

NEWS RELEASE

FOR RELEASE

Hunzelman, Putzier & Co., PLC today released an audit report on Sac County, Iowa.

The County had local tax revenue of \$12,579,914 for the year ended June 30, 2005, which included \$898,205 in tax credits from the state. The County forwarded \$8,553,848 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,026,066 of the local tax revenue to finance County operations, a three percent decrease from the prior year. Other revenues included charges for service of \$902,305, operating grants and contributions of \$3,115,813, capital grants and contributions of \$352,030, unrestricted investment earnings of \$112,489 and other general revenues of \$305,210.

Expenses for County operations totaled \$7,985,163, an eight percent decrease from the prior year. Expenses included \$2,957,518 for Roads and Transportation, \$1,473,471 for Mental Health and \$1,248,575 for Public Safety.

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

SAC COUNTY

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2005

SAC COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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SAC COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rick Hecht	Board of Supervisors	Jan. 2007
Dean Stock	Board of Supervisors	Jan. 2007
Jack Bensley	Board of Supervisors	Jan. 2009
James W. Dowling	County Auditor	Jan. 2009
Vicki Peyton	County Treasurer	Jan. 2007
Linda Siebrecht	County Recorder	Jan. 2007
Ken McClure	County Sheriff	Jan. 2009
Earl Hardisty	County Attorney	Jan. 2007
Robert Hawks	County Assessor	Jan. 2010

HUNZELMAN, PUTZIER & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Sac County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sac 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 Sac 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.

As discussed in Note 13 to the financial statements, management has not recorded capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America requires that capital assets be recorded and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sac County at June 30, 2005, and the respective changes in financial position 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 September 14, 2005 on our consideration of Sac 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.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Budgetary comparison information on pages 25 through 27 is not a required part of the basic financial statements, but is 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 Sac 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, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements, because the general fixed asset account group was omitted. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which is not presented herein) and expressed a qualified opinion on those financial statements, because capital assets were omitted. 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.

Hunnegelman, Putzier & Co.

September 14, 2005

SAC COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2005

Exhibit A

Governmental
Activities

ASSETS

Cash and pooled investments	\$ 3,537,902
Receivables:	
Property tax:	
Delinquent	4,734
Succeeding year	3,506,171
Interest and penalty on property tax	11,928
Accounts, net of allowance for doubtful accounts of \$135,927	498,662
Accrued interest	35,991
Drainage assessments	16,077
Due from other governments	78,450
Inventories	589,184
Total assets	8,279,099

LIABILITIES

Accounts payable	295,189
Accrued interest payable	42,426
Salaries and benefits payable	29,031
Deferred revenue:	
Succeeding year property tax	3,506,171
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	1,014
Compensated absences	117,099
Portion due or payable after one year:	
Drainage warrants/drainage improvement certificates payable	263,007
Total liabilities	4,253,937

NET ASSETS

Restricted for:	
Mental health purposes	(39,970)
Secondary roads purposes	2,285,716
Drainage district purposes	(194,861)
Debt service	(272)
Other purposes	429,717
Unrestricted	1,544,832
Total net assets	\$ 4,025,162

See notes to financial statements.

SAC COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,248,575	\$ 410,453	\$ 13,981	\$ -	\$ (824,141)
Physical health and social services	466,944	162,005	218,144	-	(86,795)
Mental health	1,473,471	3,113	687,475	-	(782,883)
County environment and education	581,569	40,136	9,526	-	(531,907)
Roads and transportation	2,957,518	99,731	2,186,687	203,249	(467,851)
Governmental services to residents	306,496	178,525	-	-	(127,971)
Administration	798,259	8,342	-	-	(789,917)
Non-program	151,900	-	-	148,781	(3,119)
Interest on long-term debt	431	-	-	-	(431)
Total	\$ 7,985,163	\$ 902,305	\$ 3,115,813	\$ 352,030	(3,615,015)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,738,293
Debt service					8,602
Penalty and interest on property tax					29,076
State tax credits					279,171
Grants and contributions not restricted to specific purpose					163,923
Unrestricted investment earnings					112,489
Miscellaneous					112,211
Total general revenues					4,443,765
Change in net assets					828,750
Net assets beginning of year					3,196,412
Net assets end of year					\$ 4,025,162

See notes to financial statements.

SAC COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

Exhibit C

	Special Revenue					Total
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	
ASSETS						
Cash and pooled investments	\$1,348,053	\$ 90,728	\$ 119,616	\$ 1,574,180	\$ 405,325	\$ 3,537,902
Receivables:						
Property tax:						
Delinquent	3,901	753	65	-	15	4,734
Succeeding year	2,124,316	436,322	938,558	-	6,975	3,506,171
Interest and penalty on property tax	11,928	-	-	-	-	11,928
Accounts	209,772	49,314	-	239,576	-	498,662
Accrued interest	35,292	-	-	-	699	35,991
Drainage assessments	-	-	-	-	16,077	16,077
Due from other governments	77,696	-	-	-	754	78,450
Inventories	-	-	-	589,184	-	589,184
Total assets	<u>\$3,810,958</u>	<u>\$ 577,117</u>	<u>\$1,058,239</u>	<u>\$ 2,402,940</u>	<u>\$ 429,845</u>	<u>\$ 8,279,099</u>
 LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 56,430	\$ 174,618	\$ -	\$ 64,141	\$ -	\$ 295,189
Interest payable	-	-	-	-	42,422	42,422
Salaries and benefits payable	25,065	-	2,107	1,859	-	29,031
Deferred revenue:						
Succeeding year property tax	2,124,316	436,322	938,558	-	6,975	3,506,171
Other	209,211	706	64	-	16,092	226,073
Total liabilities	<u>2,415,022</u>	<u>611,646</u>	<u>940,729</u>	<u>66,000</u>	<u>65,489</u>	<u>4,098,886</u>
Fund balances:						
Reserved for:						
Inventories	-	-	-	589,184	-	589,184
Drainage warrants	-	-	-	-	(18,694)	(18,694)
Future expenditures	-	-	-	-	70,763	70,763
Debt service	-	-	-	-	144	144
Unreserved, reported in:						
General fund	1,395,936	-	-	-	-	1,395,936
Special revenue funds	-	(34,529)	117,510	1,747,756	312,143	2,142,880
Total fund balances	<u>1,395,936</u>	<u>(34,529)</u>	<u>117,510</u>	<u>2,336,940</u>	<u>364,356</u>	<u>4,180,213</u>
Total liabilities and fund balances	<u>\$3,810,958</u>	<u>\$ 577,117</u>	<u>\$1,058,239</u>	<u>\$ 2,402,940</u>	<u>\$ 429,845</u>	<u>\$ 8,279,099</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2005

Exhibit D

Total governmental fund balances	\$4,180,213
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	226,073
Long-term liabilities, including notes payable, accrued interest payable, compensated absences payable, and drainage warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(381,124)</u>
Net assets of governmental activities	<u>\$4,025,162</u>

See notes to financial statements.

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

Exhibit E

	Special Revenue					Total
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	
Revenues:						
Property and other County tax	\$2,237,537	\$ 432,096	\$1,068,975	\$ -	\$ 8,623	\$ 3,747,231
Interest and penalty on property tax	27,163	-	-	-	-	27,163
Intergovernmental	526,613	877,721	73,116	2,389,936	10,158	3,877,544
Licenses and permits	5,260	-	-	22,743	-	28,003
Charges for service	645,458	3,113	-	60,222	6,916	715,709
Use of money and property	122,792	-	-	-	1,795	124,587
Miscellaneous	26,821	-	-	97,876	167,959	292,656
Total revenues	<u>3,591,644</u>	<u>1,312,930</u>	<u>1,142,091</u>	<u>2,570,777</u>	<u>195,451</u>	<u>8,812,893</u>
Expenditures:						
Operating:						
Public safety and legal services	1,243,321	-	-	-	12,572	1,255,893
Physical health and social services	472,069	-	-	-	-	472,069
Mental health	-	1,473,105	-	-	-	1,473,105
County environment and education	283,468	-	296,455	-	-	579,923
Roads and transportation	-	-	-	2,528,859	-	2,528,859
Governmental services to residents	268,293	-	-	-	34,716	303,009
Administration	797,857	-	-	-	-	797,857
Non-program	-	-	-	-	151,900	151,900
Debt service	-	-	-	-	9,249	9,249
Capital projects	-	-	-	426,493	940	427,433
Total expenditures	<u>3,065,008</u>	<u>1,473,105</u>	<u>296,455</u>	<u>2,955,352</u>	<u>209,377</u>	<u>7,999,297</u>
Excess (deficiency) of revenues over expenditures	<u>526,636</u>	<u>(160,175)</u>	<u>845,636</u>	<u>(384,575)</u>	<u>(13,926)</u>	<u>813,596</u>
Other financing sources (uses):						
Operating transfers in (out)	(71,224)	-	(728,547)	799,771	-	-
Drainage district warrants	-	-	-	-	(5,235)	(5,235)
Total other financing sources (uses)	<u>(71,224)</u>	<u>-</u>	<u>(728,547)</u>	<u>799,771</u>	<u>(5,235)</u>	<u>(5,235)</u>
Net change in fund balances	455,412	(160,175)	117,089	415,196	(19,161)	808,361
Fund balances, beginning of year	<u>940,524</u>	<u>125,646</u>	<u>421</u>	<u>1,921,744</u>	<u>383,517</u>	<u>3,371,852</u>
Fund balances, end of year	<u>\$1,395,936</u>	<u>\$ (34,529)</u>	<u>\$ 117,510</u>	<u>\$2,336,940</u>	<u>\$ 364,356</u>	<u>\$ 4,180,213</u>

See notes to financial statements.

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

Exhibit F

Net change in fund balances - Total governmental funds		\$808,361
Amounts reported for governmental activities in the Statement of Activities are different because:		
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	\$ (336)	
Other	<u>1,356</u>	1,020
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		14,484
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	5,316	
Interest on long-term debt	<u>(431)</u>	<u>4,885</u>
Change in net assets of governmental activities		<u>\$828,750</u>

See notes to financial statements.

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

Exhibit G

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 536,156
Other County officials	29,077
Receivables:	
Property tax:	
Delinquent	18,848
Succeeding year	7,947,985
Accounts	12,026
Due from other governments	<u>257</u>
Total assets	<u>8,544,349</u>

LIABILITIES

Accounts payable	2,195
Salaries and benefits payable	1,304
Due to other governments	<u>8,540,850</u>
Total liabilities	<u>8,544,349</u>

Net assets \$ -

See notes to financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

One hundred ninety-nine 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 Sac County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Sac 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: Sac County Assessor's Conference Board, Sac County Emergency Management Commission, Sac County Solid Waste Agency, and Sac 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 Agency Funds of the County.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 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 two categories.

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 preceding category. 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 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 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 that are 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.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Additionally, the County reports the following funds:

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

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 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 the 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-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

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.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments - 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.

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 taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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 revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% 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. Assessments receivable represent assessments which are due and payable but have not been collected.

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. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Fund Equity - (Continued)

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.

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 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 and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide or fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, and Secondary Roads Funds.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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.

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 amounts budgeted in the mental health function.

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.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

2. CASH AND POOLED INVESTMENTS - (Continued)

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.

In addition the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$34,681 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

3. INTERFUND TRANSFERS

The detail of interfund 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	\$ 71,224
	Special Revenue: Rural Services	<u>728,547</u>
Total		<u>\$799,771</u>

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

4. DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Trust and Agency: County Assessor	Collections	\$ 220,320
Schools		5,307,973
Community Colleges		348,397
Corporations		1,957,372
Townships		169,407
Auto License and Use Tax		220,592
Agricultural Extension		120,977
All other		<u>195,812</u>
Total		<u>\$8,540,850</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

5. CHANGES IN LONG-TERM LIABILITIES

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

	<u>Note Payable</u>	<u>Compensated Absences</u>	<u>Drainage Warrants</u>	<u>Total</u>
Balance, beginning of year	\$9,798	\$122,415	\$268,242	\$400,455
Increases	-	-	133,274	133,274
Decreases	<u>8,784</u>	<u>5,316</u>	<u>138,509</u>	<u>152,609</u>
Balance, end of year	<u>\$1,014</u>	<u>\$117,099</u>	<u>\$263,007</u>	<u>\$381,120</u>
Due within one year	<u>\$1,014</u>	<u>\$117,099</u>	<u>\$ -</u>	<u>\$118,113</u>

Note Payable

A summary of the County's June 30, 2005 notes payable is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	4.75%	<u>\$ 1,014</u>	<u>\$ 48</u>	<u>\$ 1,062</u>

During the year ended June 30, 2002, the County borrowed \$110,000 for the construction of a communications tower. \$108,986 of the principal has been repaid.

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

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

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

6. 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, IA, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 5.10% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$159,639, \$156,740, and \$155,317 respectively, equal to the required contributions for each year.

7. RISK MANAGEMENT

Sac 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 annual contributions to the Pool for the year ended June 30, 2005 were \$141,173.

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.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

7. RISK MANAGEMENT - (Continued)

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 that 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 that 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 company 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. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess of \$20,000 for all employees except for the Treasurer who is insured in the amount of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. EMPLOYEE HEALTH INSURANCE PLAN

The Employee Health Insurance Plan was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Group Services, Inc.

Monthly payments of service fees and plan contributions are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Group Services, Inc. The County's contribution for the year ended June 30, 2005 was \$120,856.

Amounts payable for the Employee Health Insurance Plan at June 30, 2005 total \$8,575, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

9. CONSTRUCTION COMMITMENT

The County entered into the following contracts prior to June 30, 2005 which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Cost Incurred as of 6-30-05</u>	<u>Remaining Commitment of 6-30-05</u>
Bridge replacement in Wall Lake Township	\$223,757	\$217,265	\$ 6,492
Bridge replacement in Boyer Valley Township	347,530	57,201	290,329
Concrete patching on various roads	<u>148,083</u>	<u>-</u>	<u>148,083</u>
	<u>\$719,370</u>	<u>\$274,466</u>	<u>\$444,904</u>

The balances remaining at June 30, 2005 will be paid as work on the projects progresses.

10. INTERGOVERNMENTAL AGREEMENTS

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2005, \$45,624 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the Agency for compliance with these requirements have been estimated at \$732,414 according to the Agency's latest audit report available which was for the year ended June 30, 2004.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(9) of the Iowa Administrative Code.

11. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multicounty Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the accrual basis, and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2005, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$248,507
Revenues	541,657
Expenses	<u>496,236</u>
Net assets, end of year	<u>\$293,928</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

12. INDUSTRIAL REVENUE BONDS

The County has issued a total of \$3,500,000 of industrial revenue bonds (EVAPCO, Inc. Project) under the provisions of Chapter 419 of the Code of Iowa, of which \$2,620,000 is outstanding at June 30, 2005. The bonds and related interest are payable solely by the borrower, and the bond principal and interest do not constitute liabilities of the County.

13. CAPITAL ASSETS

The County has not recorded capital assets and the related depreciation and thus, the effect of this is not reflected in the financial statements.

14. OPERATING LEASE

The County has entered into a lease agreement for a postage machine. Rental expense incurred for this lease was \$6,984 for the year ended June 30, 2005. Minimum amounts payable under this operating lease are as follows:

Year ending <u>June 30,</u>	
2006	\$ 6,984
2007	6,984
2008	6,984
2009	<u>5,238</u>
Total minimum lease payments	<u>\$26,190</u>

15. DEFICIT FUND BALANCE

The Special Revenue - Mental Health fund had a deficit balance of \$34,529 at June 30, 2005. The deficit balance was a result of accounts payable as of June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

SAC 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	Net	Budgeted Amounts		Final to Net Variance
		Required to be Budgeted		Original	Final	
Receipts:						
Property and other County tax	\$3,747,731	\$ -	\$3,747,731	\$4,020,823	\$3,904,980	\$ (157,249)
Interest and penalty on property tax	27,451	-	27,451	28,201	28,201	(750)
Intergovernmental	3,786,343	-	3,786,343	3,961,008	3,961,008	(174,665)
Licenses and permits	28,153	-	28,153	8,000	8,000	20,153
Charges for service	867,721	-	867,721	778,645	815,593	52,128
Use of money and property	112,824	-	112,824	81,350	81,350	31,474
Miscellaneous	214,093	159,374	54,719	8,000	8,000	46,719
Total receipts	<u>8,784,316</u>	<u>159,374</u>	<u>8,624,942</u>	<u>8,886,027</u>	<u>8,807,132</u>	<u>(182,190)</u>
Disbursements:						
Public safety and legal services	1,335,813	-	1,335,813	1,339,616	1,390,816	55,003
Physical health and social services	480,665	-	480,665	523,905	523,905	43,240
Mental health	1,477,221	-	1,477,221	1,201,164	1,295,164	(182,057)
County environment and education	491,769	-	491,769	517,286	517,286	25,517
Roads and transportation	2,614,436	-	2,614,436	2,961,500	2,961,500	347,064
Governmental services to residents	302,063	-	302,063	288,903	327,318	25,255
Administration	776,890	-	776,890	854,012	894,232	117,342
Debt service	9,249	-	9,249	9,250	9,250	1
Capital projects	774,377	154,621	619,756	1,090,000	1,090,000	470,244
Total disbursements	<u>8,262,483</u>	<u>154,621</u>	<u>8,107,862</u>	<u>8,785,636</u>	<u>9,009,471</u>	<u>901,609</u>
Excess (deficiency) of receipts over disbursements	521,833	4,753	517,080	100,391	(202,339)	(719,419)
Other financing sources, net	<u>(5,235)</u>	<u>(5,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	516,598	(482)	517,080	100,391	(202,339)	(719,419)
Balance beginning of year	<u>3,021,304</u>	<u>94,973</u>	<u>2,926,331</u>	<u>1,725,765</u>	<u>1,725,765</u>	<u>(1,200,566)</u>
Balance end of year	<u>\$3,537,902</u>	<u>\$ 94,491</u>	<u>\$3,443,411</u>	<u>\$1,826,156</u>	<u>\$1,523,426</u>	<u>\$(1,919,985)</u>

See accompanying independent auditor's report.

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

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,784,316	\$ 28,577	\$ 8,812,893
Expenditures	8,262,483	(263,186)	7,999,297
Net	521,833	291,763	813,596
Other financing sources, net	(5,235)	-	(5,235)
Beginning fund balances	3,021,304	350,548	3,371,852
Ending fund balances	\$ 3,537,902	\$ 642,311	\$ 4,180,213

See accompanying independent auditor's report.

SAC 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 ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds. 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, two budget amendments increased budgeted disbursements by \$223,835. The 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 E911 Service Board; and for Disaster Services by the Sac County Emergency Management Commission.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the mental health function and disbursements in certain departments exceeded the amount appropriated.

OTHER SUPPLEMENTARY INFORMATION

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

Schedule 1

	Special Revenue									Total
	County			Resource						
	Sheriff	Recorder's Record Management	Drainage Districts	Sheriff's Reserve	Sheriff's K-9	Enhancement and Protection	Conservation Land Acquisition	Recorder's Electronic Transactions	Debt Service	
ASSETS										
Cash and pooled investments	\$ 30,584	\$ 17,446	\$ 94,491	\$ 989	\$ 959	\$ 87,247	\$ 170,749	\$ 2,716	\$ 144	\$ 405,325
Receivables:										
Property tax:										
Delinquent	-	-	-	-	-	-	-	-	15	15
Succeeding year	-	-	-	-	-	-	-	-	6,975	6,975
Accrued interest	532	11	-	-	-	151	-	5	-	699
Drainage assessments	-	-	16,077	-	-	-	-	-	-	16,077
Due from other governments	-	754	-	-	-	-	-	-	-	754
Total assets	\$ 31,116	\$ 18,211	\$ 110,568	\$ 989	\$ 959	\$ 87,398	\$ 170,749	\$ 2,721	\$ 7,134	\$ 429,845
LIABILITIES AND FUND EQUITY										
Liabilities:										
Interest payable	\$ -	\$ -	\$ 42,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,422
Deferred revenue:										
Succeeding year	-	-	-	-	-	-	-	-	6,975	6,975
Other	-	-	16,077	-	-	-	-	-	15	16,092
Total liabilities	-	-	58,499	-	-	-	-	-	6,990	65,489
Fund equity:										
Fund balances:										
Reserved for:										
Drainage warrants	-	-	(18,694)	-	-	-	-	-	-	(18,694)
Future expenditures	-	-	70,763	-	-	-	-	-	-	70,763
Debt service	-	-	-	-	-	-	-	-	144	144
Unreserved	31,116	18,211	-	989	959	87,398	170,749	2,721	-	312,143
Total fund equity	31,116	18,211	52,069	989	959	87,398	170,749	2,721	144	364,356
Total liabilities and fund equity	\$ 31,116	\$ 18,211	\$ 110,568	\$ 989	\$ 959	\$ 87,398	\$ 170,749	\$ 2,721	\$ 7,134	\$ 429,845

See accompanying independent auditor's report.

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

Schedule 2

	Special Revenue									Total
	Sheriff	County Recorder's Management	Drainage Districts	Sheriff's Reserve	Sheriff's K-9	Resource Enhancement and Protection	Conservation Land Acquisition	Recorder's Electronic Transactions	Debt Service	
Revenues:										
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,623	\$ 8,623
Intergovernmental	-	-	-	-	-	9,526	-	-	632	10,158
Charges for services	-	2,899	-	975	1,059	-	1,983	-	-	6,916
Use of money and property	1,127	92	-	14	11	446	-	105	-	1,795
Miscellaneous	8,585	-	159,374	-	-	-	-	-	-	167,959
Total revenues	9,712	2,991	159,374	989	1,070	9,972	1,983	105	9,255	195,451
Expenditures:										
Operating:										
Public safety and legal services	12,461	-	-	-	111	-	-	-	-	12,572
Governmental services to residents	-	407	-	-	-	-	-	34,309	-	34,716
Non-program	-	-	151,900	-	-	-	-	-	-	151,900
Debt service	-	-	-	-	-	-	-	-	9,249	9,249
Capital projects	-	-	-	-	-	-	940	-	-	940
Total expenditures	12,461	407	151,900	-	111	-	940	34,309	9,249	209,377
Excess (deficiency) of revenues over expenditures	(2,749)	2,584	7,474	989	959	9,972	1,043	(34,204)	6	(13,926)
Other financing sources (uses):										
Drainage district warrants	-	-	(5,235)	-	-	-	-	-	-	(5,235)
Total other financing sources (uses)	-	-	(5,235)	-	-	-	-	-	-	(5,235)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,749)	2,584	2,239	989	959	9,972	1,043	(34,204)	6	(19,161)
Fund balances beginning of year	33,865	15,627	49,830	-	-	77,426	169,706	36,925	138	383,517
Fund balances end of year	\$ 31,116	\$ 18,211	\$ 52,069	\$ 989	\$ 959	\$ 87,398	\$ 170,749	\$ 2,721	\$ 144	\$ 364,356

See accompanying independent auditor's report.

SAC COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS
 AND LIABILITIES - AGENCY FUNDS
 JUNE 30, 2005

Schedule 3

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS										
Cash and pooled investments:										
County treasurer	\$ -	\$ 1,733	\$ 74,126	\$ 90,916	\$ 4,988	\$ 32,072	\$ 2,811	\$ 220,592	\$ 108,918	\$ 536,156
Other County officials	29,077	-	-	-	-	-	-	-	-	29,077
Receivables:										
Property tax:										
Delinquent	-	166	222	8,785	479	9,180	13	-	3	18,848
Succeeding year	-	119,078	146,166	5,208,272	342,930	1,916,120	166,583	-	48,836	7,947,985
Accounts	-	-	-	-	-	-	-	-	12,026	12,026
Due from other governments	-	-	-	-	-	-	-	-	257	257
Total assets	<u>\$ 29,077</u>	<u>\$ 120,977</u>	<u>\$ 220,514</u>	<u>\$ 5,307,973</u>	<u>\$ 348,397</u>	<u>\$ 1,957,372</u>	<u>\$ 169,407</u>	<u>\$ 220,592</u>	<u>\$ 170,040</u>	<u>\$ 8,544,349</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,001	\$ 2,195
Salaries and benefits payable	-	-	-	-	-	-	-	-	1,304	1,304
Due to other governments	29,077	120,977	220,320	5,307,973	348,397	1,957,372	169,407	220,592	166,735	8,540,850
Total liabilities	<u>\$ 29,077</u>	<u>\$ 120,977</u>	<u>\$ 220,514</u>	<u>\$ 5,307,973</u>	<u>\$ 348,397</u>	<u>\$ 1,957,372</u>	<u>\$ 169,407</u>	<u>\$ 220,592</u>	<u>\$ 170,040</u>	<u>\$ 8,544,349</u>

See accompanying independent auditor's report.

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

Schedule 4

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
ASSETS AND LIABILITIES										
Balances beginning of year	\$ 30,512	\$ 103,374	\$ 223,363	\$ 5,384,248	\$ 297,526	\$ 1,889,357	\$ 166,651	\$ 243,375	\$ 160,517	\$ 8,498,923
Additions:										
Property and other County tax	-	119,023	146,038	5,203,995	342,714	1,911,772	166,630	-	44,642	7,934,814
E911 surcharge	-	-	-	-	-	-	-	-	91,869	91,869
State tax credits	-	7,665	10,265	400,633	22,056	166,913	11,384	-	118	619,034
Office fees and collections	199,344	-	-	-	-	-	-	-	23,870	223,214
Electronic transaction fee	-	-	-	-	-	-	-	-	4,731	4,731
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	2,721,702	-	2,721,702
Assessments	-	-	-	-	-	-	-	-	30,207	30,207
Trusts	124,824	-	-	-	-	-	-	-	-	124,824
Miscellaneous	679,020	-	-	-	-	-	-	-	10,009	689,029
Total additions	<u>1,003,188</u>	<u>126,688</u>	<u>156,303</u>	<u>5,604,628</u>	<u>364,770</u>	<u>2,078,685</u>	<u>178,014</u>	<u>2,721,702</u>	<u>205,446</u>	<u>12,439,424</u>
Deductions:										
Agency remittances:										
To other funds	105,670	-	-	-	-	-	-	99,402	-	205,072
To other governments	774,114	109,085	159,152	5,680,903	313,899	2,010,670	175,258	2,645,083	195,923	12,064,087
Trusts paid out	124,839	-	-	-	-	-	-	-	-	124,839
Total deductions	<u>1,004,623</u>	<u>109,085</u>	<u>159,152</u>	<u>5,680,903</u>	<u>313,899</u>	<u>2,010,670</u>	<u>175,258</u>	<u>2,744,485</u>	<u>195,923</u>	<u>12,393,998</u>
Balances end of year	<u>\$ 29,077</u>	<u>\$ 120,977</u>	<u>\$ 220,514</u>	<u>\$ 5,307,973</u>	<u>\$ 348,397</u>	<u>\$ 1,957,372</u>	<u>\$ 169,407</u>	<u>\$ 220,592</u>	<u>\$ 170,040</u>	<u>\$ 8,544,349</u>

See accompanying independent auditor's report.

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

Schedule 5

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:				
Property and other County tax	\$ 3,747,231	\$ 3,879,746	\$ 3,530,628	\$ 2,866,537
Interest and penalty on property tax	27,163	27,543	28,374	25,398
Intergovernmental	3,877,544	3,956,167	3,818,787	3,596,884
Licenses and permits	28,003	12,075	12,911	11,105
Charges for service	715,709	797,098	703,444	745,073
Use of money and property	124,587	102,371	114,815	123,943
Miscellaneous	292,656	477,364	193,574	503,406
Total	<u>\$ 8,812,893</u>	<u>\$ 9,252,364</u>	<u>\$ 8,402,533</u>	<u>\$ 7,872,346</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,255,893	\$ 1,379,201	\$ 1,367,992	\$ 1,411,496
Physical health and social services	472,069	601,221	625,728	624,352
Mental health	1,473,105	1,386,637	1,274,751	1,231,458
County environment and education	579,923	519,182	566,887	570,688
Roads and transportation	2,528,859	2,988,146	2,774,141	2,494,516
Governmental services to residents	303,009	299,634	290,975	263,614
Administration	797,857	779,160	735,531	971,608
Non-program	151,900	70,135	123,330	404,180
Debt service	9,249	21,504	63,320	24,911
Capital projects	427,433	617,009	416,221	459,578
Total	<u>\$ 7,999,297</u>	<u>\$ 8,661,829</u>	<u>\$ 8,238,876</u>	<u>\$ 8,456,401</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.
JEFFORY B. STARK, C.P.A.
KEITH C. GERMANN, C.P.A.
RICHARD R. MOORE, C.P.A.
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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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 Sac County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sac 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 September 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 Sac 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 Sac 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 I of 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 items I-(A and B)-05 are material weaknesses.

Compliance and Other Matters

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

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 Sac County and other parties to whom Sac 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 Sac 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.

September 14, 2005

Henzelmann, Putzier & Co.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--|--|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Auditor, Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. 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. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response - The Board of Supervisors and the department heads continually strive to segregate the duties of the offices as limited staff will allow.

Conclusion - Response accepted.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

I-B-05 Inventory of Capital Assets - An inventory of capital assets is not maintained.

Recommendation - Generally accepted accounting principles require that a statement of capital assets be disclosed in order to present fairly the financial position of the County. We recommend that this situation be reviewed and appropriate action be taken as soon as practicable to establish an inventory of capital assets owned by the County.

Response - Limited funds and staff continue to slow the process of implementing an inventory of fixed assets.

Conclusion - Response accepted.

I-C-05 Electronic Data Processing 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.
- requiring password changes because software does not require the user to change logins/passwords periodically.
- ensuring that only software licensed to the County is installed on computers.
- usage of the internet.

Also, the County does not have a written disaster recovery plan.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. Also, a written disaster recovery plan should be developed.

Response - The Board of Supervisors and department heads will work to develop a policy regarding electronic data processing systems and a disaster recovery plan.

Conclusion - Response accepted.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Required Statutory Reporting:

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

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the mental health function. Disbursements in certain departments exceeded the amount appropriated.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - A review of the condition of individual budgeted fund balances will be conducted in a timely fashion to prevent exceeding approved budgets and amendments will be made accordingly.

Conclusion - Response accepted.

II-C-05 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

II-E-05 Business Transactions - No business transactions between the County and County official's or employees were noted.

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

II-G-05 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not. However, although the published minutes did contain a list of claims, this list did not show the purpose of the claim as required by Chapter 349.18 of the Code of Iowa and several Attorney General's opinions.

Recommendation - Published minutes should contain a list of all approved claims and the purpose of the claim.

Response - The list of claims is published with the board minutes pursuant to Iowa Code 349.18. The Code does not address the purpose of the claim. The purpose of the claim is not listed in an effort to control the publication costs.

Conclusion - Response acknowledged. However, an Attorney General's opinion interprets the Code to require publication of the purpose of the claim.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-H-05 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.
- II-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).
- II-J-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.

- II-K-05 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County retains cancelled checks through electronic image, but do not obtain an image of the back of each cancelled check as required.

Recommendation - The County should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Sac County is currently receiving and retaining photo copies of both front and back of cancelled checks as required.

Conclusion - Response accepted.

- II-L-05 Emergency Management Budget - Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Emergency Management department, and the proposed budget was not published as required by the Code of Iowa.

Recommendation - The budget should have been amended in accordance with the Code of Iowa before disbursements were allowed to exceed the budget, and the proposed budget should have been published.

Response - A review of the condition of individual budgeted fund balances will be conducted in a timely fashion to prevent exceeding approved budgets and amendments will be made accordingly.

Conclusion - Response accepted.

SAC COUNTY

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-M-05 E911 Fund Designations - There are fund designations noted in the budget forms for E911. However, there does not appear to be any documentation or Board approval of any specific purpose for this designation.

Recommendation - The E911 surcharge fund is limited to the amount they may have in undesignated fund balance without affecting the amount to be raised from the surcharge. As a result there should be specific plans documented for any designated fund balance.

Response - Documentation will be added to the E911 surcharge fund budget addressing designating fund balances.

Conclusion - Response accepted.