



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

May 2, 2006

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Dickinson County, Iowa.

The County had local tax revenue of \$31,848,865 for the year ended June 30, 2005, which included \$717,654 in tax credits from the state. The County forwarded \$25,965,097 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,883,768 of the local tax revenue to finance County operations, a 21 percent increase over the prior year. Other revenues included charges for service of \$1,128,991, operating grants, contributions and restricted interest of \$2,520,602, capital grants, contributions and restricted interest of \$501,557, local option sales tax of \$1,058,442, hotel/motel tax of \$62,746, tax increment financing of \$131,624, unrestricted investment earnings of \$445,479 and other general revenues of \$105,123.

Expenses for County operations totaled \$9,452,576, a 21 percent increase over the prior year. Expenses included \$2,517,485 for roads and transportation, \$1,624,394 for public safety and legal services and \$1,221,702 for mental health.

The significant increase in local tax revenue is primarily due to the debt service levy to retire general obligation bonds issued for the courthouse and jail facility project.

The significant increase in expenses is primarily due to roads and transportation maintenance, drainage assessments and construction of a utility building.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###



**DICKINSON COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2005**

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		46-47
Budget to GAAP Reconciliation		48
Notes to Required Supplementary Information – Budgetary Reporting		49
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	54-55
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	56-57
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	58-59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	60
Schedule of Expenditures of Federal Awards	6	61-62
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		63-64
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal control over Compliance in Accordance with OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-76
Staff		77

**Dickinson County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
David Gottsche	Board of Supervisors	Jan 2005
Pam Jordan	Board of Supervisors	Jan 2005
Wayne Northey	Board of Supervisors	Jan 2007
Mardi Allen	Board of Supervisors	Jan 2007
Paul Johnson	Board of Supervisors	Jan 2007
Nancy Reiman	County Auditor	Jan 2005
Linda Voss	County Treasurer	Jan 2007
Janice Bortscheller	County Recorder	Jan 2007
Gregory Baloun	County Sheriff	Jan 2005
Rosalise Olson	County Attorney	Jan 2007
Patricia Dodds	County Assessor	Jan 2010
<b>(After January 2005)</b>		
Wayne Northey	Board of Supervisors	Jan 2007
Mardi Allen	Board of Supervisors	Jan 2007
Paul Johnson	Board of Supervisors	Jan 2007
David Gottsche	Board of Supervisors	Jan 2009
Pam Jordan	Board of Supervisors	Jan 2009
Nancy Reiman	County Auditor	Jan 2009
Linda Voss	County Treasurer	Jan 2007
Janice Bortscheller	County Recorder	Jan 2007
Gregory Baloun	County Sheriff	Jan 2009
Rosalise Olson	County Attorney	Jan 2007
Patricia Dodds	County Assessor	Jan 2010

**Dickinson County**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Dickinson County:

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

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Dickinson County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2005 on our consideration of Dickinson County's internal control over financial reporting and 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.

Management's Discussion and Analysis and budgetary comparison information on 7 through 14 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 Dickinson County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 14, 2005



---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

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

As discussed in Note 16 to the financial statements, the County restated the beginning balance to include secondary roads inventory items previously excluded and to correct an error in recording accrued interest in the previous year in a nonmajor special revenue fund. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2004 amounts have been revised to reflect the changes as if they had been made in the prior year.

### **2005 FINANCIAL HIGHLIGHTS**

- ◆ Revenues of the County's governmental activities increased 20.8%, or approximately \$2,040,000, from fiscal 2004 to fiscal 2005. Property tax and other county taxes increased approximately \$1,145,000, operating grants and contributions increased approximately \$119,000 and capital grants and contributions increased approximately \$461,000.
- ◆ Program expenses of the County's governmental activities increased 20.6%, or approximately \$1,616,000, from fiscal 2004 to fiscal 2005. Roads and transportation program expenses increased approximately \$834,000.
- ◆ The County's net assets increased 18.54%, or approximately \$2,386,000, from June 30, 2004 to 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 Dickinson 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 Dickinson 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 Dickinson County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information 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'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information 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 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 presented 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, interest on long-term debt and non-program activities. Property tax, 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 is available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps 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 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 Internal Service, Employee Group Health 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 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 which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Dickinson County's combined net assets increased 18.54% from approximately \$12.87 million to \$15.26 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

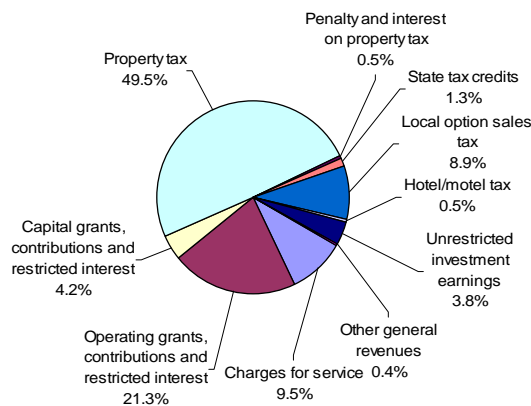
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 26,609	29,575
Capital assets	11,548	5,064
Total assets	<u>38,157</u>	<u>34,639</u>
Long-term liabilities	14,857	15,184
Other liabilities	8,042	6,583
Total liabilities	<u>22,899</u>	<u>21,767</u>
Net assets:		
Invested in capital assets, net of related debt	6,120	4,189
Restricted	5,029	5,604
Unrestricted	4,109	3,079
Total net assets	<u>\$ 15,258</u>	<u>12,872</u>

Net assets of Dickinson County's governmental activities increased by \$2.4 million (\$15.26 million compared to \$12.87 million). The increase was due primarily to secondary roads expenditures capitalized on the statement of net assets. A large portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at approximately \$4.11 million at June 30, 2005.

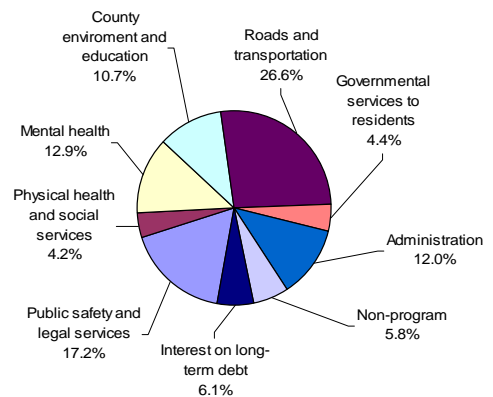
Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,129	1,139
Operating grants, contributions and restricted interest	2,521	2,402
Capital grants, contributions and restricted interest	502	41
General revenues:		
Property tax	5,859	4,714
Penalty and interest on property tax	63	58
State tax credits	156	135
Local option sales tax	1,058	916
Hotel/motel tax	63	64
Unrestricted investment earnings	445	248
Other general revenues	43	60
Total revenues	11,839	9,777
Program expenses:		
Public safety and legal services	1,624	1,611
Physical health and social services	395	449
Mental health	1,222	1,274
County environment and education	1,012	873
Roads and transportation	2,517	1,647
Governmental services to residents	419	402
Administration	1,137	1,041
Non-program	552	192
Interest on long-term debt	575	312
Total expenses	9,453	7,801
Increase in net assets	2,386	1,976
Net assets beginning of year, as restated	12,872	10,896
Net assets end of year	\$ 15,258	12,872

Revenues by Source



Expenses by Function



The County increased property tax rates for 2005 by an average of 19.5 percent. However, the taxable valuation decreased, resulting in an increase in the County's property tax revenue by approximately \$1.2 Million in 2005. Based on increases in the taxable valuation and increases in levy rates in 2006, property tax, other than the \$1,139,000 for debt service, is budgeted to increase approximately \$387,000 next year.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Dickinson County completed the year, its governmental funds reported a combined fund balance of approximately \$17.74 million, a decrease of approximately \$5.06 million from last year's total of approximately \$22.80 million. The decrease in fund balance is primarily attributable to capital expenditures for the courthouse and jail project. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures increased approximately \$273,000 and \$212,000, respectively. The ending fund balance increased approximately \$516,000 over the prior year to approximately \$3.48 million. The County transferred approximately \$1,003,000 less from the General Fund to other budgetary funds during the current fiscal year compared to the prior fiscal year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1.22 million, a decrease of approximately 4% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$59,000 from the prior year. The County levies the maximum allowable by statute and has implemented a waiting list policy for any non-mandated services requested. Shortfalls from property tax credits and delinquent taxes are absorbed by using the fund balance to meet the needs of mandated services. If these trends continue, the County will need to look to eliminating programs and services currently fully funded.
- The Rural Services Fund revenues increased approximately \$129,000. This was primarily due to an increase in local option sales tax revenue of approximately \$142,000. Expenditures decreased approximately \$12,000. The County reduced the amount of transfers from the Rural Services Fund to the Secondary Roads Fund by approximately \$76,000. The Rural Services Fund balance increased approximately \$178,000 at June 30, 2005.
- Secondary Roads Fund expenditures increased by approximately \$2 million from the prior year, due principally to budgeted and scheduled road construction projects that were delayed last year and then completed during the current fiscal year. Secondary Roads Fund revenues decreased approximately \$463,000, which was primarily the result of deferred revenues on a federal bridge replacement project of approximately \$414,000. Transfers from the Rural Services Fund and General Fund decreased approximately \$138,000 and \$76,000, respectively. The increase in expenditures, along with the decrease in revenues and transfers, resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$1.0 million, or 34%.
- Revenues and expenditures of the Debt Service Fund increased approximately \$1,079,000 and \$1,095,000, respectively, due to the increase in property tax revenue and expenditures to pay for the \$1,076,909 of principal and interest on the Courthouse and Jail Facility general obligation bonds. The ending balance in the Debt Service Fund increased approximately \$4,000.
- During the year ended June 30, 2004, the County issued \$14.9 million of general obligation bonds to finance construction and equipping the Courthouse and Jail Facility on the present Courthouse site. The proceeds from the bond issue were placed in a Capital Projects Fund set up to account for this major project. During the year ended June 30, 2005, the County earned approximately \$238,000 in interest in the Capital Projects Fund and expended approximately \$4.8 million dollars.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Dickinson County amended its budget one time. The amendment in May 2005 resulted in an increase in budgeted disbursements of \$207,548 related to an increase in costs for juvenile detention and sheriff's disbursements, additional costs for toxic waste clean-up, additional costs for the County Recorder associated with the statewide County Land Records Information System website development and additional TIF revenues collected for the East Okoboji Beach Sewer project and the Silver Shores project.

Even with this amendment, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2005.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, Dickinson County had approximately \$11.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$6.5 million, or approximately 128 percent, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 814	814
Buildings and improvements	811	766
Equipment and vehicles	1,940	2,058
Construction in progress	6,467	1,008
Infrastructure	1,516	418
Total	<u>\$ 11,548</u>	<u>5,064</u>
This year's major additions included (in thousands):		
Construction in progress - Courthouse and jail facility	\$	4,837
Construction in progress - Road network		1,138
Infrastructure - Road network		614
Six vehicles - County Sheriff		106
New utility building - Secondary roads, veteran's affairs and general maintainance		76
Chipper - Secondary roads		27
Printer - Secondary roads		19
Computer equipment - Data processing		13
Pick-up - Conservation Board		11
Tractor - Conservation Board		6
Scanner - Secondary roads		6
Copier - County Recorder		5
Total	<u>\$</u>	<u>6,858</u>

The County had depreciation expense of approximately \$380,000 in FY05 and total accumulated depreciation of approximately \$3,974,000 at June 30, 2005.

The County's fiscal year 2005 capital budget included \$10,900,397 for capital projects, principally for the construction of the courthouse and jail facility. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

Dickinson County had approximately \$14.656 million in general obligation bonds and other debt outstanding at June 30, 2005, compared to approximately \$15.011 million at June 30, 2004.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2005	2004
Deferred payment contract	\$ 30	63
General obligation bonds	14,517	14,812
Drainage warrants	109	136
<b>Total</b>	<b>\$ 14,656</b>	<b>15,011</b>

Debt decreased primarily as a result of paying down \$300,000 in general obligation bonds for the Courthouse and jail facility.

The County continues to carry a general obligation bond rating of Aaa/A1 (Moody's) assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Dickinson County's outstanding general obligation debt is significantly below its constitutional debt limit of \$108.3 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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

Dickinson County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 2000-2005, averaging per year gains of 1.5 percent. Unemployment in the County now stands at 5.2 percent versus 5.0 percent a year ago. This compares with the State's unemployment rate of 4.5 percent and the national rate of 4.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.4 percent for year 2005 compared with the national rate of 3.83 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

The County's budgetary operating balance is expected to increase by the close of 2006. Amounts available for appropriation in the operating and capital budget are \$18.67 million, an increase of 72 percent over the final 2004 budget. The 2006 budget reflects the need for prudent protection of County services, a re-evaluation of the current health plan to employees, a hard, fast but unresolved negotiation with the Sheriff's department bargaining unit, a fair but frugal increase in employee salaries, the need for foresight in future planning of technology, land uses, roads and the unprecedented planning for the new Dickinson County Courthouse and jail facility. These goals were defined with a desire to keep the tax levy from increasing substantially for the General Fund and the Rural Services Fund, especially in light of the new debt service levy to pay

interest and principal on the bonds for the Courthouse and jail. Dickinson County is fortunate to experience development growth, increasing retail businesses and modest, permanent population growth. The County includes thousands of secondary cottages and homes and the population swells many times over during the prime summer months requiring the need for additional county services such as law enforcement, planning and zoning and county attorney. The County continues to try to maintain and improve services and programs to its taxpayers in a conservative fashion.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Dickinson 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 Dickinson County Auditor's Office, 1802 Hill Avenue, Spirit Lake, Iowa 51360 or visit the county's website at [www.co.dickinson.ia.us](http://www.co.dickinson.ia.us).



## **Basic Financial Statements**

**Exhibit A**

Dickinson County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 18,783,138
Receivables:	
Property tax:	
Delinquent	4,284
Succeeding year	6,323,000
Interest and penalty on property tax	2,163
Accounts	1,827
Accrued interest	49,480
Drainage assessments	138,072
Economic development loan	6,267
Due from other governments	786,633
Inventories	512,480
Prepaid insurance	644
Capital assets (net of accumulated depreciation)	11,548,328
<b>Total assets</b>	<u>38,156,316</u>
<b>Liabilities</b>	
Accounts payable	1,380,056
Accrued interest payable	167,599
Salaries and benefits payable	49,272
Due to other governments	121,938
Deferred revenue:	
Succeeding year property tax	6,323,000
Long-term liabilities:	
Portion due or payable within one year:	
Deferred payment contract	15,000
General obligation bonds	590,000
Drainage warrants	108,501
Compensated absences	201,423
Portion due or payable after one year:	
Deferred payment contract	15,000
General obligation bonds	13,927,001
<b>Total liabilities</b>	<u>22,898,790</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	6,119,692
Restricted for:	
Mental health purposes	465,645
Secondary roads purposes	2,397,633
Capital projects	1,291,533
Other purposes	873,837
Unrestricted	4,109,186
<b>Total net assets</b>	<u>\$ 15,257,526</u>

See notes to financial statements.

Dickinson County

Statement of Activities

Year ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$1,624,394	121,290	51,051	-	(1,452,053)
Physical health and social services	394,883	7,096	64,757	-	(323,030)
Mental health	1,221,702	95,288	655,076	-	(471,338)
County environment and education	1,011,503	149,457	185,026	-	(677,020)
Roads and transportation	2,517,485	55,891	1,556,017	413,820	(491,757)
Governmental services to residents	418,669	427,662	-	-	8,993
Administration	1,137,296	26,098	8,675	-	(1,102,523)
Non-program	551,573	246,209	-	87,737	(217,627)
Interest on long-term debt	575,071	-	-	-	(575,071)
<b>Total</b>	<b>\$9,452,576</b>	<b>1,128,991</b>	<b>2,520,602</b>	<b>501,557</b>	<b>(5,301,426)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,672,820
Debt service					1,054,761
Tax increment financing					131,624
Penalty and interest on property tax					62,512
State tax credits					156,187
Local option sales tax					1,058,442
Unrestricted investment earnings					445,479
Hotel/motel tax					62,746
Gain on sale of capital assets					5,617
Miscellaneous					36,994
<b>Total general revenues</b>					<b>7,687,182</b>
Change in net assets					2,385,756
Net assets beginning of year, as restated					12,871,770
Net assets end of year					<b>\$ 15,257,526</b>

See notes to financial statements.

Dickinson County  
Balance Sheet  
Governmental Funds

June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments				
County Treasurer	\$ 3,456,650	609,006	325,831	1,800,522
Conservation Foundation	-	-	-	-
Bequest held by bank	-	-	-	-
Receivables:				
Property tax:				
Delinquent	2,436	290	878	-
Succeeding year	3,701,000	403,000	933,000	-
Interest and penalty on property tax	2,163	-	-	-
Accounts	383	-	-	1,444
Accrued interest	24,300	-	-	-
Drainage assessments	-	-	-	-
Economic development loan	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	95,482	-	134,493	556,658
Inventories	-	-	-	512,480
Prepaid insurance	644	-	-	-
<b>Total assets</b>	<b>\$ 7,283,058</b>	<b>1,012,296</b>	<b>1,394,202</b>	<b>2,871,104</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 43,503	31,419	3,087	380,911
Salaries and benefits payable	32,542	804	-	15,926
Due to other funds	-	-	-	-
Due to other governments	9,382	108,185	-	1,973
Deferred revenue				
Succeeding year property tax	3,701,000	403,000	933,000	-
Other	14,880	248	769	431,102
Total liabilities	3,801,307	543,656	936,856	829,912
Fund balances:				
Reserved for:				
Drainage warrants	-	-	-	-
County care facility	-	-	-	-
Conservation Foundation	-	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund:				
Undesignated	2,667,101	-	-	-
Designated for buildings and grounds	814,650	-	-	-
Special revenue funds	-	468,640	457,346	2,041,192
Capital projects fund:				
Designated for:				
New courthouse and jail facility	-	-	-	-
New courthouse	-	-	-	-
County care facility	-	-	-	-
Total fund balances	3,481,751	468,640	457,346	2,041,192
<b>Total liabilities and fund balances</b>	<b>\$ 7,283,058</b>	<b>1,012,296</b>	<b>1,394,202</b>	<b>2,871,104</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
4,221	11,260,921	809,459	18,266,610
-	-	36,463	36,463
-	-	73,983	73,983
680	-	-	4,284
1,116,000	-	170,000	6,323,000
-	-	-	2,163
-	-	-	1,827
-	17,434	3,949	45,683
-	-	138,072	138,072
-	-	6,267	6,267
4,625	-	-	4,625
-	-	-	786,633
-	-	-	512,480
-	-	-	644
<b>1,125,526</b>	<b>11,278,355</b>	<b>1,238,193</b>	<b>26,202,734</b>
-	870,683	39,113	1,368,716
-	-	-	49,272
-	2,302	2,323	4,625
2,323	-	75	121,938
1,116,000	-	170,000	6,323,000
578	-	144,340	591,917
<b>1,118,901</b>	<b>872,985</b>	<b>355,851</b>	<b>8,459,468</b>
-	-	3,225	3,225
-	-	73,983	73,983
-	-	36,463	36,463
6,625	-	-	6,625
-	-	-	2,667,101
-	-	-	814,650
-	-	768,671	3,735,849
-	9,492,372	-	9,492,372
-	824,921	-	824,921
-	88,077	-	88,077
<b>6,625</b>	<b>10,405,370</b>	<b>882,342</b>	<b>17,743,266</b>
<b>1,125,526</b>	<b>11,278,355</b>	<b>1,238,193</b>	<b>26,202,734</b>

**Dickinson County**

Dickinson County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2005

**Total governmental fund balances (page 19)** \$ 17,743,266

***Amounts 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. The cost of assets is \$15,522,229 and the accumulated depreciation is \$3,973,901 11,548,328

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 591,917

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 398,539

Long-term liabilities, including deferred payment contract, general obligation bonds, drainage warrants, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (15,024,524)

**Net assets of governmental activities (page 16)** \$ 15,257,526

See notes to financial statements.

Dickinson County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 3,720,693	403,066	1,657,724	-
Interest and penalty on property tax	62,408	-	-	-
Intergovernmental	385,117	747,542	30,410	1,609,626
Licenses and permits	38,285	-	-	24,613
Charges for service	516,156	14,149	-	942
Use of money and property	188,933	-	-	10,433
Miscellaneous	85,148	-	-	20,725
Total revenues	4,996,740	1,164,757	1,688,134	1,666,339
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,717,433	-	3,494	-
Physical health and social services	421,851	-	-	-
Mental health	-	1,223,340	-	-
County environment and education	544,344	-	193,999	-
Roads and transportation	-	-	-	2,312,848
Governmental services to residents	384,786	-	-	-
Administration	1,179,498	-	-	-
Non-program	117,528	-	-	-
Debt service	-	-	-	-
Capital projects	43,588	-	-	1,775,984
Total expenditures	4,409,028	1,223,340	197,493	4,088,832
Excess (deficiency) of revenues over (under) expenditures	587,712	(58,583)	1,490,641	(2,422,493)
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	4,224
Operating transfers in	5,963	-	-	1,369,941
Operating transfers out	(77,267)	-	(1,312,674)	-
Total other financing sources (uses)	(71,304)	-	(1,312,674)	1,374,165
Net change in fund balances	516,408	(58,583)	177,967	(1,048,328)
Fund balances beginning of year, as restated	2,965,343	527,223	279,379	3,089,520
Fund balances end of year	\$ 3,481,751	468,640	457,346	2,041,192

See notes to financial statements.



Debt Service	Capital Projects	Nonmajor Special Revenue	Total
1,054,406	-	131,625	6,967,514
-	-	-	62,408
27,319	-	45,806	2,845,820
-	-	-	62,898
-	-	57,118	588,365
-	237,691	14,243	451,300
-	-	196,179	302,052
1,081,725	237,691	444,971	11,280,357
-	-	-	1,720,927
-	-	-	421,851
-	-	-	1,223,340
-	-	246,387	984,730
-	-	-	2,312,848
-	-	-	384,786
-	-	24,425	1,203,923
-	-	32,258	149,786
1,213,557	-	34,323	1,247,880
-	4,836,255	35,322	6,691,149
1,213,557	4,836,255	372,715	16,341,220
(131,832)	(4,598,564)	72,256	(5,060,863)
-	-	-	4,224
136,155	-	20,000	1,532,059
-	(5,963)	(136,155)	(1,532,059)
136,155	(5,963)	(116,155)	4,224
4,323	(4,604,527)	(43,899)	(5,056,639)
2,302	15,009,897	926,241	22,799,905
6,625	10,405,370	882,342	17,743,266

Dickinson 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

**Net change in fund balances - Total governmental funds (page 23)** \$ (5,056,639)

**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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 6,858,431	
Depreciation expense	(379,613)	6,478,818

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 5,617

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, as follows:

Property tax	2,526	
Other	323,581	326,107

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds. Current year repayments exceeded the bond issue cost amortization, as follows:

Bond issue cost amortization	(4,527)	
Repaid	359,680	355,153

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

Compensated absences	(28,191)	
Interest on long-term debt	214,308	186,117

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 90,583

**Change in net assets of governmental activities (page 17)** \$ 2,385,756

See notes to financial statements.

Dickinson County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2005

	Internal Service - Employee Group Health
<b>Assets</b>	
Cash and cash equivalents	\$ 406,082
Accrued interest receivable	3,797
<b>Total assets</b>	<u>409,879</u>
<b>Liabilities</b>	
Accounts payable	<u>11,340</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 398,539</u></u>

See notes to financial statements.

**Exhibit H**

---

Dickinson County  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2005

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 155,376
Operating expenses:		
Medical claims	\$ 67,958	
Administrative fees	4,575	72,533
Operating income	<u>                    </u>	<u>82,843</u>
Non-operating revenues:		
Interest income		7,740
Net income		<u>90,583</u>
Net assets beginning of year		<u>307,956</u>
Net assets end of year		<u><u>\$ 398,539</u></u>

See notes to financial statements.

Dickinson County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2005

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 155,376
Cash paid to suppliers for services	(63,212)
Net cash provided by operating activities	92,164
Cash flows from investing activities:	
Interest on investments	5,052
Net increase in cash and cash equivalents	97,216
Cash and cash equivalents beginning of year	308,866
Cash and cash equivalents end of year	\$ 406,082
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 82,843
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	9,321
Net cash provided by operating activities	\$ 92,164

See notes to financial statements.

Dickinson County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 2,138,113
Other County officials	76,404
Receivables	
Property tax:	
Delinquent	14,952
Succeeding year	25,274,000
Accounts receivable	32,680
Accrued interest	645
Special assessments	353,363
Succeeding year drainage assessments	1,732,411
Due from other governments	1,386
<b>Total assets</b>	<u>29,623,954</u>

**Liabilities**

Accounts payable	2,293
Salaries and benefits payable	4,006
Due to other governments	28,392,426
Trusts payable	13,121
Compensated absences	11,291
Drainage warrants	1,200,817
<b>Total liabilities</b>	<u>29,623,954</u>
<b>Net assets</b>	<u>\$ -</u>

See notes to financial statements.

Dickinson County

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Dickinson 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.

These financial statements present Dickinson 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.

Eighty-six 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 Dickinson County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund.

Financial information of the individual drainage districts can be obtained from the Dickinson County Auditor's Office.

The Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Dickinson County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial transactions of this foundation have been reported as a Special Revenue Fund.

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Northwest Iowa Multi-County Regional Juvenile Detention Center, Dickinson County Landfill Commission, Dickinson County Water Quality Commission and the Iowa Great Lakes Drug Task Force. In addition, the County is involved in the following jointly governed organizations: Northwest Iowa Mental Health Center, Northwest Iowa Alcoholism and Drug Treatment Unit, Inc., Northwest Iowa Planning and Development Commission, Regional Transit Authority, Third Judicial District Department of Correctional Services, Private Industry Council/Local Elected Officials Board, Upper Des Moines Opportunity, Inc., FEMA Multi-County Board, Resource Conservation and Development Commission, Safety and Health Issued and Employment Leadership Decision, Inc. and Region III Hazardous Material Response Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. 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.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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.

C. 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 the Internal Service Fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

D. 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 the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and 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 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, 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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts 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. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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 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. Special assessments receivable represent assessments which have been made 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.

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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 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 the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25 - 50
Land improvements	10 - 50
Infrastructure	10 - 65
Equipment and vehicles	3 - 20

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 unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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 and unspent grant proceeds.

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

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

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

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

Unrestricted Net Assets – The unrestricted net assets of the Internal Service Fund are designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service function. Also, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements exceeded the appropriation in one department prior to amendment.

**(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 had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$10,375,700 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(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
Debt Service	Special Revenue: East Okoboji Beach Sewer TIF	\$ 2,323
	Capital Projects	2,302
Total		<u>\$ 4,625</u>

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

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Capital Projects	\$ 5,963
Special Revenue: Secondary Roads	General	57,267
	Special Revenue: Rural Services	1,312,674
Revolving Economic Development	General	20,000
Debt Service	Special Revenue: East Okoboji Beach Sewer TIF	119,124
	Silver Shore Urban Renewal	17,031
Total		<u>\$ 1,532,059</u>

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

**(5) Capital Assets**

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

	Balance beginning of year	Increases	Decreases	Balance end of year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 813,806	-	-	813,806
Construction in progress, road network	34,907	1,138,286	(514,648)	658,545
Construction in progress	972,785	4,836,967	-	5,809,752
Total capital assets not being depreciated	<u>1,821,498</u>	<u>5,975,253</u>	<u>(514,648)</u>	<u>7,282,103</u>
Capital assets being depreciated:				
Buildings	1,449,090	75,752	-	1,524,842
Equipment and vehicles	5,137,942	206,016	(181,961)	5,161,997
Infrastructure, road network	424,629	1,128,658	-	1,553,287
Total capital assets being depreciated	<u>7,011,661</u>	<u>1,410,426</u>	<u>(181,961)</u>	<u>8,240,126</u>
Less accumulated depreciation for:				
Buildings	683,481	30,497	-	713,978
Equipment and vehicles	3,078,471	318,959	(174,978)	3,222,452
Infrastructure, road network	7,314	30,157	-	37,471
Total accumulated depreciation	<u>3,769,266</u>	<u>379,613</u>	<u>(174,978)</u>	<u>3,973,901</u>
Total capital assets being depreciated, net	<u>3,242,395</u>	<u>1,030,813</u>	<u>(6,983)</u>	<u>4,266,225</u>
Governmental activities capital assets, net	<u>\$ 5,063,893</u>	<u>7,006,066</u>	<u>(521,631)</u>	<u>11,548,328</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 39,191
Physical health and social services		512
County environment and education		11,386
Roads and transportation		285,693
Governmental services to residents		1,847
Administration		40,984
		<hr/>
Total depreciation expense - governmental activities		\$ 379,613
		<hr/> <hr/>

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 9,382
Special Revenue:		
Mental Health	Services	108,185
Secondary Roads	Services	1,973
Dickinson County Trails		75
Debt Service	Collections	2,323
		<hr/>
Total for governmental funds		\$ 121,938
		<hr/> <hr/>
Agency:		
Agricultural Extension Education	Collections	\$ 162,853
County Assessor		347,925
Schools		13,155,244
Community Colleges		902,572
Corporations		8,031,801
Townships		309,641
City Special Assessments		359,948
Auto License, Use Tax and Drivers' License		384,947
Iowa Great Lakes Sanitary Sewer		2,571,060
E911		281,310
All other		1,885,125
		<hr/>
Total for agency funds		\$ 28,392,426
		<hr/> <hr/>



**(7) Changes in Long-Term Liabilities**

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

	Deferred Payment Contract	General Obligation Bonds	Drainage Warrants	Compen- sated Absences	Total
Balance beginning	\$ 62,500	14,812,474	135,681	173,232	15,183,887
Increases	-	4,527	-	183,147	187,674
Decreases	32,500	300,000	27,180	154,956	514,636
Balance end of year	\$ 30,000	14,517,001	108,501	201,423	14,856,925
Due within one year	\$ 15,000	590,000	108,501	201,423	914,924

Deferred Payment Contract

The County entered into a deferred payment contract to purchase real estate to provide storage and parking for the County. Details of the deferred payment contract and annual payments to maturity at June 30, 2005 are as follows:

Year ending June 30,	Interest Rate	Principal	Interest	Total
2006	6.00	15,000	1,800	16,800
2007	6.00	15,000	900	15,900
Total		\$ 30,000	2,700	32,700

During the year ended June 30, 2005, principal of \$32,500 was paid on this deferred payment contract and a deferred payment contract that was paid in full during the year.

Bonds Payable

A summary of the County's June 30, 2005 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	2.500%	\$ 590,000	549,030	1,139,030
2007	2.650	610,000	534,280	1,144,280
2008	2.650	635,000	518,116	1,153,116
2009	2.650	655,000	501,288	1,156,288
2010	2.900	680,000	483,930	1,163,930
2011-2015	2.900 to 4.900	3,730,000	2,072,056	5,802,056
2016-2020	4.000 to 4.250	4,490,000	1,284,544	5,774,544
2021-2023	4.375 to 4.500	3,210,000	289,985	3,499,985
Total		14,600,000	6,233,229	20,833,229
Less unamortized bond issuance costs		(82,999)		
Net bonds payable		\$ 14,517,001		

Drainage Warrants

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. Warrants will be paid as funds are available.

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

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the county contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$179,525, \$173,403 and \$161,649, respectively, equal to the required contributions for each year.

**(9) Revolving Loan Fund**

The Special Revenue, Revolving Economic Development Fund was established to promote economic development in Dickinson County through grants and loans. Upon receipt of the loan payments from the business, the funds remain in the Revolving Economic Development Fund for subsequent loans to other businesses.

Details of the outstanding loan at June 30, 2005 are as follows:

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Loan Balance June 30, 2005
Farmers Coop Elevator	July 24, 2001	\$ 15,000	3.0%	5 Years	\$ 6,267

**(10) Risk Management**

Dickinson County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$179,374.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Public Health**

On July 1, 1996, an agreement was entered into between Dickinson County Memorial Hospital, Dickinson County and the Dickinson County Board of Health for the purpose of consolidating services offered by Dickinson County Memorial Hospital and the Dickinson County Board of Health. In the agreement, Dickinson County Memorial Hospital agrees to provide all public health nursing services and home care services for and on behalf of the Dickinson County Board of Health to the residents of Dickinson County. Under the agreement, the Board of Health shall continue as an organizational entity and shall continue to act in compliance with Chapter 137 of the Code of Iowa and Chapter 79 of the Iowa Administrative Code, where applicable. The agreement was effective and commenced July 1, 1996, and continues year to year unless terminated.

The services provided by home health, public health and homemakers service will be under the administrative control of the Hospital. All services rendered under the terms of the agreement are to be funded by the Hospital, except where residents of Dickinson County may be unable to pay for said services, in which case the Hospital may submit monthly claims for reimbursements for services and fees to the County for payment. In addition, the County and the Board of Health agree to reimburse the Hospital up to \$70,000 per year for public health services, including reimbursement for indigent fees.

**(12) Employee Group Health Fund**

The Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and was administered through a service agreement with TPA, Ltd. from January 1, 2004 to December 31, 2004. The agreement with TPA, Ltd. was renewed January 1, 2005 for a period of one year through December 31, 2005. After an eligible employee with single coverage has paid \$100 of the applicable deductible amount under the contract during a calendar year or an eligible employee with family coverage has paid \$200 of the applicable deductible amount under the contract during a calendar year, the employer will pay directly or reimburse any eligible employee for 70% (90% if seen by a participating physician) of any additional expenses for services covered by the contract, but subject to the deductible or co-insurance provisions of the contract. An employee's maximum payment during any one calendar year for deductibles and co-insurance shall be \$750 with respect to single coverage and \$1,500 with respect to family coverage. After an employee has made the maximum prescribed payments, the employer will pay directly or reimburse the employee for 100% of any additional expenses for services covered by the contract, but subject to deductible or co-insurance provisions of the contract.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund were recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to TPA, Ltd. from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$155,376.

The amounts payable from the Employee Health Fund at June 30, 2005 for incurred but not reported (IBNR) and reported but not paid claims has not been determined since the County has not obtained an actuarial opinion as required by Chapter 509A.15 of the Code of Iowa. These amounts are not expected to be material to the financial statements.

**(13) Contractual Commitments**

On August 4, 2004, the County entered into a contract for construction of a Courthouse and Jail Facility on the present Courthouse site for \$11,546,000. As of June 30, 2005, fourteen change orders totaling \$119,882 had been added to the original contract. The balance remaining on the contract at June 30, 2005 was \$7,462,921, including retainage of \$221,208.

On October 22, 2003, the County entered into a contract for architectural fees for \$2,300,000 for the Courthouse and Jail Facility. The balance remaining on the contract at June 30, 2005 was \$1,210,371.

On June 30, 2005, the County entered into a contract for a phone system for the Courthouse and Jail Facility for \$116,454.

**(14) Jointly Governed Organization**

Dickinson County participates in the Dickinson County Water Quality Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2005:

Additions:

Contributions from governmental units:

Dickinson County	\$ 84,600	
City of Spirit Lake	28,000	
City of Okoboji	23,000	
City of Wahpeton	16,000	
City of Arnolds Park	14,800	
City of Milford	13,000	
City of West Okoboji	7,600	
City of Orleans	6,600	
City of Lake Park	4,200	
City of Superior	1,400	
City of Terril	1,000	\$ 200,200
Interest on investments		1,751
Total additions		<u>201,951</u>

Deductions:		
Dickinson County Soil & Water Conservation District	59,881	
Friends of Lakeside Lab	10,250	
Iowa Municipalities Workers' Compensation Association	274	
Jackson Soil & Water Conservation District	2,500	
Milford Municipal Utilities	8,600	
Iowa Natural Heritage Foundation	37,500	
Dickinson County Conservation Board	8,800	
Dickinson County Foundation	1,200	129,005
		<hr/>
Net		72,946
Balance beginning of year		113,700
		<hr/>
Balance end of year		<u>\$ 186,646</u>

**(15) Forgivable Loans**

On July 18, 2005, the County entered into a private development agreement for an urban renewal project with the City of Spirit Lake and two private developers. The agreement provides the County will make a forgivable loan of \$700,000 to the developer in exchange for the construction of certain minimum improvements located within the County's TIF district. In addition, the County agrees to purchase a parcel of real estate for \$350,000 from the developer. The loans are to be amortized and forgiven in annual amounts provided the developers comply with all requirements stipulated within the agreements.

**(16) Restatement of Beginning Balances**

The beginning fund balances in the Secondary Roads Fund and the Dickinson County Trails Fund and beginning net assets of governmental activities have been restated, as follows:

	Governmental Funds		Governmental
	Secondary Roads	Dickinson County Trails	Activities Beginning Net Assets
Fund balances and net assets, June 30, 2004	\$ 3,053,411	428,187	12,858,453
Prior period adjustments:			
Secondary Roads inventory was understated due to inventory items previously excluded	36,109	-	36,109
Dickinson County Trails income on investments was overstated due to an error in recording accrued interest	-	(22,792)	(22,792)
		<hr/>	<hr/>
Fund balances and net assets, July 1, 2004, as restated	<u>\$ 3,089,520</u>	<u>405,395</u>	<u>12,871,770</u>

**Required Supplementary Information**

Dickinson 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

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 6,949,328	-	6,949,328
Interest and penalty on property tax	63,233	-	63,233
Intergovernmental	2,860,385	87,737	2,772,648
Licenses and permits	63,227	-	63,227
Charges for service	592,284	-	592,284
Use of money and property	438,090	-	438,090
Miscellaneous	311,498	42,934	268,564
Total receipts	11,278,045	130,671	11,147,374
<b>Disbursements:</b>			
Public safety and legal services	1,712,493	-	1,712,493
Physical health and social services	424,176	-	424,176
Mental health	1,209,942	-	1,209,942
County environment and education	1,010,821	21,756	989,065
Roads and transportation	2,278,715	-	2,278,715
Governmental services to residents	409,393	-	409,393
Administration	1,167,604	-	1,167,604
Non-program	127,231	96,939	30,292
Debt service	1,250,110	34,323	1,215,787
Capital projects	5,592,926	-	5,592,926
Total disbursements	15,183,411	153,018	15,030,393
Excess (deficiency) of receipts over (under) disbursements	(3,905,366)	(22,347)	(3,883,019)
Other financing sources, net	4,224	-	4,224
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,901,142)	(22,347)	(3,878,795)
Balance beginning of year	22,278,198	75,466	22,202,732
Balance end of year	\$ 18,377,056	53,119	18,323,937

See accompanying independent auditor's report.



Budgeted Amounts		Final to Net Variance
Original	Final	
6,769,936	6,797,244	152,084
43,000	43,000	20,233
3,085,838	3,085,838	(313,190)
57,900	57,900	5,327
543,224	558,224	34,060
200,025	200,025	238,065
63,850	129,965	138,599
10,763,773	10,872,196	275,178
1,745,113	1,827,613	115,120
498,806	498,806	74,630
1,430,278	1,430,278	220,336
1,272,406	1,335,846	346,781
2,715,200	2,715,200	436,485
429,033	463,033	53,640
1,530,438	1,530,438	362,834
40,500	40,500	10,208
1,186,201	1,213,809	(1,978)
10,900,397	10,900,397	5,307,471
21,748,372	21,955,920	6,925,527
(10,984,599)	(11,083,724)	7,200,705
-	-	4,224
(10,984,599)	(11,083,724)	7,204,929
20,643,540	20,643,540	1,559,192
9,658,941	9,559,816	8,764,121

Dickinson County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,278,045	2,312	11,280,357
Expenditures	15,183,411	1,157,809	16,341,220
Net	(3,905,366)	(1,155,497)	(5,060,863)
Other financing sources, net	4,224	-	4,224
Beginning fund balances, as restated	22,278,198	521,707	22,799,905
Ending fund balances	\$ 18,377,056	(633,790)	17,743,266

See accompanying independent auditor's report.

Dickinson 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 blended component units 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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$207,548. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service function. Also, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements exceeded the appropriation in one department prior to amendment.

**Dickinson County**

**Other Supplementary Information**

Dickinson County  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds

June 30, 2005

	County Recorder's Records Management	Revolving Economic Development	Resource Enhancement and Protection	Confiscated Property Fees	Waste Management Reduction	Watershed Study	Moore Lake & Moderate Income	East Okoboji Beach Sewer TIF
<b>Assets</b>								
Cash and pooled investments								
County Treasurer	\$ 69,043	95,100	11,412	7,500	35,150	5,000	37,998	2,323
Conservation Foundation	-	-	-	-	-	-	-	-
Bequest held by bank	-	-	-	-	-	-	-	-
Receivables:								
Succeeding year property tax	-	-	-	-	-	-	-	127,000
Accrued interest	14	-	18	-	-	-	-	-
Drainage assessments	-	-	-	-	-	-	-	-
Economic development loan	-	6,267	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 69,057</b>	<b>101,367</b>	<b>11,430</b>	<b>7,500</b>	<b>35,150</b>	<b>5,000</b>	<b>37,998</b>	<b>129,323</b>
<b>Liabilities and Fund Equity</b>								
Liabilities:								
Accounts payable	\$ -	-	-	-	2,413	-	-	-
Due to other funds	-	-	-	-	-	-	-	2,323
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenue:								
Succeeding year property tax	-	-	-	-	-	-	-	127,000
Other	-	6,267	-	-	-	-	-	-
Total liabilities	-	6,267	-	-	2,413	-	-	129,323
Fund equity:								
Fund balances:								
Reserved for:								
Drainage warrants	-	-	-	-	-	-	-	-
County care facility	-	-	-	-	-	-	-	-
Conservation Foundation	-	-	-	-	-	-	-	-
Unreserved	69,057	95,100	11,430	7,500	32,737	5,000	37,998	-
Total fund equity	69,057	95,100	11,430	7,500	32,737	5,000	37,998	-
<b>Total liabilities and fund equity</b>	<b>\$ 69,057</b>	<b>101,367</b>	<b>11,430</b>	<b>7,500</b>	<b>35,150</b>	<b>5,000</b>	<b>37,998</b>	<b>129,323</b>

See accompanying independent auditor's report.

Silver Shore Urban Renewal	Supplemental Environmental Project	Conservation Foundation	Conservation Land Acquisition	Recorder's Electronic Transfer Fees	Ray D. Smith Trust	Courthouse Memorial	Drainage Districts	KUOO Telethon Trust	Dickinson County Trails	Total
-	2,000	-	101,789	12,539	-	552	16,656	7,394	405,003	809,459
-	-	36,463	-	-	-	-	-	-	-	36,463
-	-	-	-	-	73,983	-	-	-	-	73,983
43,000	-	-	-	-	-	-	-	-	-	170,000
-	1	-	192	2	-	-	-	2	3,720	3,949
-	-	-	-	-	-	-	138,072	-	-	138,072
-	-	-	-	-	-	-	-	-	-	6,267
43,000	2,001	36,463	101,981	12,541	73,983	552	154,728	7,396	408,723	1,238,193
-	-	-	20,644	-	-	-	1,886	1	14,169	39,113
-	-	-	-	-	-	-	-	-	-	2,323
-	-	-	-	-	-	-	-	-	75	75
43,000	-	-	-	-	-	-	-	-	-	170,000
-	-	-	-	-	-	-	138,073	-	-	144,340
43,000	-	-	20,644	-	-	-	139,959	1	14,244	355,851
-	-	-	-	-	-	-	3,225	-	-	3,225
-	-	-	-	-	73,983	-	-	-	-	73,983
-	-	36,463	-	-	-	-	-	-	-	36,463
-	2,001	-	81,337	12,541	-	552	11,544	7,395	394,479	768,671
-	2,001	36,463	81,337	12,541	73,983	552	14,769	7,395	394,479	882,342
43,000	2,001	36,463	101,981	12,541	73,983	552	154,728	7,396	408,723	1,238,193

Dickinson County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2005

	County Recorder's Management	Revolving Economic Develop- ment	Resource Enhance- ment and Protection	Confiscated Property Fees	Waste Manage- ment Reduction	Watershed Study	Moore Lake & Moderate Income	East Okoboji Beach Sewer TIF
<b>Revenues:</b>								
Property and other county tax	\$ -	-	-	-	-	-	-	114,594
Intergovernmental	-	-	10,531	-	-	-	-	4,530
Charges for service	8,713	-	-	-	34,212	-	-	-
Use of money and property	556	3,275	205	-	-	-	-	-
Miscellaneous	-	-	-	7,497	82,803	-	-	-
<b>Total revenues</b>	<b>9,269</b>	<b>3,275</b>	<b>10,736</b>	<b>7,497</b>	<b>117,015</b>	<b>-</b>	<b>-</b>	<b>119,124</b>
<b>Expenditures:</b>								
<b>Operating:</b>								
County environment and education Administration	-	20,500	38,583	-	107,248	-	-	-
Non-program	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>20,500</b>	<b>38,583</b>	<b>-</b>	<b>107,248</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>9,269</b>	<b>(17,225)</b>	<b>(27,847)</b>	<b>7,497</b>	<b>9,767</b>	<b>-</b>	<b>-</b>	<b>119,124</b>
<b>Other financing sources (uses):</b>								
Operating transfers in	-	20,000	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	(119,124)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(119,124)</b>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>9,269</b>	<b>2,775</b>	<b>(27,847)</b>	<b>7,497</b>	<b>9,767</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances beginning of year, as restated</b>	<b>59,788</b>	<b>92,325</b>	<b>39,277</b>	<b>3</b>	<b>22,970</b>	<b>5,000</b>	<b>37,998</b>	<b>-</b>
<b>Fund balances end of year</b>	<b>\$ 69,057</b>	<b>95,100</b>	<b>11,430</b>	<b>7,500</b>	<b>32,737</b>	<b>5,000</b>	<b>37,998</b>	<b>-</b>

See accompanying independent auditor's report.



Silver Shore Urban Renewal	Supplemental Environmental Project	Conservation Foundation	Conservation Land Acquisition	Recorder's Electronic Transfer Fees	Ray D. Smith Trust	Courthouse Memorial	Drainage Districts	KUOO Telethon Trust	Dickinson County Trails	Total
17,031	-	-	-	-	-	-	-	-	-	131,625
-	-	-	30,745	-	-	-	-	-	-	45,806
-	-	-	-	14,193	-	-	-	-	-	57,118
-	1	-	1,316	59	617	2	-	18	8,194	14,243
-	2,000	22,830	-	-	-	-	20,103	-	60,946	196,179
17,031	2,001	22,830	32,061	14,252	617	2	20,103	18	69,140	444,971
-	-	-	-	-	-	-	-	-	80,056	246,387
-	-	-	-	24,425	-	-	-	-	-	24,425
-	-	21,756	-	-	-	-	10,502	-	-	32,258
-	-	-	-	-	-	-	34,323	-	-	34,323
-	-	-	35,322	-	-	-	-	-	-	35,322
-	-	21,756	35,322	24,425	-	-	44,825	-	80,056	372,715
17,031	2,001	1,074	(3,261)	(10,173)	617	2	(24,722)	18	(10,916)	72,256
-	-	-	-	-	-	-	-	-	-	20,000
(17,031)	-	-	-	-	-	-	-	-	-	(136,155)
(17,031)	-	-	-	-	-	-	-	-	-	(116,155)
-	2,001	1,074	(3,261)	(10,173)	617	2	(24,722)	18	(10,916)	(43,899)
-	-	35,389	84,598	22,714	73,366	550	39,491	7,377	405,395	926,241
-	2,001	36,463	81,337	12,541	73,983	552	14,769	7,395	394,479	882,342

Dickinson County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	1,741	59,206	138,124
Other County officials	76,404	-	-	-
Receivables:				
Property tax:				
Delinquent	-	112	272	9,120
Succeeding year	-	161,000	303,000	13,008,000
Accounts	8,686	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 85,090</b>	<b>162,853</b>	<b>362,478</b>	<b>13,155,244</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	3,262	-
Due to other governments	71,969	162,853	347,925	13,155,244
Trusts payable	13,121	-	-	-
Compensated absences	-	-	11,291	-
Drainage warrants payable	-	-	-	-
<b>Total liabilities</b>	<b>\$ 85,090</b>	<b>162,853</b>	<b>362,478</b>	<b>13,155,244</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License, Use Tax and Drivers' License	Other	Total
8,994	80,190	3,354	6,585	384,947	1,454,972	2,138,113
-	-	-	-	-	-	76,404
578	3,611	287	-	-	972	14,952
893,000	7,948,000	306,000	-	-	2,655,000	25,274,000
-	-	-	-	-	23,994	32,680
-	-	-	-	-	645	645
-	-	-	353,363	-	-	353,363
-	-	-	-	-	1,732,411	1,732,411
-	-	-	-	-	1,386	1,386
902,572	8,031,801	309,641	359,948	384,947	5,869,380	29,623,954
-	-	-	-	-	2,293	2,293
-	-	-	-	-	744	4,006
902,572	8,031,801	309,641	359,948	384,947	4,665,526	28,392,426
-	-	-	-	-	-	13,121
-	-	-	-	-	-	11,291
-	-	-	-	-	1,200,817	1,200,817
902,572	8,031,801	309,641	359,948	384,947	5,869,380	29,623,954

Dickinson County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 52,251	156,550	449,166	12,128,289
Additions:				
Property and other county tax	-	161,915	305,015	13,057,623
E911 surcharges	-	-	-	-
State tax credits	-	4,037	9,814	324,274
Office fees and collections	825,587	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, drivers' licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	10,077	-	-	-
Miscellaneous	-	343	4,344	28,694
Total additions	835,664	166,295	319,173	13,410,591
Deductions:				
Agency remittances:				
To other funds	380,914	-	-	-
To other governments	411,556	159,992	405,861	12,383,636
Trusts paid out	10,355	-	-	-
Total deductions	802,825	159,992	405,861	12,383,636
Balances end of year	\$ 85,090	162,853	362,478	13,155,244

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License, Use Tax and Drivers' License	Other	Total
810,575	7,117,848	300,237	433,295	410,153	3,250,584	25,108,948
896,440	8,017,874	306,038	-	-	2,658,725	25,403,630
-	-	-	-	-	104,495	104,495
20,856	150,303	9,072	-	-	43,111	561,467
-	-	-	-	-	-	825,587
-	-	-	-	-	8,713	8,713
-	-	-	-	4,560,326	-	4,560,326
-	-	-	46,533	-	1,794,654	1,841,187
-	-	-	-	-	-	10,077
1,769	-	1,081	-	-	768,213	804,444
919,065	8,168,177	316,191	46,533	4,560,326	5,377,911	34,119,926
-	-	-	-	143,401	-	524,315
827,068	7,254,224	306,787	119,880	4,442,131	3,959,932	30,271,067
-	-	-	-	-	-	10,355
827,068	7,254,224	306,787	119,880	4,585,532	3,959,932	30,805,737
902,572	8,031,801	309,641	359,948	384,947	4,668,563	28,423,137

**Schedule 5**

## Dickinson County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 5,909,072	4,724,648	4,596,022	4,222,369	3,555,862
Local option sales tax	1,058,442	916,299	941,677	834,927	807,633
Interest and penalty on property tax	62,408	58,733	60,667	63,304	63,467
Intergovernmental	2,845,820	3,259,793	2,744,395	2,778,515	3,079,100
Licenses and permits	62,898	38,780	78,449	38,799	34,767
Charges for service	588,365	593,054	518,611	489,628	431,068
Use of money and property	451,300	284,191	202,093	311,180	568,812
Miscellaneous	302,052	220,397	403,562	192,683	104,339
Total	\$ 11,280,357	10,095,895	9,545,476	8,931,405	8,645,048
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,720,927	1,587,426	1,604,315	1,473,792	1,364,445
Physical health and social services	421,851	449,745	357,515	335,984	342,783
Mental health	1,223,340	1,278,802	1,308,190	1,223,252	1,304,546
County environment and education	984,730	846,446	726,174	671,285	1,010,073
Roads and transportation	2,312,848	1,489,590	2,116,774	2,064,231	2,117,979
Governmental services to residents	384,786	402,091	404,188	353,681	319,087
Administration	1,203,923	1,104,097	1,030,319	1,098,307	1,266,968
Non-program	149,786	158,392	210,738	145,815	210,555
Debt service	1,247,880	163,663	216,824	205,390	48,491
Capital projects	6,691,149	1,606,225	1,213,017	1,600,705	515,064
Total	\$ 16,341,220	9,086,477	9,188,054	9,172,442	8,499,991

See accompanying independent auditor's report.

Dickinson County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 9,717
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-05-71	17,300
Violence Against Women Formula Grants	16.588	VW-05-71	32,174
U.S. Department of Transportation:			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-C030(31)--8J-30	413,820
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
Linn County Public Health:			
State Indoor Radon Grants	66.032	#5889RC02	919
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		12,829
Refugee and Entrant Assistance-State Administered Programs	93.566		16
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,520
Foster Care-Title IV-E	93.658		6,801
Adoption Assistance	93.659		1,583
Medical Assistance Program	93.778		13,907
Social Services Block Grant	93.667		8,510
Social Services Block Grant	93.667		48,712
			57,222

**Schedule 6**

---

Dickinson County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		353
State and Local Homeland Security Training Program	97.005		750
Emergency Management Performance Grants	97.042		13,108
Homeland Security Grant Program	97.067		87,737
Total			\$ 670,756

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Dickinson County and is presented on the modified 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.

See accompanying independent auditor's report.





**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's 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 Dickinson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dickinson County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 14, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Dickinson 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 Dickinson County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a 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 do not believe the reportable conditions described above are material weaknesses.

Compliance and Other Matters

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

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

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

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 14, 2005



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Dickinson County:

Compliance

We have audited the compliance of Dickinson County, Iowa, with the types of compliance requirements described in 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. Dickinson County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Dickinson County's management. Our responsibility is to express an opinion on Dickinson County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dickinson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dickinson County's compliance with those requirements.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 14, 2005

Dickinson 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, none of which are considered to be material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (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) Dickinson County did not qualify as a low-risk auditee.

Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part II: Findings Related to the Financial Statements:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-05 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine 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. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Treasurer and Sheriff
(2) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Treasurer and Recorder
(3) Investments are not periodically inspected and reconciled to investment records and the earnings are not verified by an independent employee.	Treasurer

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Treasurer – Staffing is short in our office and to keep the employees busy doing the work, the Treasurer opens the mail. When the Treasurer is absent the motor vehicle deputy and another clerk open the mail. I will try at the busy times to have more than one person open the mail.

Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

We usually try to balance the banks within the first five days of the month. We have several banks that do not get the bank statements to us in that time period and we try to call them for a copy until the original is mailed.

The clerk who does the bank reconciliation is now checking the investments when doing the monthly banking routine.

Sheriff – We will do our best to try and divide the duties.

Recorder – The Recorder balances the checkbook by the second or third day of each month, the deputy confirms the outstanding accounts receivable by the third or fourth day of the following month as the deputy is in charge of billing. The only one in the office that has no input in this procedure is the clerk.

The clerk does, however, help with the balancing at the end of each day, when either the Recorder or deputy is on vacation or sick leave. The clerk also, on occasion, writes up the daily deposit slip for the bank. Therefore, we have no one in the office that does not help balance, as there are only three people in our office

Conclusion – Responses accepted.

- II-B-05 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The IT Department had been working on a disaster recovery plan for the County. However, with the building of a new courthouse and jail the project was temporarily put on hold until occupying the new building. It is intended that there will be a written disaster recovery plan and policies in place by the fall of 2006.

Conclusion – Response accepted.

- II-C-04 County Sheriff – The County Sheriff received proceeds from forfeited and confiscated property. These collections were not reflected in the County's accounting system and have not been included in the County's annual budget or monthly financial reports.

Recommendation – The activity for the forfeited and confiscated property collections should be included in the County's annual budget and financial statements. Proceeds are accepted by the County with the understanding they are for additional law enforcement efforts. This means monies so designated are not to replace those already budgeted. The revenues and expenditures of proceeds of this type may require a budget amendment at some time before the end of the fiscal year. All proceeds disbursed should be charged to the appropriate expenditure account in accordance with the Uniform Chart of Accounts for Iowa County Governments.

Response – I will do what I can do to correct this problem.

Conclusion – Response accepted.

Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-D-05 County Treasurer – The County utilizes computer software to print prenumbered miscellaneous receipts. The computer software does not require an explanation for why a receipt was voided and does not prohibit receipts that have been issued from being changed prior to the daily update. In addition, voided receipts are not reviewed by an independent person.

Recommendation – The Treasurer should consult with the computer software vendor to add controls to require written explanations for why a receipt is voided and to prohibit receipts that have been issued from being changed prior to the daily update without a written explanation. In addition, voided receipts should be reviewed by an independent person for propriety and the review should be evidenced by the initials of the independent person and the date reviewed.

Response – With the new financial system we have purchased, we are hoping that this issue is now resolved.

Conclusion – Response accepted.

II-E-05 County Board of Supervisors – The County owns vehicles for use by various employees while on County business. The County has not established a formal policy to regulate the use of these vehicles.

Recommendation – The County should adopt a formal written policy regulating the use of County vehicles. The policy should include provisions for incidental personal use, commuting, assignment of vehicles, documentation required, restricted vehicle users, reimbursement by employees for personal use and reporting additional compensation for employees.

Response – The County has taken this recommendation under advisement for future consideration.

Conclusion – Response accepted.

II-F-05 Accounting Procedures Manuals – We encourage the development of office procedures and standardized accounting manuals for all County offices. These manuals should provide the following benefits:

1. Aiding in training additional or replacement personnel.
2. Help achieve uniformity in accounting and in the application of policies and procedures.
3. Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Recommendation – Office procedures and accounting manuals should be prepared for all County offices.

Response – This recommendation has been taken under advisement for implementation.

Conclusion – Response accepted.



Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

II-G-05 County Board of Supervisors – Identifying tags are not placed on all capital assets.

Recommendation – Identification tags should be placed on all capital assets.

Response – An identifying tag system will be developed and used in the near future.

Conclusion – Response accepted.

II-H-05 County Engineer – The Secondary Roads Department does not reconcile receipt records with the County Treasurer’s reports on a monthly basis.

Recommendation – The Secondary Roads Department receipt records should be reconciled to the County Treasurer’s reports monthly.

Response – The Secondary Roads Department will have a second employee double check receipts. Typically the Department has very few cash transactions and they are small amounts when received.

Conclusion – Response accepted.

II-I-05 County Zoning – The Zoning Department does not reconcile receipts to the County Treasurer’s reports to ensure receipts are recorded intact by the Treasurer’s office.

Recommendation – The Zoning Department should reconcile receipts to the County Treasurer’s Reports to ensure receipts are recorded intact by the Treasurer’s office monthly.

Response – We will check the receipts and reconcile them to the County Treasurer’s reports on a monthly basis.

Conclusion – Response accepted.

II-J-05 Compensatory Time and Compensatory Time for Holiday Pay – Section 5.10 of the County’s personnel policy states, “Salaried non-exempt employees will receive compensatory time at the rate of one and one half (1½) for any hours in excess of 40 hours per week in accordance with the Fair Labor Standards Act.” However, the policy does not address how soon these hours must be used, how many hours can be carried over from year to year or the disposition of unused compensatory time at the end of an employee’s tenure with the County. In addition, not all balances of compensatory time have been shown on the County’s payroll records, nor have the hours earned or used been recorded. Section 10.10 of the personnel policy states, “Department Heads shall report all leave time, accrued and/or taken for each employee with the first payroll each month.”

Deputy Sheriff’s are being credited with a year’s total compensatory time for holiday pay at the start of each fiscal year. Compensatory time for holidays should only be added as compensatory time for holiday pay when it is earned by the Deputies.

Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation – The County should amend its personnel policy to address when compensatory time must be used, how many hours can be carried over from year to year and the disposition of compensatory time when an employee leaves County employment. All department heads should report all compensatory time accrued and/or taken for each employee with the first payroll each month as required by the personnel policy and the amounts accrued and/or taken for each employee should be shown on the payroll records of the County in addition to the unused balance at the end of each month.

The County should only add Deputy Sheriffs' compensatory time for holiday pay when it is earned and not as a balance at the start of each year.

Response – This recommendation has been taken under advisement and will be presented to the Dickinson County Personnel Committee for consideration and development.

Conclusion – Response accepted.

II-K-05 Conservation Department – Prenumbered receipts are issued at the Dickinson Recycling Facility by the Conservation Department. All prenumbered receipts are not accounted for and they are not reconciled by an independent person to the County Treasurer's miscellaneous receipts.

Recommendation – All prenumbered receipts should be properly accounted for and reconciled by an independent person to the County Treasurer's miscellaneous receipts.

Response – The Conversation Board will begin in-house procedures to ensure that prenumbered receipts are effectively maintained and available for audit purposes. Reconciliation of receipts will also be undertaken, as part of the new procedures, to reflect agreement between funds received and deposited.

Conclusion –Response accepted.

Dickinson County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over the major program were noted.

Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**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 exceeded the amount budgeted in the debt service function. Also, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements exceeded the appropriation in one department prior to amendment.

Recommendation - The budget and departmental appropriations should be amended in accordance with Chapters 331.435 and 331.434(6) of the Code of Iowa before disbursements are allowed to exceed the budget or appropriation.

Response - The County will make every effort to comply with the above Code of Iowa chapters in the future.

Conclusion - Response accepted.

IV-C-05 Questionable Expenditures - No expenditures 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 - No business transactions between the County and County officials or employees were noted.

IV-F-05 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. However, the amount of all bonds should be periodically reviewed to insure the coverage is adequate for current operations.

IV-G-05 Board Minutes - Except for the following, no transactions were found that we believe should have been approved in the Board minutes, but were not.

Although minutes of Board proceedings were published, they were not always published within the time period specified by Chapter 349.18 of the Code of Iowa.

The Board went into closed session on August 3, 2004, August 24, 2004 and October 19, 2004. The Board minutes did not reference a specific code exemption as required by Chapter 21.5 of the Code of Iowa.

Recommendation - The County should ensure all Board proceedings are published as required. Also, Board minutes should reference a specific code exemption for all closed sessions, as required.

Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – This recommendation has been taken under advisement and the County will make every effort to comply with the Code of Iowa.

Conclusion – Response accepted.

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 Employee Group Health Fund – The County provides employees health insurance and other benefits through a partially funded self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan.

Recommendation – The County should obtain an actuarial opinion, issued by a fellow of the Society of Actuaries, as required.

Response – This recommendation has been taken under advisement by the Board of Supervisors.

Conclusion – Response acknowledged. The County should obtain the required actuarial opinion.

IV-K-05 County Sheriff – The Sheriff traded a county vehicle in exchange for a credit with a supply and equipment vendor. These credits were later used to purchase law enforcement items without running through the County budget, appropriations, and disbursement process as required by Chapter 331.506 of the Code of Iowa and were not filed and properly audited by the Board of Supervisors before payment in accordance with Chapter 331.504(7) and (8) of the Code of Iowa.

Recommendation – The proceeds from the disposal of county property should be remitted to the County Treasurer for deposit and any expenditure for supplies or equipment should be charged to the appropriate expenditure account and run through the process for issuance of warrants as specified by the Code of Iowa and the Uniform Chart of Accounts for Iowa County Governments. Expenditures should be subject to budget and appropriation restraints as required by the Code of Iowa.

Response – I was trying to save the County money. I received \$1,500 more than I was allowed on a trade-in.

Conclusion – Response acknowledged. Using vendor credits circumvents the statutory process for claims to be filed against the County, for the Board of Supervisors to review and allow or disallow claims and for claims to be paid by the County Treasurer upon presentation of warrants issued by the County Auditor.

Dickinson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Use of vendor credits also circumvents the internal control achieved by this process through separation of responsibilities for purchasing, approval for payment and actual payment.

In addition, obtaining vendor credit instead of proceeds to be deposited in a bank restricts the County's ability to use all its resources where most needed. Since the County can benefit from the vendor credit only by purchasing goods or services from the vendor at prices established by the vendor, the County may forego more economical purchases which could be made elsewhere or purchase less essential goods and services in order to be able to use the vendor credit.

The County should not obtain vendor credits in the future and should pay for purchases through the claim and warrant process provided in Chapters 331.504, 331.506 and 331.552 of the Code of Iowa

- IV-L-05 E911 Board Budget – Disbursements during the year ended June 30, 2005 in the E911 Surcharge Fund exceeded the amount budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be more closely monitored and it will be amended, in the future, before disbursements exceed the budget.

Conclusion – Response accepted.

- IV-M-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 amount budgeted.

---

Dickinson County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
James L. Blekfeld, CPA, Senior Auditor  
Julie J. Lyon, CPA, Staff Auditor  
Carey L. Fraise, Assistant Auditor  
Jennifer L. Wall, Assistant Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State