

ALLAMAKEE COUNTY
Waukon, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2005

ALLAMAKEE COUNTY
Waukon, Iowa

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ALLAMAKEE COUNTY, IOWA

OFFICIALS

(Before January 2005)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathy Campbell	Board of Supervisors	Jan. 2005
William Clark.....	Board of Supervisors	Jan. 2007
Lennie Burke.....	Board of Supervisors	Jan. 2005
Mary O’Neill.....	County Auditor.....	Jan. 2005
Lori Hesse	County Treasurer	Jan. 2007
Deb Winke	County Recorder.....	Jan. 2007
Tim Heiderscheit.....	County Sheriff	Jan. 2005
William Shafer	County Attorney.....	Jan. 2007
Ann Burckart.....	County Assessor.....	Appointed

(After January 2005)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathy Campbell	Board of Supervisors	Jan 2009
William Clark.....	Board of Supervisors	Jan 2007
Lennie Burke.....	Board of Supervisors	Jan 2009
Mary O’Neill.....	County Auditor.....	Jan 2009
Lori Hesse	County Treasurer	Jan 2007
Deb Winke	County Recorder.....	Jan 2007
Tim Heiderscheit.....	County Sheriff	Jan 2009
William Shafer	County Attorney.....	Jan 2007
Ann Burckart.....	County Assessor.....	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Allamakee County
Waukon, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allamakee 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 Allamakee 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 the *Government Auditing Standards*, we have also issued our report dated March 10, 2006 on our consideration of Allamakee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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.

Independent Auditors' Report (Continued)

Management's Discussion and Analysis and budgetary comparison information on pages 4-9 and 33-35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allamakee 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 two years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion for fiscal 2004, and a qualified opinion for fiscal 2003, due to the lack of fixed asset records and material and supplies inventories pertaining to special revenue funds. The audit of the financial statements for the year ended June 30, 2002 was performed by other auditors and expressed qualified opinions on those financial statements for the a lack of fixed asset and inventory records. Other supplementary information included in Schedules 1 through 5 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.

March 10, 2006

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Allamakee County provides this Management Discussion and Analysis of the Allamakee County FY2004-2005 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped that this section will assist you in understanding the events that significantly affected the financial position of Allamakee County as a whole.

This is the second year that Allamakee County is required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. A comprehensive comparison to fiscal year 2003-2004 is included.

2005 FINANCIAL HIGHLIGHTS

- Allamakee County governmental funds revenue decreased by \$316,550, or 6%, which is substantially status quo compared to FY2004. Taxes levied on property and other County tax increased \$46,223, or less than 1%, from FY2004.
- Allamakee County program expenditures increased \$854,580, or 10%, compared to FY2004. Capital project expenditures were \$498,520 more than in FY2004.
- Allamakee County's net assets increased approximately \$4.3 million from 2004.

USING THIS REPORT

This report consists of four parts: management's discussion and analysis (this section), the basic financial statements and required and other supplementary information. The financial statements include two kinds of statements that present different views of Allamakee County.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about Allamakee County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Allamakee County, reporting Allamakee County's operations in more detail than the government-wide financial statements.
- The governmental funds statements explain how basic services, such as mental health and secondary road maintenance and construction, were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about financial relationships which Allamakee County acts solely as a trustee or agent to benefit others. Examples of these funds include the E911, Emergency Management Services, and other agency funds for collecting and distributing taxes to schools, cities, and other taxing authorities.

The financial statements also include notes to explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of Allamakee County's budget for FY2005. Other supplementary information provides detailed information about the non-major special revenue funds and agency funds.

REPORTING THE COUNTY AS A WHOLE

The government-wide financial statements report information about Allamakee County as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Assets includes all of Allamakee County's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when the cash was received or paid.

The two government-wide financial statements report Allamakee County's net assets and how they have changed. Net assets - the difference between Allamakee County's assets and liabilities - are one way to measure Allamakee County's financial health or position.

- Over time, increases or decreases in Allamakee County's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Allamakee County's overall financial health, you need to consider Allamakee County's property tax base and the condition of its buildings and other facilities.

In the government-wide financial statements, Allamakee County's governmental activities are reported:

- Governmental activities: Allamakee County's basic services are included here, including public safety and legal services, physical health and social services, mental health, mental retardation, and developmental disabilities, county environment and education, roads and transportation, governmental services to residents, administration, and non-program activities.

Fund Financial Statements

The fund financial statements provide more detailed information about Allamakee County's funds, focusing on its most significant or "major" funds - not Allamakee County as a whole. Funds are accounting devices Allamakee County uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and bond covenants.
 - Allamakee County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues such as federal grants.
- Allamakee County has three types of funds:

- 1) Governmental Funds: Most of Allamakee County's basic services are included in governmental funds, which generally focus on: 1) How cash and other financial assets can readily be converted to cash flow in and out. 2) The balances left over at year-end that are available to provide spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine if there are more or fewer financial resources that can be spent in the near future to finance Allamakee County's programs. Because this information does not encompass the additional long term focus of government-wide financial statements, additional information on Exhibit D and Exhibit F explain the relationship or differences between the two statements. Allamakee County's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) Proprietary Funds: Proprietary Funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.
- 3) Fiduciary Funds: Allamakee County is the trustee, or fiduciary, for assets that belong to others, such as, Emergency Management Services, County Assessor, E911, and the agency funds necessary to collect and distribute property taxes to schools, cities, and all other taxing authorities. Allamakee County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Allamakee County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary funds report a liability due to other governments and, therefore, the fiduciary funds do not report a fund balance.

ALLAMAKEE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Allamakee County's net assets for FY2005 totaled \$11,890,426. Net assets (restated) on June 30, 2004 were \$9,644,894. Net assets increased 23% as a result of FY2005 Allamakee County operations. \$1,568,458 of the increase is attributed to assets paid for from the state farm to market road fund which are not funds that flow through the County budget.

Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)		
	2005	2004
Current and Other Assets	\$9,243	\$9,383
Capital Assets	11,545	6,756
Total Assets	20,788	16,149
Long-term Debt (Compensated Absences)	143	134
Other Liabilities	4,267	4,124
Total Liabilities	4,410	4,258
Net Assets:		
Invested in Capital Assets, Net of Related Debt	11,545	6,756
Restricted	2,497	2,786
Unrestricted	2,336	2,349
Total Net Assets	\$16,378	\$11,891

Net assets increased by \$4.3 million compared to FY2004. The beginning balance on the Statement of Activities was restated due to the implementation of GASB 34 to include capital assets and the changes in assets and liabilities resulting from the conversion to the accrual basis of accounting. The largest portion of Allamakee County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they may 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, legislation, or other legal requirements - is \$2.34 million.

Changes In Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)		
	2005	2004
Revenues:		
Program Revenues:		
Charges for Service	\$723	\$650
Operating Grants and Contributions	3,364	3,151
Capital Grants and Contributions	4,423	1,569
General Revenues:		
Property Tax	4,090	4,075
Penalty and Interest on Property Taxes	54	50
State Tax Credits	215	250
Local Option Sales Tax	253	223
Unrestricted Investment Earnings	146	106
Gain on Sale of Capital Assets	0	7
Miscellaneous	103	239
Total Revenues	\$13,371	\$10,320

	2005	2004
Program Expenses:		
Public Safety and Legal Services	\$1,097	\$1,022
Physical Health and Social Services	578	575
Mental Health	1,561	1,603
County Environment and Education	692	656
Roads and Transportation	3,887	3,016
Governmental Services to Residents	350	321
Administration	796	832
Non-Program	79	47
Interest on Long-Term Debt	0	2
Total Expenses	<u>9,040</u>	<u>8,074</u>
 Increase in Net Assets	 4,331	 2,246
 Net Assets July 1, 2004 (As Restated)	 <u>12,046</u>	 <u>9,645</u>
 Net Assets June 30, 2005	 <u><u>\$16,377</u></u>	 <u><u>\$11,891</u></u>

Allamakee County increased property tax rates by \$.10 per \$1,000 of valuation in the rural levy and increased property tax rates by .14187 per \$1,000 of valuation in the county-wide levy.

Governmental Activities

As stated earlier, this is the 2nd year Allamakee County is required to prepare financial statements on a full accrual basis.

- Allamakee County's taxable valuation decreased from \$497 million to \$493 million compared to the prior fiscal year. Approximately \$4 million was lost to revaluation.
- Revenues for governmental activities were \$9,187,827 while expenses amounted to \$9,504,377. In a difficult budgeting year, Allamakee County was not able to keep expenses under available revenues.
- The local option tax sales tax revenue totaled \$253,372. Allamakee County uses 33% of the sales tax revenue to township financial responsibilities, 22% property tax relief (rural services), 25% E911 signs and equipment, and 20% construction and/or repair secondary roads.
- The cost of all governmental activities this year was \$9,039,907.
- The portion of the cost financed by users of Allamakee County programs was \$723,158.
- The federal and state government and private contributors subsidized certain programs with operating grants and contributions totaling \$3,364,223 and capital grants of \$4,422,842, which is farm to market funding that was used for road resurfacing projects whose expenditures were capitalized and depreciated and FEMA. These funds did not flow through the county except for FEMA.
- The net cost portion of governmental activities was financed with property tax of \$4,090,446, \$253,372 of local option sales tax, and \$145,693 of unrestricted investment earnings. Miscellaneous revenue totaled \$102,531. Governmental activities revenues exceeded expenses by \$4,331,351

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

As previously noted, Allamakee County uses fund accounting to ensure and demonstrate compliance with finance-related requirements

The financial performance of Allamakee County as a whole is reflected in its governmental funds as well. As Allamakee County completed the year, its governmental funds reported combined fund balances of \$4,965,179, 13% below last year's balance of \$5,260,079, having paid over \$959,555 for road construction.

General Fund

Total dollars from property tax revenue increased 1%. It is estimated the increase is due to the increased levy rates. Several state grants and other state funding were reduced, however Intergovernmental revenue was increased by 13% or \$465,857.

Permits and charges for service revenue remained virtually the same. Interest revenue increases caused the increase in the Use of Money and Property.

Total expenditures and uses increased by 10%, or \$877,580, compared to FY2004. This increase was road construction increases.

Mental Health Fund

The Allamakee County Mental Health Fund balance was 43% of the FY2004 expenditures on June 30, 2005. During FY2005, revenues increased slightly and expenditures decreased by 3%. Allamakee County's ending fund balance for FY2005, expressed as a percent of total expenditures, is 43%. Allamakee County should qualify for 100% distribution of growth and community services allocation dollars by meeting the criteria of levying at 100% of maximum levy allowed.

Rural Services Fund

There were no significant changes in revenues, expenditures or ending fund balance in the Rural Services Fund in fiscal 2005.

Secondary Roads Fund

Secondary Roads Fund revenue increased by 11% or \$264,997. Transfers in increased at \$1,000,000. Road use tax revenue increased about \$262,090 or 11%.

Secondary Roads Fund expenditures increased approximately \$966,606 or 28% overall. The increase was in the general roadway expenses and capital projects.

Total ending fund balance compared total uses decreased to 27% in FY2005 from 58% in FY2004.

BUDGETARY HIGHLIGHTS

Two budget amendments, December, 2004 and May, 2005 resulted in the following changes:

- Increased Intergovernmental by \$355,024.
- Major expenditure increases in the County Environment and Education Area.

CAPITAL ASSETS

Allamakee County concluded FY2005 with \$15,890,679 invested in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, and roads and bridges. GASB 34 required the addition of infrastructure assets and required depreciation of all capital assets.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)	2005	2004
Land	\$845	\$845
Construction in Process	0	106
Buildings	1,566	1,566
Improvements Other Than Buildings	199	199
Machinery	4,051	3,944
Vehicles	1,957	1,588
Infrastructure	7,271	2,119
	<u>\$15,889</u>	<u>\$10,367</u>
This Year's Major Additions Include		
Capital Assets Contributed by the		
Iowa Department of Transportation	\$4,128	\$1,568
Secondary Road Machinery	130	633
County Vehicles	182	109
	<u>\$4,440</u>	<u>\$2,310</u>

The county had depreciation expense of \$726,818 in FY05 and total accumulated depreciation of \$4,346,016 at June 30, 2005.

The county's fiscal year 2005 capital budget included \$1,010,000 of which \$959,555 was used for county roads and bridges.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The county begins the 2006 fiscal year with a balance of 25% when compared to expected expenditures. This balance is possible because departments have been fiscally responsible. The budgeted ending cash balance for FY2006 is \$1.5 million less than the actual cash balance for FY2005. This is due to increased expenses FY2006 including road projects and legislative mandated new election equipment.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the county's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 110 Allamakee St., Waukon, Iowa 52172.

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF NET ASSETS
June 30, 2005**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$4,889,071
Receivables	
Property Tax	
Delinquent	2,287
Succeeding Year	3,631,456
Interest & Penalty On Property Tax	144
Accounts	26,920
Accrued Interest	16,193
Due From Other Governments	263,888
Notes Receivable	149,295
Inventories	247,603
Prepaid Insurance	16,481
Capital Assets (Net of Accumulated Depreciation)	11,544,663
TOTAL ASSETS	20,788,001
LIABILITIES	
Accounts Payable	231,136
Salaries & Benefits Payable	80,585
Due to Other Governments	174,590
Deferred Revenue	
Succeeding Year Property Tax	3,631,456
Other	149,295
Long Term Liabilities	
Portion Due Or Payable Within One Year	
Compensated Absences	143,321
TOTAL LIABILITIES	4,410,383
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	11,544,663
Restricted For:	
Mental Health Purposes	662,483
Secondary Roads Purposes	1,370,489
Other Purposes	463,453
Unrestricted	2,336,530
TOTAL NET ASSETS	\$16,377,618

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue & Change In Net Assets
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
GOVERNMENTAL ACTIVITIES:					
Public Safety & Legal Services	\$1,097,542	\$95,311	\$15,618	\$0	\$(986,613)
Physical Health & Social Services	578,195	34,976	38,553	0	(504,666)
Mental Health	1,560,787	171,506	897,405	0	(491,876)
County Environment & Education	691,761	20,566	10,270	60,089	(600,836)
Roads & Transportation	3,887,034	8,830	2,398,946	4,362,753	2,883,495
Governmental Services to					
Residents	349,609	221,938	0	0	(127,671)
Administration	795,692	11,155	0	0	(784,537)
Non-Program	79,287	158,876	3,431	0	83,020
	<u>\$9,039,907</u>	<u>\$723,158</u>	<u>\$3,364,223</u>	<u>\$4,422,842</u>	<u>(529,684)</u>
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					4,090,446
Penalty & Interest on Property Tax					54,286
State Tax Credits					214,707
Local Option Sales Tax					253,372
Unrestricted Investment Earnings					145,693
Miscellaneous					102,531
TOTAL GENERAL REVENUES					<u>4,861,035</u>
CHANGE IN NET ASSETS					4,331,351
NET ASSETS, BEGINNING OF YEAR (As Restated, Note 13)					<u>12,046,267</u>
NET ASSETS END OF YEAR					<u>\$16,377,618</u>

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$2,378,000	\$847,270	\$157,439
Receivables			
Property Tax			
Delinquent	1,466	359	462
Succeeding Year	2,195,952	538,668	896,836
Interest & Penalty on Property Tax	144	0	0
Accounts	25,220	1,428	0
Notes	31,437	0	0
Accrued Interest	15,959	0	0
Due From Other Funds	8,209	0	0
Due From Other Governments	12,049	12,938	9,926
Inventories	0	0	0
Prepaid Insurance	12,851	0	0
TOTAL ASSETS	\$4,681,287	\$1,400,663	\$1,064,663
LIABILITIES & FUND BALANCES			
Liabilities			
Accounts Payable	\$22,293	\$24,855	\$10,742
Salaries & Benefits Payable	13,615	420	0
Due To Other Governments	667	173,923	0
Deferred Revenue			
Succeeding Year Property Tax	2,195,952	538,668	896,836
Other	40,482	1,625	427
Total Liabilities	2,273,009	739,491	908,005
Fund Balances			
Reserved For:			
Inventories	0	0	0
Unreserved, Reported In:			
General Fund	2,408,278	0	0
Special Revenue Funds	0	661,172	156,658
Total Fund Balances	2,408,278	661,172	156,658
TOTAL LIABILITIES & FUND BALANCES	\$4,681,287	\$1,400,663	\$1,064,663

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>	<u>Non-major</u>	
<u>Secondary</u>	<u>Special</u>	
<u>Roads</u>	<u>Revenue</u>	<u>Total</u>
\$1,194,161	\$303,992	\$4,880,862
0	0	2,287
0	0	3,631,456
0	0	144
0	272	26,920
0	117,858	149,295
0	234	16,193
0	0	8,209
224,788	4,187	263,888
247,603	0	247,603
3,630	0	16,481
<u>\$1,670,182</u>	<u>\$426,543</u>	<u>\$9,243,338</u>
\$172,506	\$740	\$231,136
65,400	1,150	80,585
0	0	174,590
0	0	3,631,456
0	117,858	160,392
<u>237,906</u>	<u>119,748</u>	<u>4,278,159</u>
247,603	0	247,603
0	0	2,408,278
1,184,673	306,795	2,309,298
<u>1,432,276</u>	<u>306,795</u>	<u>4,965,179</u>
<u>\$1,670,182</u>	<u>\$426,543</u>	<u>\$9,243,338</u>

ALLAMAKEE COUNTY
Waukon, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total governmental fund balances (page 12-13 Exhibit C)	\$4,965,179
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The cost of the assets is \$15,890,679 and the accumulated depreciation is \$4,346,016.	11,544,663
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	11,097
Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(143,321)</u>
Net assets of governmental activities (page 11 Exhibit A)	<u><u>\$16,377,618</u></u>

See Notes to Financial Statements.

ALLAMAKEE COUNTY
Waukon, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES			
Property & Other County Tax	\$2,442,105	\$741,256	\$1,039,004
Interest & Penalty on Property Tax	54,286	0	0
Intergovernmental	250,477	1,091,426	47,920
Licenses & Permits	43,721	0	0
Charges for Services	289,511	14,904	8,560
Use of Money & Property	184,007	0	0
Miscellaneous	52,909	0	903
Total Revenues	3,317,016	1,847,586	1,096,387
EXPENDITURES			
Current			
Public Safety & Legal Services	1,083,001	0	0
Physical Health & Social Services	547,389	0	0
Mental Health	0	1,559,726	0
County Environment & Education	329,912	0	308,143
Roads & Transportation	150,225	0	0
Governmental Services to Residents	313,243	0	0
Administrative Services	726,353	0	0
Non-program	67,571	0	0
Capital Projects	0	0	0
Total Expenditures	3,217,694	1,559,726	308,143
Excess (Deficiency) of Revenues Over (Under) Expenditures	99,322	287,860	788,244
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	(103,521)	0	(905,529)
Total Other Financing Sources (Uses)	(103,521)	0	(905,529)
Net Change in Fund Balance	(4,199)	287,860	(117,285)
Fund Balances – Beginning of Year	2,412,477	373,312	273,943
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$2,408,278	\$661,172	\$156,658

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u> <u>Secondary</u> <u>Roads</u>	<u>Non-major</u> <u>Special</u> <u>Revenue</u>	<u>Total</u>
\$120,652	\$0	\$4,343,017
0	0	54,286
2,632,855	28,979	4,051,657
620	0	44,341
1,470	33,475	347,920
19,160	57,503	260,670
12,242	19,882	85,936
<u>2,786,999</u>	<u>139,839</u>	<u>9,187,827</u>
0	0	1,083,001
0	20,186	567,575
0	0	1,559,726
0	49,435	687,490
3,346,764	0	3,496,989
0	29,718	342,961
0	2,324	728,677
0	10,832	78,403
959,555	0	959,555
<u>4,306,319</u>	<u>112,495</u>	<u>9,504,377</u>
<u>(1,519,320)</u>	<u>27,344</u>	<u>(316,550)</u>
1,000,000	9,050	1,009,050
0	0	(1,009,050)
<u>1,000,000</u>	<u>9,050</u>	<u>0</u>
(519,320)	36,394	(316,550)
1,929,946	270,401	5,260,079
21,650	0	21,650
<u>\$1,432,276</u>	<u>\$306,795</u>	<u>\$4,965,179</u>

**ALLAMAKEE COUNTY
Waukon, Iowa**

**RECONCILIATION 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 15-16) \$(294,900)

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

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

Expenditures for Capital Assets	\$1,230,888	
Capital Assets Contributed by the Iowa Department of Transportation	4,128,844	
Depreciation Expense	<u>(726,818)</u>	4,632,914

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property Tax	797	
Other	<u>1,468</u>	2,265

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		<u>(8,928)</u>
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Change in net assets of Governmental Activities (page 11) \$4,331,351

See Notes to Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$0
Receivables	
Accrued Interest	0
TOTAL ASSETS	<u>\$0</u>
LIABILITIES	
Accounts Payable	<u>0</u>
NET ASSETS	
Unrestricted	<u>\$0</u>

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF REVENUE, 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	\$405,880
Reimbursements From Employees	60,793
Insurance Reimbursements	<u>23,933</u>
Total Operating Revenues	<u>490,606</u>
OPERATING EXPENSES	
Insurance Premiums	<u>490,606</u>
Operating Income	0
Net Assets Beginning of Year	<u>0</u>
Net Assets End of Year	<u>\$0</u>

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005**

	<u>Internal Service Employee Group Health</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Operating Fund Reimbursements	\$405,880
Cash Received From Employees & Others	84,727
Cash Payments To Suppliers For Services	<u>(490,607)</u>
Net Cash Used in Operating Activities	<u>0</u>
 Net Decrease in Cash & Cash Equivalents	 0
 Cash & Cash Equivalents at Beginning of Year	 <u>0</u>
 Cash & Cash Equivalents at End of Year	 <u><u>\$0</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
 Operating Income	 \$0
 Adjustments to Reconcile Operating Income to Net Cash Used In Operating Activities	
Increase (Decrease) In Accounts Payable	<u>0</u>
 Net Cash Used In Operating Activities	 <u><u>\$0</u></u>

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

ASSETS

Cash & Pooled Investments	
County Treasurer	\$1,291,560
Other County Officials	16,384
Receivables	
Property Tax	
Delinquent	863
Succeeding Year	8,976,383
Accounts	1,756
Accrued Interest	42
Due from Other Governments	54,801
TOTAL ASSETS	<u>10,341,789</u>

LIABILITIES

Accounts Payable	2,065
Salaries & Benefits Payable	0
Due To Other Governments	10,324,503
Trusts Payable	11,151
Compensated Absences	4,070
TOTAL LIABILITIES	<u>10,341,789</u>

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

ALLAMAKEE COUNTY
Waukon, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Allamakee 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, Allamakee 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 Allamakee 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.

A drainage district has 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 this district is legally separate from the County, it is controlled, managed and supervised by the Allamakee County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the individual drainage district can be obtained from the Allamakee County Auditor's office.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets present the County's non-fiduciary 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 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, these 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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 or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

E. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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 that 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. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable has 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. The cost is recorded as an expenditure at the time individual items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets - Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50
Building Improvements	20-50
Infrastructure	30-65
Equipment	2-20
Vehicles	3-10

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax 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 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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absence 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 financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

F. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed amounts budgeted in any function, however, disbursements in certain departments exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits 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.

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

Concentration of Credit Risk The County places no limit in the amount that may be invested in any one issuer.

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency: Auto License and Use Tax	\$8,209

These balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 4: Inter-fund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue		
Secondary Roads	General Basic	\$94,471
Secondary Roads	Rural Services	905,529
Emergency Medical Services	General	9,050
Agency	Agency	0
Special Appraisers	Assessor	60,000
		<u>\$1,069,050</u>

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

Notes to Financial Statements (Continued)

Note 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
Governmental Activities				
Capital assets not being depreciated				
Land	\$845,228	\$0	\$0	\$845,228
Construction in Process	105,865	24,500	130,365	0
Total Capital Assets not being depreciated	951,093	24,500	130,365	845,228
Capital assets being depreciated				
Buildings	1,565,353	0	0	1,565,353
Improvements Other than Buildings	199,436	0	0	199,436
Machinery and Equipment	3,950,044	130,899	28,996	4,051,947
Vehicles	1,788,522	182,509	13,400	1,957,631
Infrastructure, Road Network	2,118,895	5,152,189	0	7,271,084
Total Capital Assets being Depreciated	9,622,250	5,465,597	42,396	15,045,451
Less Accumulated Depreciation for				
Buildings	769,872	24,653	0	794,525
Improvements Other than Buildings	39,887	9,972	0	49,859
Machinery and Equipment	1,767,563	331,641	28,996	2,070,208
Vehicles	1,017,811	200,374	13,400	1,204,785
Infrastructure, Road Network	66,461	160,178	0	226,639
Total Accumulated Depreciation	3,661,594	726,818	42,396	4,346,016
Total Capital Assets being Depreciated, Net	5,960,656	4,738,779	0	10,699,435
Governmental Activities Capital Assets, Net	\$6,911,749	\$4,763,279	\$130,365	\$11,544,663

Depreciation Expense was Charged to the following functions

Governmental Activities	
Public Safety and Legal Services	\$45,182
Physical Health and Social Services	13,370
Mental Health	1,441
County Environment and Education	19,811
Roads and Transportation	617,634
Governmental Services to Residents	2,801
Administration	19,696
Non-Program	6,883
Total Depreciation Expense – Governmental Activities	<u>\$726,818</u>

Notes to Financial Statements (Continued)

Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$667
Special Revenue		
Mental Health	Services	173,923
Total for Governmental Funds		<u>\$174,590</u>
Agency		
Recorder		\$6,717
Agricultural Extension	Collections	109,736
Assessor		264,946
Schools		5,820,861
Community Colleges		292,724
Corporations		2,516,804
Auto License & Use Tax		241,248
All Others		1,071,467
Total for Agency Funds		<u>\$10,324,503</u>

Note 7: Changes in Long-Term Debt

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

	Compensated Absence	Sick Leave Conversion	Total
Beginning Balance	\$135,913	\$6,472	\$142,385
Increases	11,418	7,504	18,922
Decreases	0	9,651	9,651
Ending Balance	<u>\$147,391</u>	<u>\$4,325</u>	<u>\$151,716</u>
Due Within One Year	<u>\$147,391</u>	<u>\$4,325</u>	<u>\$151,716</u>

Sick Leave Conversion

During the year ended June 30, 2004, the County established a plan to allow employees who were retiring to convert accumulated sick leave to insurance premiums. Retiring employees converted \$7,504 of sick leave to insurance premiums. \$9,651 had been used for insurance premiums at June 30, 2005.

Notes to Financial Statements (Continued)

Note 8: Loans Receivable

Loans receivable represent economic development loans from the County's Revolving Loan Fund made to qualifying businesses. These loans are to be paid back with interest over a period ranging from two to four years. Interest rates on the loans receivable range from 3.90% to 6.50%. The balance of the loans receivable at June 30, 2005 was \$117,858 and is recorded in the Special Revenue Funds.

On October 1, 1999, the County entered into an agreement with Waukon Economic Development Corporation, the Waukon Chamber of Commerce, and Allamakee County Economic Development. The County paid \$140,000 for improvements made to the building. The other three parties share in the use of the property and reimburse the County through the monthly payments. The Waukon Economic Development Corporation will reimburse the County for 35% of the initial cost of the improvements. The Waukon Chamber of Commerce will reimburse the County for 20% of the total improvements, and the Allamakee County Economic Development will reimburse the County for 45% of the initial cost of the improvements. Monthly payments of \$1,869 started on October 1, 1999 and will continue until the total amount due is paid in full. Interest accrues on the unpaid balance at 4%. The balance of the loan receivable at June 30, 2005 was \$31,437 and is recorded in the General Fund.

Note 9: Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute for the year ended June 30, 2005 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 8.535% and 8.535% respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$163,632, \$153,830, and \$150,415, respectively, equal to the required contributions for each year.

Note 10: Risk Management

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance purchased from other insurers for coverage associated with these risks. During the year ended June 30, 2005, there were no significant changes in insurance coverage from prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11: Employee Health Insurance Plan

The Allamakee County Group Health Fund was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross.

Monthly payments of service fees and plan contributions to the Allamakee County Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross from the Allamakee County Group Health Fund. The County records the plan assets and related liabilities of the Allamakee County Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$405,879.

Notes to Financial Statements (Continued)

Note 12: Business Transactions

Business transactions between the County and County officials or employees were noted. Some of the transactions appear to represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year, in accordance with Chapter 331.342 of the Code of Iowa.

Note 13: Beginning Net Asset Restatement

The net assets at the beginning of the year were restated by the County due to an error in the calculation of the capital assets and accumulated depreciation in fiscal 2004. The effect on the net assets at June 30, 2004, was an addition of \$205,759 to capital assets and an addition of \$49,918 to accumulated depreciation.

ALLAMAKEE COUNTY
Waukon, Iowa

**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	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS						
Property & Other County Tax	\$4,341,248	\$0	\$4,341,248	\$4,401,659	\$4,401,659	\$(60,411)
Interest & Penalty on Property Tax	54,221	0	54,221	20,300	20,300	33,921
Intergovernmental	4,043,568	0	4,043,568	3,620,546	3,975,570	67,998
Licenses & Permits	44,761	0	44,761	44,877	44,877	(116)
Charges for Services	344,045	0	344,045	240,240	250,935	93,110
Use of Money & Property	253,479	8	253,471	177,304	199,304	54,167
Miscellaneous	87,024	12,519	74,505	53,974	53,974	20,531
Total Receipts	<u>9,168,346</u>	<u>12,527</u>	<u>9,155,819</u>	<u>8,558,900</u>	<u>8,946,619</u>	<u>209,200</u>
DISBURSEMENTS						
Public Safety & Legal Services	1,091,783	0	1,091,783	1,136,936	1,156,936	65,153
Physical Health & Social Services	588,732	0	588,732	612,740	681,033	92,301
Mental Health	1,526,268	0	1,526,268	1,772,029	1,786,248	259,980
County Environment & Education	682,511	0	682,511	564,041	1,211,269	528,758
Roads & Transportation	3,352,818	0	3,352,818	3,513,315	3,514,815	161,997
Governmental Services to Residents	348,321	0	348,321	453,358	472,243	123,922
Administrative Services	738,474	0	738,474	806,619	834,118	95,644
Non-Program	78,610	10,832	67,778	45,215	75,215	7,437
Capital Projects	959,555	0	959,555	1,010,000	1,010,000	50,445
Total Disbursements	<u>9,367,072</u>	<u>10,832</u>	<u>9,356,240</u>	<u>9,914,253</u>	<u>10,741,877</u>	<u>1,385,637</u>
Excess (Deficiency) of Receipts Under Disbursements	(198,726)	1,695	(200,421)	(1,355,353)	(1,795,258)	1,594,837
Other Financing Sources, Net	0	0	0	7,500	7,500	(7,500)
Excess (Deficiency) of Receipts & Other Financing Sources Under Disbursements & Other Financing Uses	(198,726)	1,695	(200,421)	(1,347,853)	(1,787,758)	1,587,337
Balance Beginning of Year	<u>5,079,588</u>	<u>1,869</u>	<u>5,077,719</u>	<u>3,870,508</u>	<u>3,870,508</u>	<u>1,207,211</u>
Balance End of Year	<u>\$4,880,862</u>	<u>\$3,564</u>	<u>\$4,877,298</u>	<u>\$2,522,655</u>	<u>\$2,082,750</u>	<u>\$2,794,548</u>

See Accompanying Independent Auditors' Report

ALLAMAKEE COUNTY
Waukon, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$9,168,346	\$19,481	\$9,187,827
Expenditures	9,367,072	137,305	9,504,377
Net	(198,726)	(117,824)	(316,550)
Beginning Fund Balances	5,079,588	180,491	5,260,079
Increase (Decrease) in Reserve For: Inventories	0	21,650	21,650
Ending Fund Balances	\$4,880,862	\$84,317	\$4,965,179

See Accompanying Independent Auditors' Report

Allamakee County
Waukon, Iowa

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 comparison 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 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 or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, budget amendments increased budgeted disbursements by \$827,624. These budget amendments are 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 did not exceed the amounts budgeted, however, disbursements in some departments exceeded the amounts appropriated.

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2005

	Well Grant	Prisoner Room & Board	Recorder's Records Management	Resource Enhancement & Protection	Conservation Special Project	Recorder's Electronic Transaction	Attorney's Forfeiture
ASSETS							
Cash & Pooled Investments	\$30,950	\$48,011	\$12,183	\$95,238	\$13,127	\$11,118	\$1,424
Receivables							
Accounts	0	0	272	0	0	0	0
Due from Other Governments	4,187	0	0	0	0	0	0
Notes	0	0	0	0	0	0	0
Accrued Interest	0	0	1	232	0	1	0
TOTAL ASSETS	\$35,137	\$48,011	\$12,456	\$95,470	\$13,127	\$11,119	\$1,424
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts Payable	\$740	\$0	\$0	\$0	\$0	\$0	\$0
Salaries and Benefits Payable	1,150	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0
Total Liabilities	1,890	0	0	0	0	0	0
Fund Equity							
Fund Balance							
Unreserved	33,247	48,011	12,456	95,470	13,127	11,119	1,424
TOTAL LIABILITIES AND FUND EQUITY	\$35,137	\$48,011	\$12,456	\$95,470	\$13,127	\$11,119	\$1,424

See Accompanying Independent Auditors' Report

Schedule 1

Drainage Districts	Revolving Loan Fund	Historic Preservation	Bankruptcy Tax Escrow	Emergency Medical Services	Conservation Reserve Trust	Clearing Fund	Total
\$3,564	\$80,873	\$2,545	\$106	\$8	\$4,845	\$0	\$303,992
0	0	0	0	0	0	0	272
0	0	0	0	0	0	0	4,187
0	117,858	0	0	0	0	0	117,858
0	0	0	0	0	0	0	234
<u>\$3,564</u>	<u>\$198,731</u>	<u>\$2,545</u>	<u>\$106</u>	<u>\$8</u>	<u>\$4,845</u>	<u>\$0</u>	<u>\$426,543</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$740
0	0	0	0	0	0	0	1,150
0	117,858	0	0	0	0	0	117,858
0	117,858	0	0	0	0	0	119,748
<u>3,564</u>	<u>80,873</u>	<u>2,545</u>	<u>106</u>	<u>8</u>	<u>4,845</u>	<u>0</u>	<u>306,795</u>
<u>\$3,564</u>	<u>\$198,731</u>	<u>\$2,545</u>	<u>\$106</u>	<u>\$8</u>	<u>\$4,845</u>	<u>\$0</u>	<u>\$426,543</u>

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2005

	Well Grant	Prisoner Room & Board	Recorders Records Management	Resource Enhancement & Protection	Conservation Special Project	Recorders Electronic Transaction	Attorney's Forfeiture
Revenues							
Intergovernmental	\$18,709	\$0	\$0	\$10,270	\$0	\$0	\$0
Charges for Services	0	15,960	3,319	0	0	14,196	0
Use of Money & Property	0	0	20	2,003	0	31	0
Miscellaneous	0	0	0	0	612	0	1,424
Total Revenues	18,709	15,960	3,339	12,273	612	14,227	1,424
Expenditures							
Operating							
Physical Health & Social Services	11,138	0	0	0	0	0	0
County Environment & Education	0	0	0	0	922	0	0
Governmental Services to Residents	0	0	3,912	0	0	25,806	0
Administration	0	0	0	0	0	0	0
Non-Program	0	0	0	0	0	0	0
Total Expenditures	11,138	0	3,912	0	922	25,806	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,571	15,960	(573)	12,273	(310)	(11,579)	1,424
Other Financing Sources (Uses)							
Operating Transfers In	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	7,571	15,960	(573)	12,273	(310)	(11,579)	1,424
Fund Balances – Beginning of Year	25,676	32,051	13,029	83,197	13,437	22,698	0
Fund Balances – End of Year	\$33,247	\$48,011	\$12,456	\$95,470	\$13,127	\$11,119	\$1,424

See Accompanying Independent Auditors' Report

Schedule 2

Drainage Districts	Revolving Loan Fund	Historic Preservation	Bankruptcy Tax Escrow	Emergency Medical Services	Conservation Reserve Trust	Clearing Fund	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$28,979
0	0	0	0	0	0	0	33,475
8	55,441	0	0	0	0	0	57,503
12,519	0	0	0	0	5,196	131	19,882
12,527	55,441	0	0	0	5,196	131	139,839
0	0	0	0	9,048	0	0	20,186
0	31,909	0	0	0	16,604	0	49,435
0	0	0	0	0	0	0	29,718
0	0	0	0	0	0	2,324	2,324
10,832	0	0	0	0	0	0	10,832
10,832	31,909	0	0	9,048	16,604	2,324	112,495
1,695	23,532	0	0	(9,048)	(11,408)	(2,193)	27,344
0	0	0	0	9,050	0	0	9,050
0	0	0	0	9,050	0	0	9,050
1,695	23,532	0	0	2	(11,408)	(2,193)	36,394
1,869	57,341	2,545	106	6	16,253	2,193	270,401
\$3,564	\$80,873	\$2,545	\$106	\$8	\$4,845	\$0	\$306,795

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments				
County Treasurer	\$0	\$1,865	\$125,510	\$112,675
Other County Officials	16,384	0	0	0
Receivables				
Property Tax				
Delinquent	0	9	12	475
Succeeding Year	0	107,862	145,545	5,707,711
Accounts	1,484	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$17,868	\$109,736	\$271,067	\$5,820,861
LIABILITIES				
Accounts Payable	\$0	\$0	\$2,051	\$0
Due to Other Governments	6,717	109,736	264,946	5,820,861
Trusts Payable	11,151	0	0	0
Compensated Absences	0	0	4,070	0
TOTAL LIABILITIES	\$17,868	\$109,736	\$271,067	\$5,820,861

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,675	\$36,044	\$33,808	\$4,075	\$241,248	\$730,660	\$1,291,560
0	0	0	0	0	0	16,384
24	327	1	0	0	15	863
287,025	2,480,433	71,272	0	0	176,535	8,976,383
0	0	0	0	0	272	1,756
0	0	0	0	0	42	42
0	0	14,888	0	0	39,913	54,801
<u>\$292,724</u>	<u>\$2,516,804</u>	<u>\$119,969</u>	<u>\$4,075</u>	<u>\$241,248</u>	<u>\$947,437</u>	<u>\$10,341,789</u>
\$0	\$0	\$0	\$0	\$0	\$14	\$2,065
292,724	2,516,804	119,969	4,075	241,248	947,423	10,324,503
0	0	0	0	0	0	11,151
0	0	0	0	0	0	4,070
<u>\$292,724</u>	<u>\$2,516,804</u>	<u>\$119,969</u>	<u>\$4,075</u>	<u>\$241,248</u>	<u>\$947,437</u>	<u>\$10,341,789</u>

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS

Year Ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$36,811	\$93,123	\$251,243	\$5,632,839
Additions				
Property & Other County Tax	0	119,875	164,174	6,340,940
E911 Surcharge	0	0	0	0
State Tax Credits	0	5,521	8,564	334,816
Drivers License Fees	0	0	0	0
Office Fees & Collections	279,617	0	6,070	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	214,708	0	0	0
Miscellaneous	0	133	519	7,233
Total Additions	494,325	125,529	179,327	6,682,989
Deductions				
Agency Remittances				
To Other Funds	134,580	0	0	0
To Other Governments	145,328	108,916	219,503	6,494,967
Trusts Paid Out	233,360	0	0	0
Total Deductions	513,268	108,916	219,503	6,494,967
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	60,000	0
Balances End of Year	\$17,868	\$109,736	\$271,067	\$5,820,861

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$283,850	\$2,686,390	\$104,150	\$1,692	\$257,643	\$759,169	\$10,106,910
323,558	2,574,015	302,664	0	0	340,706	10,165,932
0	0	0	0	0	94,645	94,645
16,802	143,434	4,084	0	0	6,135	519,356
0	0	0	0	79,606	0	79,606
0	0	0	0	0	0	285,687
0	0	0	0	0	3,319	3,319
0	0	0	0	2,787,341	0	2,787,341
0	0	0	26,018	0	0	26,018
0	0	0	0	0	0	214,708
405	0	337	0	0	282,205	290,832
340,765	2,717,449	307,085	26,018	2,866,947	727,010	14,467,444
0	0	0	0	128,044	0	262,624
331,891	2,887,035	291,266	23,635	2,755,298	478,742	13,736,581
0	0	0	0	0	0	233,360
331,891	2,887,035	291,266	23,635	2,883,342	478,742	14,232,565
0	0	0	0	0	(60,000)	0
\$292,724	\$2,516,804	\$119,969	\$4,075	\$241,248	\$947,437	\$10,341,789

**ALLAMAKEE COUNTY
Waukon, Iowa**

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Property & Other County Tax	\$4,343,017	\$3,327,392	\$3,126,425
Interest & Penalty On Property Tax	54,286	28,902	30,227
Intergovernmental	4,051,657	2,788,622	2,664,971
Licenses & Permits	44,341	3,895	4,733
Charges For Service	357,358	356,000	314,652
Use of Money & Property	260,670	64,405	94,381
Miscellaneous	139,065	193,443	182,480
Total	\$9,250,394	\$6,762,659	\$6,417,869
Expenditures:			
Current			
Public Safety & Legal Services	\$1,088,415	\$879,651	\$887,697
Physical Health & Social Services	567,575	450,526	465,631
Mental Health	1,559,726	1,099,206	1,004,410
County Environment & Education Services	687,490	641,948	641,870
Roads and Transportation	3,496,989	2,655,035	2,382,111
Governmental Services To Residents	346,985	211,876	214,051
Administrative Services	728,677	696,011	579,142
Non-Program	131,532	4,110	7,870
Debt Service	0	30,408	113,408
Capital Projects	959,555	29,817	124,409
Total	\$9,566,944	\$6,698,588	\$6,420,599

See Accompanying Independent Auditors' Report



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' 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 Allamakee County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee 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 March 10, 2006. 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 Allamakee 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 Allamakee 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 the accompanying Schedule of Findings.

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, of the reportable conditions described above, we believe item (A) is a material weakness.

Compliance and Other Matters

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards (Continued)

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Allamakee 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.

March 10, 2006

Gardiner Thomsen, P.C.

**Allamakee County
Schedule of Findings
Year Ended June 30, 2004**

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS:

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

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

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by each office will be separated and spread among the Official, Deputy and Clerk.

Conclusion – Response accepted.

B **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password privacy and confidentiality.

Also the County does not have a written disaster recovery plan and does not require backup tapes to be stored offsite daily.

Recommendation – The County should develop written policies addressing the preceding items in order to improve the County's control over computer based systems. A written disaster recovery plan should be developed and backup tapes should be stored off-site daily.

Response – The written security policy and disaster recovery plan are in process. Backup tapes are stored offsite on a monthly basis.

Conclusion – Response accepted.

Schedule of Findings (Continued)

Other Findings Related to Required Statutory Reporting:

- 1 **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 except for the Recorder.

Recommendation – Resolutions in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – We have amended the resolution as required.

Conclusion – Response accepted.

- 2 **Certified Budget** – Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – Chapter 331.434(b) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – Appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- 3 **Questionable Expenditures** – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 4 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Schedule of Findings (Continued)

- 5 **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

Name and Title	Description	Amount
Bill Clark – Supervisor Owner of Clark Tire Center	Repair of County Vehicles	\$7,582
Laurie Welch – Recorder’s Office Employee Husband owns Welch, Inc.	Propane and County Farm Supplies	2,345
Laurie Welch – Recorder’s Office Employee	Rent	125
Bob Schlitter – Secondary Roads Employee Owner of Waterville Store	Safety Helmets	896
Mary Severson – Sheriff’s Office Employee Husband owns Severson Video	Video Tapes and Copying	62
Mary Severson – Sheriff’s Office Employee Son owns Severson Service Center	Service and Repair of County Vehicles	\$2,287

In accordance with chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Clark Tire Center, Welch Inc., and Severson’s Service Center appear to represent conflicts of interest since the total transactions were in excess of \$1,500 during the year and were not obtained through public bid.

The transactions with Laurie Welch, Waterville Store, and Severson Video do not appear to represent conflicts of interest since the amounts were not in excess of \$1,500 for the year.

Recommendation – The County should refrain from business transaction with County officials or employees whenever possible. If the County wishes to do business with official or employee, bids should be taken for the work to be done.

Response – We will comply with the Code of Iowa in the future.

Conclusion – Response accepted.

- 6 **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

Schedule of Findings (Continued)

- 7 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. Proper procedures were not followed for closed sessions in accordance with Chapter 21 of the Code of Iowa.

Recommendation – A roll call vote to go in to and come out of closed session is to be held and documented in the Board Minutes.

Response – We will document both roll call votes for closed session.

Conclusion – Response accepted.

- 8 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

- 9 **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).

- 10 **County Extension Office** – The County Extension Office is operated under 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, 2004 for the County Extension Office did not exceed the amounts budgeted.

- 11 **Economic Development** – During the year ended June 30, 2005, the County spent \$91,909 for economic development, which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditures before authorizing further payments and should require documentation of how the funds were used to accomplish economic developments activities.

Response – We will obtain the necessary documentation for past expenditures and will consider these requirements in the future.

Conclusion – Response accepted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Allamakee County, Iowa.

The County has local tax revenue of \$14,553,659 for the year ended June 30, 2005, which included \$742,158 in tax credits from the state. The County forwarded \$10,397,198 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,156,461 of the local tax revenue to finance County operations, a 14% decrease from the prior year. Other revenues included charges for service of \$723,158, operating grants, contributions and restricted interest of \$3,424,312, unrestricted investment earnings of \$145,693 and other general revenues of \$355,903.

Expenses for County operations totaled \$9,039,907, a 12% increase from the prior year. Expenses included \$3,887,034 for Roads and Transportation, \$1,560,787 for Mental Health and \$1,097,542 for Public Safety and Legal Services.

The significant decrease/increase in revenues and expenses is due primarily to property tax revenue and Roads and Transportation expenses, respectively.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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