GIS system to various databases. It is expected that a true GIS system will have multiple uses for a variety of departments in County government, as well as applications for other governments, surveyors, abstractors, appraisers, and development officials, and that a specific project with timelines, costs, and recommended vendors can be presented to the board of supervisors in the next fiscal year.

In addition to entering into the three contracts for the GIS project, the board of supervisors formalized a committee comprised of the county auditor, county assessor, city assessor, county engineer, county planning and zoning administrator, and MIS director into a standing GIS committee.

During the fiscal year the County began the Lee Street and the Patriarchs Militant I.O.O.F. Park Paving Projects. These paving projects are anticipated to be similar to the Oakwood Paving Project that was completed last year, and are expected to be finished during the fiscal year ending in June 2003.

Also during the fiscal year the County board of supervisors voted to support funding \$300,000 to the Mason City Foundation for the Music Man Square. The grant will be in amounts of \$75,000 each year for four years from the economic development portion of the local option sales tax revenues, and matched a \$500,000 grant from the City of Mason City. The board of supervisors also voted to use the County's bonding authority to issue \$6 million in private school facility revenue bonds for the Newman Schools Project.

Financial Information

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

Single Audit

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

As a part of the County's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2002 reported no instances of material weaknesses in the internal control structure and no significant violations of applicable laws and regulations.

Budgetary Controls

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

The State of Iowa requires the adoption of an annual budget with total County operating expenditures listed by major program service area. Activities of the general fund, special revenue funds, capital projects funds, debt service fund and expendable trust funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the total program service area level. In addition, individual County officials' expenditures cannot exceed the amounts appropriated by the Board.

Revenues

The following schedule presents a summary of revenues in the general fund, special revenue funds, capital projects funds, debt service fund and expendable trust funds for the fiscal year ended June 30, 2002 and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue Source	Amount	Percent of Total	Increase (Decrease) From FY 2001	Percent Increase (Decrease) From FY 2001
Property Taxes & Other County Taxes	\$ 9,928,084	47.4%	\$(35,868)	(.4%)
Interest & Penalties on Delinquent Taxes	128,449	0.6%	14,563	12.8%
Intergovernmental	8,150,270	39.0%	508,029	6.7%
Licenses and Permits	17,870	0.1%	(7,812)	(30.5%)
Charges for Services	1,607,381	7.7%	374,821	30.4%
Use of Money & Property	411,350	2.0%	(301,898)	(42.4%)
Fines, Forfeits & Defaults	2,369	0.0%	441	22.9%
Miscellaneous	679,024	3.2%	(105,527)	(13.5%)
Total	\$20,924,797	100.0%	\$446,749	2.2%

Intergovernmental revenues had the largest dollar increase of \$508,029 due to additional mental health funding received from the State of Iowa. Charges for Services had the largest percent increase of 30.4%, which is attributable to additional revenues within the various departments: Recorder's, Treasurer's, Sheriff's, Case Management, and the Health Department. The most significant decrease in revenues for dollars, \$301,898 and percentage, 42.4% was Use of Money & Property. This decrease was due to lower interest rates which resulted in less interest income. Property tax and other county taxes also decreased \$35,868 due to lower tax levies compared to the previous year. Miscellaneous revenues also decreased \$105,527 for the year due to a reduction in special assessment dollars received. In fiscal year 2001, the County had a new special assessment project, with property owners having the option to pay the assessment in full in March 2001.

Expenditures

The following schedule presents a summary of expenditures in the general fund, special revenue funds, capital projects funds, debt service fund and expendable trust funds for the fiscal year ended June 30, 2002 and the amount and percentage of increases and decreases in relation to prior year revenues.

Function	Amount	Percent of Total	Increase (Decrease) From FY 2001	Percent Increase (Decrease) From FY 2001
Public Safety	\$3,548,299	17.2%	\$206,777	6.2%
Court Services	290,628	1.4%	(12,099)	(4.0%)
Physical Health and Education	2,021,633	9.8%	111,347	5.8%
Mental Health	4,790,348	23.2%	(473,350)	(9.0%)
Social Services	1,472,606	7.1%	344,522	30.5%
County Environment	592,431	2.8%	11,846	2.0%
Roads & Transportation	4,577,949	22.2%	249,572	5.8%
State and Local Government	754,305	3.6%	141,309	23.1%
Interprogram Services	1,626,570	7.9%	(25,784)	(1.6%)
Non-program Services	31,871	0.2%	(2,428)	(7.1%)
Debt Service	339,763	1.6%	(323,108)	(48.7%)
Capital Projects	611,437	3.0%	(619,238)	(50.3%)
Total	\$20,657,840	100.0%	\$(390,634)	(1.9%)

Social Services had the most significant dollar and percentage increase due to empowerment pass-through funds received from the State and Federal government. These dollars are passed through to community organizations for the school ready and early childhood programs. Public Safety's increase of \$206,777 was due to additional jail expenditures, capital expenditures for the Sheriff's office, and increased expenditures in the Attorney's office. Another large increase of \$249,572 was in the Roads & Transportation area due to the completion of a new overpass. Capital Projects had the largest decrease of \$619,238. This is due to fewer secondary road projects for the current year, and the absence of the prior year's projects, which included the purchase of a new radio console for the Sheriff's department. The final sizable decrease of \$323,108 in the Debt Service area is attributable to the retirement of a bond issue in fiscal year 2001.

Overall, the County increased revenues by 2.2% and decreased expenditures by 1.9%.

Enterprise Operations

During fiscal year 2001-2002, the County operated two enterprise funds. The Swaledale Wastewater Collection & Treatment Facility Fund accounts for the Swaledale wastewater collection and treatment facility, and the Meservey Wastewater Collection & Treatment Facility Fund accounts for the Meservey wastewater collection and treatment facility.

Agency Funds

Agency funds are used to account for assets held by the County as an agent for other governments, private organizations, and other funds. The County collects property taxes and related state replacement taxes for other local governments, which are then apportioned and remitted to the appropriate local government.

Fund Balance

The total unreserved fund balance of the County as of June 30, 2002 was \$7,705,092, an increase of \$841,312 or 12.3% over the prior year. The unreserved general fund balance increased \$574,600 (13.6%) from \$4,177,714 to \$4,752,314.

Cash Management

The County's investment policy is to ensure the safety of public funds by minimizing credit and market risk while maintaining a competitive yield on its portfolio. Idle funds during the year were invested in those investments authorized by law and included certificates of deposit and interest bearing bank accounts. Interest revenue on all governmental fund investments for the fiscal year was \$319,036, down \$326,363, a 50.6% decrease from the prior fiscal year.

Debt Administration

On June 30, 2002, the County's capital loan notes totaled \$1,214,827. The debt consisted of \$635,000 in general obligation debt and \$579,827 in sewer revenue capital loan notes.

Under current State statutes, the County's general obligation debt limitation is five percent of its gross assessed valuation of property. As of June 30, 2002, the general obligation debt was well below the legal limit of \$109,706,003.

The ratio of net general bonded debt to assessed valuation and net general bonded debt per capita are indicators of the County's debt position. Following is the data aforementioned for fiscal year 2001-2002 and the prior two fiscal years:

	<u>6-30-2002</u>	<u>6-30-2001</u>	<u>6-30-2000</u>
Net general bonded debt	\$635,000	\$930,000	\$1,520,000
Ratio of net general bonded Debt to assessed value	.03%	.04%	.08%
Net general bonded debt per capita	\$13.91	\$20.02	\$33.28

Risk Management

Cerro Gordo County is self-insured for employee health insurance. The Safety Department manages other types of insurance, including worker's compensation, general liability, property, fleet, law enforcement professionals,

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

Other Information

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cerro Gordo County, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2001. This was the sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully submitted,



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Finance Assistant
Office of the County Auditor
Cerro Gordo County, Iowa

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