

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1: Summary of Significant Accounting Policies

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

A. REPORTING ENTITY

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

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

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

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

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

B. FUND ACCOUNTING

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental Fund Types – Governmental Funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the County's Governmental Fund Types:

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

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Fund - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Funds – Proprietary Funds are used to account for the County's on-going organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the County's Proprietary Fund Types:

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services purchased by one department or agency to other departments or agencies of the County, or to other governments, on a cost reimbursement basis. The County currently uses Internal Service Funds for the purpose of purchasing telephone service, insurance and providing self-insurance for certain risks.

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises —where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control or other sound financial management purposes.

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the County in a trustee capacity. These include expendable trust funds which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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.

Account Groups – An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The following are the County's account groups:

General Fixed Assets - This account group is established to account for all fixed assets of the County, other than those accounted for in the Proprietary Funds.

General Long-Term Debt - This account group is established to account for all long-term debt and other long-term liabilities of the County except that accounted for in the Proprietary Funds. Long term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS

Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources". Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is segregated into contributed capital and retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its proprietary funds, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those 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.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Fund Types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Fund are accounted for using the modified accrual basis of accounting.

E. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County board of Supervisors in March 2001.

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

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

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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

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

General Fixed Assets - General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time of an asset is removed from service, the cost is removed from the General Fixed Asset Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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

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

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year-end.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave benefits payable to employees. Amounts representing the cost of compensated absences expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on current rates of pay.

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1: Summary of Significant Accounting Policies (Continued)

Unreserved Retained Earnings – The unreserved retained earnings of the Health Insurance Fund is designated for anticipated future catastrophic losses of the county.

F. BUDGETARY AND APPROPRIATION DATA

In accordance with the Code of Iowa, annual budgets are adopted for the General, Special Revenue, Capital Projects, Debt Service, and Expendable Trust Fund Types on the modified accrual basis by the Board of Supervisors, following required public notice and hearing. The Board of Supervisors then appropriates, by resolution, the amounts by program service area deemed necessary for each of the different County offices and departments. Appropriations as adopted or amended lapse at the end of the fiscal year. Thus, no encumbrances exist at year-end.

A budget amendment must be prepared and adopted in the same manner as the original budget. The County budget was amended as prescribed and the amended amounts are shown in the financial statement presentation. Supplemental appropriations are provided when unanticipated revenues become available or when unanticipated program expenditures are needed. These supplemental appropriations were not material in relation to the originally adopted amounts.

County management may amend detail line-item budgets as long as the total budget for each service area does not exceed the budgeted level of authorized expenditures.

The legal level of control (the level of which expenditures may not legally exceed appropriations) is service area for budgeted governmental and expendable trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on 12 major classes of expenditures known as service areas. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service, and capital projects. Legal budgetary control is also based upon the appropriation to each office or department, in accordance with State of Iowa statute.

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 Joint Disaster Services, by the Joint Disaster Services Administration; and for the County and City Assessors, by the County and City Conference Boards.

G. TOTAL (MEMORANDUM ONLY)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned *Memorandum Only* to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2: Cash and Pooled Investments

The County's deposits, including certificates of deposits, at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS June 30, 2002

Note 3: Property and Equipment

GENERAL FIXED ASSETS

Changes in general fixed assets during the year ended June 30, 2002 are summarized as follows:

	Balance at 7-1-01	Additions	Deletions	Balance at 6-30-02
Land and Improvements	\$2,091,234	\$ 0	\$ 0	\$2,091,234
Buildings	4,320,146	0	0	4,320,146
Equipment	6,366,072	231,059	198,125	6,399,006
Vehicles	2,314,941	286,392	137,383	2,463,950
	<u>\$15,092,393</u>	<u>\$517,451</u>	<u>\$335,508</u>	<u>\$15,274,336</u>

ENTERPRISE FUNDS

The following is a summary of Enterprise Fund fixed assets, net of accumulated depreciation, at June 30, 2002:

	Meservey Waste Water Collection & Treatment Facility	Swaledale Waste Water Collection & Treatment Facility	Total
Land and Improvements			
Total Fixed Assets	\$37,300	\$1,189,417	\$1,226,717
Less: Accumulated Depreciation	0	152,923	152,923
Construction in Progress	1,088,081	0	1,088,081
Net Fixed Assets	<u>\$1,125,381</u>	<u>\$1,036,494</u>	<u>\$2,161,875</u>

Note 4: Due to Other Governments

A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$183
Special Revenue		
Secondary Road		3,463
Mental Health		290,730
Public Health		1,680
Enterprise		
Wastewater Collection & Treatment Services		170
Trust & Agency	Collections	
County Special Appraisal		217,450
Schools		21,497,310
City Assessor		180,673
Corporations		11,904,504
Auto License & Use Tax		714,417
City Special Appraisal		123,040
County Assessor		335,836
E911 Operations		500,821
City Special Assessments		343,120
All Others		1,979,671
		<u>\$38,093,068</u>

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 5: Capital Lease Obligations

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

Minimum future obligations on the capital lease obligation in effect at June 30, 2002 are as follows:

Year Ending June 30,	Nursing Software	Postage Machine	Total
2003	\$7,475	\$5,904	\$13,379
2004	0	5,904	5,904
2005	0	5,904	5,904
2006	0	4,428	4,428
	7,475	22,140	29,615
Less: Amount Representing Interest	373	3,646	4,019
	\$7,102	\$18,494	\$25,596

Payments under capital lease purchase agreements for year ended June 30, 2002, totaled to \$15,641.

Note 6: General Obligation Capital Loan Note and Bonds

The County has issued \$300,000 in general obligation capital loan notes and \$620,000 and \$505,000 in general obligation bonds to fund the costs of construction of residential on-site waste water treatment and disposal facilities, a sanitary sewer project, and building and data processing improvements, respectively. The notes are payable from a continuing annual levy of taxes on all of the taxable property in the County. The County redeemed the remaining principal (\$35,000) balance for the general obligation capital loan note during the year. Details of the outstanding bonds are as follows:

Year Ending June 30	1999 \$620,000 Issue		
	Interest Rate	Principal	Interest
2003	4.30%	\$60,000	\$21,017
2004	4.40%	60,000	18,437
2005	4.50%	60,000	15,797
2006	4.60%	65,000	13,097
2007 & Thereafter	4.65-4.75%	215,000	20,522
		\$460,000	\$88,870
Year Ending June 30	2000 \$505,000 Issue		
	Interest Rate	Principal	Interest
2003	4.90%	\$175,000	\$8,575

Note 7: Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS June 30, 2002

Note 8: Sewer Revenue Capital Loan Notes

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

Year Ending June 30	Principal	Interest
2003	\$3,476	\$12,039
2004	3,633	11,882
2005	3,796	11,719
2006	3,967	11,548
2007 and thereafter	252,655	212,551
	<u>\$267,527</u>	<u>\$259,739</u>

The Company has also issued \$59,100 and \$253,200 in sewer revenue capital loan notes to fund the costs of improvements and extensions to the County's Sanitary Sewer Utility including construction of a sanitary sewer collection and treatment facility for users in the City of Meservey. The notes and interest are payable solely from the net earnings of the system and do not represent general obligations of the County. Interest payments on the capital loan notes begin on July 1, 2002, principal payments begin on July 1, 2004. The capital loan notes have an interest rate of 4.5% with final payment due on July 1, 2041. Details of the sewer revenue capital loan notes are as follows:

Year Ending June 30,	\$59,100 Note		\$253,200 Note		Principal Total	Interest Total
	Principal	Interest	Principal	Interest		
2003	\$ 0	\$2,659	\$ 0	\$11,394	\$ 0	\$14,053
2004	0	2,659	0	11,394	0	14,053
2005	616	2,659	2,636	11,394	3,252	14,053
2006	643	2,632	2,755	11,275	3,398	13,907
2007 & Thereafter	57,841	59,887	247,809	257,051	305,650	316,938
	<u>\$59,100</u>	<u>\$70,496</u>	<u>\$253,200</u>	<u>\$302,508</u>	<u>\$312,300</u>	<u>\$373,004</u>

Note 9: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002, is as follows:

	Sewer Revenue Capital Loan Notes	Capital Loan Notes & General Obligation Bonds		Lease Obligations	Compensated Absences
Balance - Beginning of Year	\$270,855	\$930,000		\$17,087	\$321,857
Additions	312,300	0		21,483	16,843
Reductions	3,328	295,000		12,974	0
Balance - End of Year	<u>\$579,827</u>	<u>\$635,000</u>		<u>\$25,596</u>	<u>\$338,700</u>

	Drainage Warrants	Total
Balance - Beginning of Year	\$187,869	\$1,727,668
Additions	33,964	384,590
Reductions	226	311,528
Balance - End of Year	<u>\$221,607</u>	<u>\$1,800,730</u>

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 10: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117. The County has implemented GASB statement 27, Accounting for Pensions by State and local governments.

Plan members are required to contribute 3.7% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.5% and 8.25%, respectively. Contribution requirements are established by State statute. The County contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$426,509, \$411,427, and \$377,993, respectively, equal to the required contributions for each year.

Note 11: Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002, is as follows:

Receivable Fund	Payable Fund	Amount
Central Services	General	\$1,666
	MH/DD Services	67
	County Assessor	114
	City Assessor	73
	ALIAS	14
	Dispute Resolution	139
	Emergency Management	330
General	MH/DD Services	973
	Secondary Road	326
	Public Health	2,606
	Public Health Inspections	79
	County Assessor	376
	County Assessor Special Appraisal	234
	City Assessor	609
	Dispute Resolution	215
	Empowerment	5
	Auditor	125
Health Insurance	General	503
	Secondary Road	1,508
		<u>\$9,962</u>

Note 12: Risk Management

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

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS June 30, 2002

Note 12: Risk Management (Continued)

Type	Limit
Property	\$11,970,894
General Liability	2,000,000
Employee Benefit Liability	1,000,000
Law Enforcement Liability	2,000,000
Professional Officials Liability	2,000,000
Automobile Liability	1,000,000
Workers Compensation	500,000
Umbrella	5,000,000
Inland Marine	1,135,079
Public Official and Employees Liability	2,000,000

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

Note 13: Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Cerro Gordo County Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield of Iowa from the Cerro Gordo County Health Insurance Fund. The County records the plan assets and related liabilities of the Cerro Gordo County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$560,142.

Amounts payable from the Health Insurance Fund at June 30, 2002 total \$68,923 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve was \$830,730 at June 30, 2002 and is reported as a designation of the Health Insurance Fund retained earnings. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. Information on the reconciliation of changes in the aggregate liabilities for claims for the current year and prior year is as follows:

	Balance as of July 1	Current Year Claims	Claim Payments	Balance as of June 30
2000-2001	\$82,018	\$612,737	\$636,652	\$58,103
2001-2002	\$58,103	\$765,201	\$754,381	\$68,923

Note 14: Closure and Postclosure Care Costs

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

State and federal laws and regulations require the agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, state laws require the agency to submit a closure and postclosure plan detailing the schedule for and the methods by which the operator will meet the conditions for proper closure and postclosure. The agency is in compliance with this requirement. On June 30, 2002, the County did not anticipate any additional assessments for closure and postclosure care costs.

CERRO GORDO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 15: Related Party Transactions

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

Note 16: Commitments and Contingencies

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

The County had purchase commitments at June 30, 2002, of approximately \$817,000 for equipment used by the Secondary Road Department. Future appropriations will fund these commitments as required by the installment purchase agreements.

Note 17: Budget Over-expenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by Service Area. During the year ended June 30, 2002, disbursements exceeded the amounts budgeted in the Debt Service Service Area.

Note 18: Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement Number 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments; Omnibus*, and Statement Number 38, *Certain Financial Statement Note Disclosures*. These statements will be implemented for the fiscal year ending June 30, 2003. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual basis of accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

Note 19: Restatement of Beginning Balances

The beginning balance of retained earnings – Enterprise Fund – Meservey Wastewater Collections & Treatment Facility and the beginning fund balance – Capital Projects – Community Development Projects have been retroactively restated at July 1, 2001. This restatement was made to record the Meservey Wastewater Collections & Treatment Facility Construction in Progress, which had been reported in capital projects for fiscal years ending June 30, 2000 and 2001. The effect of the restatement was to increase the retained earnings – Enterprise Fund by \$132,320 and increase the Capital Projects Fund – Community Development Projects beginning fund balance by \$19,991. Proceeds of Sewer Revenue Capital Loan Notes have been reported as a liability and grant proceeds have been reported as construction in progress.

Note 20: Deficit Balance

A retained earnings deficit was noted in the Enterprise Fund, Swaledale Wastewater Collection & Treatment Facility Account.

GENERAL FUND

The General Fund accounts for all revenue and expenditures which are not required to be accounted for in another fund.

CERRO GORDO COUNTY, IOWA

BALANCE SHEET - GENERAL FUND

June 30, 2002

ASSETS

Cash and Pooled Investments		\$5,133,110
Receivables		
Property Tax		
Delinquent	\$17,564	
Succeeding Year	4,802,575	
Interest and Penalty on Property Tax	207	
Accounts	131,328	
Accrued Interest	26,031	4,977,705
Due from Other Funds		
Mental Health	973	
Secondary Road	326	
Public Health	2,606	
Public Health Inspections	79	
Empowerment	5	
Auditor	125	
County Assessor	376	
County Special Appraisal	234	
City Assessor	609	
Dispute Resolution	215	5,548
Due from Other Governments		122,118
Total Assets		\$10,238,481

LIABILITIES AND FUND EQUITY

Liabilities		
Accounts Payable		\$440,383
Salaries Payable		160,974
Due to Other Funds		
Central Services	\$1,666	
Health Insurance	503	2,169
Due to Other Governments		183
Deferred Revenue		
Succeeding Year Property Tax		4,802,575
Other		17,499
Compensated Absences		62,384
Total Liabilities		5,486,167
Fund Equity		
Unreserved Fund Balance		4,752,314
Total Liabilities and Fund Equity		\$10,238,481

See Accompanying Independent Auditors' Report

CERRO GORDO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND Year Ended June 30, 2002

REVENUES

Property and Other County Tax		
Property Tax	\$4,494,189	
Local Option Sales Tax	136,457	
Utility Tax Replacement Excise Tax	229,440	
Other County Tax	<u>7,664</u>	\$4,867,750
Interest and Penalty on Property Tax		128,449
Intergovernmental		
State Shared Revenues		
Franchise Tax	24,514	
Other	<u>16,246</u>	40,760
State Grants and Reimbursements Including Indirect Federal Funding		
Human Services Administrative Reimbursement	112,242	
Other	<u>540,989</u>	653,231
State Tax Replacements		
State Tax Credits	263,740	
State Allocation	<u>161,533</u>	425,273
Direct Federal Grants and Entitlements		47,233
Contributions and Reimbursements from Other Governmental Units		
Other		222,758
Licenses and Permits		7,844
Charges for Services		
Office Fees and Collections		
County Auditor	4,197	
County Recorder	370,681	
County Sheriff	84,538	
Auto License, Use Tax and Postage	292,581	
Miscellaneous	<u>76,122</u>	828,119
Use of Money and Property		
Interest on Investments	300,464	
Miscellaneous	<u>82,732</u>	383,196
Fines, Forfeitures and Defaults		310
Miscellaneous		
Reimbursements	139,564	
Assessments	102,296	
Miscellaneous	<u>4,010</u>	245,870
Total Revenues		<u>7,850,793</u>

(Continued)

CERRO GORDO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND Year Ended June 30, 2002

EXPENDITURES

Operating

Public Safety		\$3,412,118
Court Services		286,628
Social Services		668,237
County Environment		402,895
State and Local Government Service		754,305
Interprogram Services		1,599,668
Non-Program Current		31,871
Capital Projects		163,100
Debt Service		74,176
Total Expenditures		<u>7,392,998</u>

Excess of Revenues Over Expenditures 457,795

Other Financing Sources (Uses)

Proceeds from Sale of Fixed Assets	6,375	
Proceeds of Capital Lease Purchase Agreement	21,483	
Operating Transfers In (Out)		
Mental Health	250,000	
Public Health	(605,431)	
Public Health Improvements	(25,723)	
Cash Long/Short	600	
Meservey Wastewater Collection & Treatment Facility	<u>106,570</u>	<u>(246,126)</u>

Excess of Revenues and Other Financing Sources Over
Expenditures and Other Financing Uses

211,669

Fund Balance – Beginning of Year

4,540,645

Fund Balance – End of Year

\$4,752,314

See Accompanying Independent Auditors' Report

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES - GENERAL FUND Year Ended June 30, 2002

Public Safety Service Area

Law Enforcement

Uniformed Patrol Services	\$763,209
Investigations	25
Law Enforcement Communications	39,387
Adult Correctional Services	1,342,803
Administration	258,659
	<u>2,404,083</u>

Legal Services

Criminal Prosecution	594,255
Medical Examinations	107,988
Child Support Recovery	273,805
	<u>976,048</u>

Emergency Services

Ambulance Services	6,283
Emergency Management	25,704
	<u>31,987</u>

Total Public Safety Service Area

\$3,412,118

Court Services Service Area

Assistance to District Court System

Physical Operations	1,248
Research & Other Assistance	5,000
	<u>6,248</u>

Court Proceedings

Juries and Witnesses	5,922
Detention Services	15,713
Service of Civil Papers	137,208
	<u>158,843</u>

Juvenile Justice Administration

Juvenile Victim Restitution	29,519
Juvenile Representation Services	4,193
Court-Appointed Attorneys & Court Costs for Juveniles	87,825
	<u>121,537</u>

Total Court Services Service Area

286,628

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES - GENERAL FUND Year Ended June 30, 2002

Social Services Service Area

Services to the Poor

Administration	\$248,705	
General Welfare Services	23,824	
	<u>272,529</u>	

Services to Military Veterans

Administration	78,841	
General Services to Veterans	32,569	
	<u>111,410</u>	

Children's and Family Services

Youth Guidance	149,149	
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Persons with Chemical Dependency

Treatment Services	90,718	
Preventive Services	44,431	
	<u>135,149</u>	

Total Social Services Service Area

\$668,237

County Environment Service Area

Conservation and Recreational Services

Administration	270,307	
Maintenance and Operations	78,694	
	<u>349,001</u>	

Animal Control Program

Animal Shelter	9,300	
Animal Bounties & State Apiarist Expenses	122	
	<u>9,422</u>	

County Development

Land Use and Building Controls	44,472	
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Total County Environment Service Area

402,895

State and Local Government Services Service Area

Representation Services

Elections Administration	211,015	
Local Elections	48,082	
Township Officials	3,118	
	<u>262,215</u>	

State Administrative Services

Motor Vehicle Registration and Licensing	270,003	
Recording of Public Documents	222,087	
	<u>492,090</u>	

Total State and Local Government Services Service Area

754,305

(Continued)

CERRO GORDO COUNTY, IOWA

SCHEDULE OF EXPENDITURES - GENERAL FUND Year Ended June 30, 2002

Interprogram Services Service Area

Policy and Administration

General County Management	\$203,638	
Administrative Management Services	287,250	
Treasury Management Services	139,702	
Other Policy and Administration	25,474	
	<u>656,064</u>	

Central Services

General Services	392,318	
Data Processing Services	460,226	
	<u>852,544</u>	

Risk Management Services

Safety of Workplace	59,673	
Fidelity of Public Officers	22,956	
Unemployment Compensation	8,431	
	<u>91,060</u>	

Total Interprogram Services Service Area

\$1,599,668

Non-Program Current Expenditures

Other Current Expenditures

31,871

Total Non-Program Current Expenditures

31,871

Capital Projects

Other Capital Projects

163,100

Total Capital Projects

163,100

Debt Service

Principal

70,000

Interest

4,176

Total Debt Service

74,176

Total Expenditures

\$7,392,998

(Concluded)

See Accompanying Independent Auditors' Report