



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 20, 2005

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515/281-5834

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

The County had local tax revenue of \$67,747,550 for the year ended June 30, 2004, which included \$2,186,938 in tax credits from the state. The County forwarded \$54,626,534 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$13,121,016 of the local tax revenue to finance County operations, a 4 percent increase over the prior year. Other revenues included charges for service of \$5,232,714, operating grants, contributions and restricted interest of \$5,435,046, capital grants, contributions and restricted interest of \$1,254,264, unrestricted investment earnings of \$136,968 and other general revenues of \$301,283.

Expenses for County operations totaled \$22,531,032, a 5 percent increase over the prior year. Expenses included \$5,599,414 for roads and transportation, \$4,356,889 for public safety and legal services and \$3,950,661 for mental health.

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

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DALLAS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

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Dallas County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Alice Wicker	Board of Supervisors	Jan 2005
Kim Chapman	Board of Supervisors	Jan 2007
Brad Golightly	Board of Supervisors	Jan 2007
Carol Bayeur-Dawson	County Auditor	Jan 2005
Darrell Bauman	County Treasurer	Jan 2007
Carol Hol	County Recorder	Jan 2007
Arthur Johnson	County Sheriff	Jan 2005
Wayne M. Reisetter	County Attorney	Jan 2007
Ron Potter	County Assessor	Jan 2010

Dallas County



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Independent Auditor's Report

To the Officials of Dallas County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dallas County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Dallas County's management. Our responsibility is to express opinions on these financial statements based on our audit.

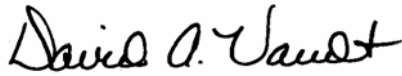
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require 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 Dallas County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

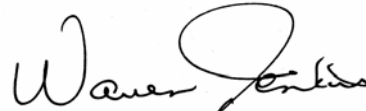
In accordance with Government Auditing Standards, we have also issued our reports dated December 17, 2004 on our consideration of Dallas County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 50 through 53 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 performed for the purpose of forming opinions on the financial statements that collectively comprise Dallas 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 three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. 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, 2000 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the omission of the financial data of the Dallas County Conservation Foundation, pertaining primarily to the Special Revenue Funds. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Dallas County's financial performance provides an overview of the County's financial activities for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements which follow.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 5.34%, or approximately \$1.3 million, from fiscal year 2003 to fiscal year 2004.
- The County's expenditures increased 5.93%, or approximately \$1.3 million, from fiscal year 2003 to fiscal year 2004.
- The County's net assets increased 8.37%, or approximately \$3 million, from June 30, 2003 to June 30, 2004.

During fiscal year 2004, the County restated inventory and capital assets for amounts not previously reported (see Note 18). This resulted in an increase in the governmental activities beginning net asset balance of \$1,086,852. To facilitate and enhance comparability in this discussion and analysis, fiscal year 2003 amounts have been revised to reflect the applicable changes as if they had been made in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities which provide both long-term and short-term information about the County's overall financial status.

Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. The Fund Financial Statements, which have been provided in the past, focus on the individual parts of Dallas County government, reporting the County's operations in more detail than the government-wide financial statements. The remaining statements provide financial information about activities for which Dallas County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Both perspectives (government-wide and fund) allow the user to address relevant questions to broaden the basis of comparison (year to year, government to government) and enhance Dallas County's accountability.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, the Debt Service Fund and the Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING DALLAS COUNTY AS A WHOLE

Government-wide Financial Statements

One of the most important questions asked about Dallas County's finances is, "Is Dallas County as a whole better off or worse off as a result of the year's activities?" The government-wide financial statements report information about Dallas County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide statements consist of two financial statements:

- Statement of Net Assets
- Statement of Activities

The Statement of Net Assets presents all of Dallas County's assets and liabilities, with the difference between the two reported as "net assets". You can consider the County's net assets as one way to measure Dallas County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indication of whether its financial health is improving or deteriorating. The reader will also need to consider non-financial factors, such as changes in Dallas County's property tax base, the condition of its roads and the condition of its other assets, to assess the overall health of Dallas County.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide detailed information about the most significant funds, not Dallas County as a whole. Funds are accounting devices Dallas County uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. Dallas County establishes other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants and other revenue.

Dallas County has three kinds of funds:

- Governmental
- Proprietary
- Fiduciary

1) Governmental Funds – Most of Dallas County’s basic services are reported in governmental funds. These focus on: 1) how cash and other financial assets that can be readily converted to cash flow into and out of those funds and 2) the balances left at the end of the year for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps readers determine whether there are financial resources available to finance Dallas County’s basic services in the near future. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information on Exhibits D and F explain the relationship or differences between the two statements. Dallas County’s governmental funds include the: General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund. The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary Funds – Services for which Dallas County charges customers a fee are generally reported as proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Dallas County uses an Internal Service, Employee Group Health Fund to report activities providing services for the County. Internal Service Funds are an accounting device used to accumulate and account costs internally among the County’s various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary Funds – Dallas County is the trustee, or fiduciary, for assets belonging to others. The County is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. Dallas County excludes these activities from the County’s government-wide financial statements because the County cannot use these assets to finance its operations. These funds include: Emergency Management Services, County Assessor, Empowerment and other Agency Funds for collecting and distributing taxes to schools, cities and other taxing authorities.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, assets may serve over time as a useful indicator of financial position. Dallas County’s combined net assets changed from a year ago, increasing from \$35.2 million to \$38.2 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

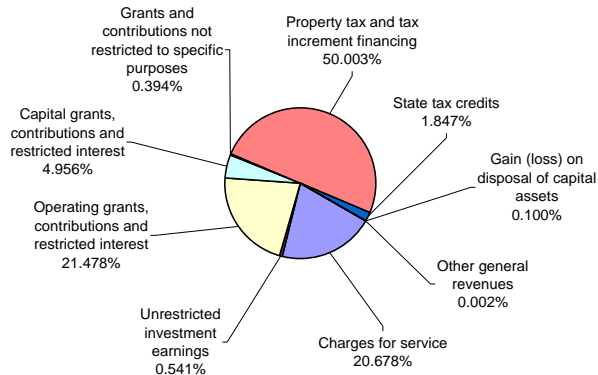
Net Assets of Governmental Activities		
	June 30,	
	2004	2003 (as restated)
Current and other assets	\$ 25,089,358	24,372,860
Capital assets	36,994,147	35,521,499
Total assets	<u>62,083,505</u>	<u>59,894,359</u>
Long-term liabilities	9,818,339	10,559,244
Other liabilities	14,085,152	14,105,361
Total liabilities	<u>23,903,491</u>	<u>24,664,605</u>
Net assets:		
Invested in capital assets, net of related debt	28,338,279	27,120,846
Restricted	5,240,659	4,611,598
Unrestricted	4,601,076	3,497,310
Total net assets	<u>\$ 38,180,014</u>	<u>35,229,754</u>

Dallas County's combined net assets (which is the County's bottom line) increased by \$2,950,259. The primary reason for the increase was the net increase in assets of \$2,189,146 coupled with a decrease in liabilities of \$761,114. The largest portion of Dallas County's net assets is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they may be used. Dallas County's unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations - is \$4,601,076. This represents a \$1,103,766 increase over fiscal year 2003, or 31.56%.

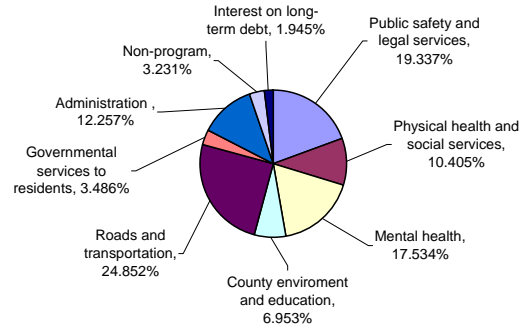
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2004	2003 (as restated)
Revenues:		
Program revenues:		
Charges for service	\$ 5,232,714	4,654,128
Operating grants, contributions and restricted interest	5,435,046	5,535,901
Capital grants, contributions and restricted interest	1,254,264	898,273
General revenues:		
Property tax and tax increment financing	12,653,516	12,095,246
Penalty and interest on property tax	175,741	156,108
State tax credits	467,500	506,095
Grants and contributions not restricted to specific purposes	99,689	200,919
Unrestricted investment earnings	136,968	200,307
Gain (loss) on disposal of capital assets	25,245	(69,914)
Other general revenues	608	13,086
Total revenues	25,481,291	24,190,149
Program expenses:		
Public safety and legal services	4,356,889	4,078,104
Physical health and social services	2,344,315	2,253,850
Mental health	3,950,661	3,618,483
County environment and education	1,566,541	1,411,729
Roads and transportation	5,599,414	5,485,772
Governmental services to residents	785,407	781,966
Administration	2,761,670	2,709,691
Non-program	727,885	476,215
Interest on long-term debt	438,250	454,326
Total expenses	22,531,032	21,270,136
Increase in net assets	2,950,259	2,920,013
Net assets beginning of year, as restated	35,229,755	32,309,742
Net assets end of year	\$ 38,180,014	35,229,755

Revenue by Source



Expense by Program



For the fiscal year ended June 30, 2004, governmental activities revenues totaled \$25,481,291, an increase of 5.34%. Property tax revenue, the County's largest revenue source, increased by 4.62% (\$558,270) over fiscal year 2003. The expenses for governmental activities totaled \$22,531,032, an increase of approximately 6% over fiscal year 2003.

Dallas County decreased the county-wide property tax levy rates by \$.04 per \$1,000 of taxable valuation for fiscal year 2004. The rural tax levy rate for fiscal year 2004 remained unchanged. The county-wide taxable property valuation increased \$96,105,927 over the prior year and the rural taxable property valuation increased by \$12,010,052 due to a change in rollback, while the urban values increased by \$84,095,875.

MAJOR FUND ANALYSIS AND HIGHLIGHTS

As Dallas County completed the year, its governmental funds reported a combined fund balance of \$9,995,994, an increase of \$639,037 over fiscal year 2003's restated combined fund balance of \$9,356,957.

The General Fund balance increased approximately \$1.1 million, which is comparable to the net change in fund balance last year. Of the \$4,900,357 ending fund balance, \$895,959 was reserved, \$289,059 was unreserved/designated and \$3,715,339 was unreserved/undesignated. Property valuations increased from \$925,893,822 in fiscal year 2003 to \$1,009,989,697 in fiscal year 2004. The General Basic and General Supplemental levies remained unchanged for fiscal year 2004.

The Mental Health Fund balance of \$796,125 decreased \$71,149 from fiscal year 2003. The decrease was primarily due to a decrease in miscellaneous revenues. Also, due to the increase in property valuations, the County was able to decrease the mental health levy by \$.05 per \$1,000 of assessed value.

The Rural Services Fund ended fiscal year 2004 with a \$250,379 fund balance compared to the prior year ending balance of \$192,477. The increase was primarily due to a very slight increase in property tax revenues. The rural levy remained unchanged for fiscal year 2004.

The Secondary Roads Fund ended fiscal year 2004 with a balance of \$1,904,515, compared to a fiscal year 2003 balance of \$2,122,778. The decrease in fund balance is due to the completion of projects that were included in prior year's designated fund balance for special projects.

The Capital Projects Fund ended the 2004 year with \$600,259 compared to the 2003 balance of \$1,501,853. This decrease is a result of the near completion of the Courthouse Roof project and various Care Facility improvements.

BUDGETARY HIGHLIGHTS

Over the course of fiscal year 2004, Dallas County amended the operating budget two times. The first amendment was made in November 2003 to finance additional disbursements, including designated funds, various capital project expenditures funded with long-term debt proceeds and Public Health and Conservation grants. This amendment increased receipts by \$1,175,484 and disbursements by \$2,711,652. The second amendment in May 2004 increased budgeted disbursements by \$853,230, including increases in capital projects of \$357,481, \$205,000 for voting machines and various other departmental expenses.

Actual net disbursements for the year totaled \$23,191,844, which is \$3,327,022 less than budgeted. The major reason for this was certain capital projects were not completed. Actual net receipts for fiscal year 2004 totaled \$24,329,208, which was \$414,050 short of the budgeted receipts. The reason for the shortfall was a delay in the completion of the bike trail overlay project resulting in scheduled grants not being reimbursed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Dallas County had \$36,994,147 invested in a variety of capital assets. The County's capital assets increased by \$1,472,648, or about 4.15%, over the prior year.

The following are the major additions to capital assets:

- Dallas County completed repair of the bridge north of Dexter on Highway P58 for \$652,049.
- The County also completed repairs on a bridge on 150th Street over Slough Creek for \$208,082.
- Dallas County also obtained right of way from the Iowa Department of Transportation for transfer of jurisdiction roads of \$567,080.
- Major purchases of machinery and equipment consisted of two motor graders and a track loader for \$508,020.

More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2004, Dallas County had \$9,160,000 in outstanding general obligation capital loan notes compared to \$9,790,000 last year. The change is a result of the retirement of \$630,000 of notes. Article XI, Section 3 of the Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the actual value of all taxable property within the County's corporate limits. Dallas County's outstanding general obligation debt is significantly below its constitutional debt limit. Additional information about the County's long term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dallas County's elected and appointed officials and citizens considered numerous issues when setting the fiscal year 2005 budget and tax rates. In an ongoing effort to maintain County services without raising tax levies, the Dallas County Board of Supervisors is committed to limiting expenditure increases and using any available fund balances to provide services.

Dallas County is the fastest growing county in Iowa. Its population in 2000 was 40,750 compared to 47,846 in the year 2004. The unemployment rate in the Dallas County stands at 3%, compared to Polk County at 4%.

Budgeted disbursements for the fiscal year 2005 operating budget are approximately \$23,566,528, an increase of about \$600,000 in spending from the prior year's original appropriations. This is mainly due to the completion of capital projects. The adopted 2005 budget shows a deficit of receipts under disbursements of approximately \$333,000. The budget estimates a total ending fund balance of \$7,030,291 at the close of fiscal year 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Dallas 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 Connie Kinnard at the Operations Administration Office, 801 Court Street, Adel, Iowa 50003.

Dallas County

Basic Financial Statements

Exhibit A

Dallas County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 10,721,482
Receivables:	
Property tax:	
Delinquent	107,940
Succeeding year	12,109,000
Interest and penalty on property tax	160,038
Tax increment financing:	
Delinquent	1,803
Succeeding year	68,000
Accounts	115,715
Accrued interest	14,582
Drainage assessments:	
Delinquent	11,229
Succeeding year	14,545
Economic development loans	28,118
Due from other governments	1,088,523
Inventories	507,007
Prepaid insurance	141,376
Capital assets (net of accumulated depreciation)	36,994,147
Total assets	<u>62,083,505</u>
Liabilities	
Accounts payable	847,520
Accrued interest payable	49,722
Salaries and benefits payable	415,171
Contracts payable	51,905
Due to other governments	543,834
Deferred revenue:	
Succeeding year property tax	12,109,000
Succeeding year tax increment financing	68,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	30,419
General obligation capital loan notes	675,000
Drainage warrants payable	25,018
Compensated absences	317,476
Portion due or payable after one year:	
Capital lease purchase agreements	69,942
General obligation capital loan notes	8,485,000
Compensated absences	215,484
Total liabilities	<u>23,903,491</u>
Net Assets	
Invested in capital assets, net of related debt	28,338,279
Restricted for:	
Supplemental levy purposes	965,498
Mental health purposes	782,140
Secondary roads purposes	1,974,888
Economic development loans	276,492
Debt service	204,063
Other purposes	1,037,578
Unrestricted	4,601,076
Total net assets	<u>\$ 38,180,014</u>

See notes to financial statements.

Dallas County
Statement of Activities
Year ended June 30, 2004

	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	
Functions / Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,356,889	1,199,131	168,420	-	(2,989,338)
Physical health and social services	2,344,315	1,147,684	442,200	-	(754,431)
Mental health	3,950,661	512,603	1,794,075	-	(1,643,983)
County environment and education	1,566,541	230,036	116,445	223,111	(996,949)
Roads and transportation	5,599,414	39,720	2,829,149	1,023,198	(1,707,347)
Governmental services to residents	785,407	1,266,270	29,678	-	510,541
Administration	2,761,670	116,253	6,001	7,955	(2,631,461)
Non-program	727,885	721,017	36,398	-	29,530
Interest on long-term debt	438,250	-	12,680	-	(425,570)
Total	\$ 22,531,032	5,232,714	5,435,046	1,254,264	(10,609,008)
General Revenues:					
Property and other county tax levied for:					
General purposes					11,974,308
Debt service					638,144
Penalty and interest on property tax					175,741
Tax increment financing					41,064
State tax credits					467,500
Grants and contributions not restricted to specific purpose					99,689
Unrestricted investment earnings					136,968
Gain on disposal of capital assets					25,245
Miscellaneous					608
Total general revenues					13,559,267
Change in net assets					2,950,259
Net assets beginning of year, as restated					35,229,755
Net assets end of year					\$ 38,180,014

See notes to financial statements.

Dallas County
Balance Sheet
Governmental Funds

June 30, 2004

	General	Mental Health
Assets		
Cash and pooled investments:		
County Treasurer	\$ 4,655,594	1,349,623
Conservation Foundation	-	-
Receivables:		
Property tax:		
Delinquent	69,883	12,391
Succeeding year	8,599,000	1,035,000
Interest and penalty on property tax	160,038	-
Tax increment financing:		
Delinquent	-	-
Succeeding year	-	-
Accounts	57,151	13,870
Accrued interest	12,660	-
Drainage assessments:		
Delinquent	-	-
Succeeding year	-	-
Economic development loans	-	-
Due from other funds	1,015	-
Due from other governments (net of allowance for doubtful ambulance accounts of \$118,748)	544,651	77,917
Interfund receivable	200,000	-
Inventories	167,018	-
Prepaid insurance	98,575	7,791
Total assets	\$ 14,565,585	2,496,592

Special Revenue				
Rural Services	Secondary Roads	Capital Projects	Nonmajor	Total
254,372	1,571,545	898,741	1,446,376	10,176,251
-	-	-	94,964	94,964
20,800	-	-	4,866	107,940
1,817,000	-	-	658,000	12,109,000
-	-	-	-	160,038
-	-	-	1,803	1,803
-	-	-	68,000	68,000
58	1,509	1,867	1,339	75,794
-	-	85	1,701	14,446
-	-	-	11,229	11,229
-	-	-	14,545	14,545
-	-	-	28,118	28,118
-	1,534	-	-	2,549
130	465,825	-	-	1,088,523
-	-	-	-	200,000
-	339,989	-	-	507,007
-	35,010	-	-	141,376
2,092,360	2,415,412	900,693	2,330,941	24,801,583

Dallas County
Balance Sheet
Governmental Funds

June 30, 2004

	General	Mental Health
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 182,150	181,094
Salaries and benefits payable	295,405	28,756
Contracts payable	-	-
Interfund payable	-	-
Due to other funds	1,466	736
Due to other governments	100,428	442,611
Deferred revenue:		
Succeeding year property tax	8,599,000	1,035,000
Succeeding year tax increment financing	-	-
Other	486,779	12,270
Total liabilities	9,665,228	1,700,467
Fund balances:		
Reserved for:		
Supplemental levy purposes	891,725	-
Debt financed projects	4,234	-
Drainage projects	-	-
Debt service	-	-
Unreserved:		
Designated for special projects	289,059	95,000
Undesignated, reported in:		
General fund	3,715,339	-
Special revenue funds	-	701,125
Capital projects fund	-	-
Total fund balances	4,900,357	796,125
Total liabilities and fund balances	\$ 14,565,585	2,496,592

See notes to financial statements.

Special Revenue				
Rural Services	Secondary Roads	Capital Projects	Nonmajor	Total
2,691	146,147	100,434	-	612,516
1,579	89,431	-	-	415,171
-	51,905	-	-	51,905
-	-	200,000	-	200,000
-	279	-	68	2,549
-	795	-	-	543,834
1,817,000	-	-	658,000	12,109,000
-	-	-	68,000	68,000
20,711	222,340	-	60,514	802,614
1,841,981	510,897	300,434	786,582	14,805,589
-	-	-	-	891,725
-	-	-	-	4,234
-	-	-	1,754	1,754
-	-	-	243,812	243,812
-	-	-	155	384,214
-	-	-	-	3,715,339
250,379	1,904,515	-	1,298,638	4,154,657
-	-	600,259	-	600,259
250,379	1,904,515	600,259	1,544,359	9,995,994
2,092,360	2,415,412	900,693	2,330,941	24,801,583

Dallas County

Dallas County

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

June 30, 2004

Total governmental fund balances (page 21) \$ 9,995,994

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$55,641,111 and the accumulated depreciation is \$18,646,964. 36,994,147

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 802,614

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 255,320

Long-term liabilities, including capital lease purchase agreements payable, notes payable, drainage warrants payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (9,868,061)

Net assets of governmental activities (page 16) \$ 38,180,014

See notes to financial statements.

Dallas County

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

Year ended June 30, 2004

	General	Mental Health
Revenues:		
Property and other county tax	\$ 8,249,187	1,462,709
Interest and penalty on property tax	121,381	-
Tax increment financing	-	-
Intergovernmental	2,502,348	2,259,034
Licenses and permits	181,345	-
Charges for service	1,714,446	-
Use of money and property	134,029	-
Miscellaneous	288,293	99,713
Total revenues	<u>13,191,029</u>	<u>3,821,456</u>
Expenditures:		
Operating:		
Public safety and legal services	4,108,455	-
Physical health and social services	2,346,796	-
Mental health	-	3,892,605
County environment and education	1,140,356	-
Roads and transportation	-	-
Governmental services to residents	740,936	-
Administration	2,744,870	-
Non-program	270,011	-
Debt service	404,849	-
Capital projects	83,758	-
Total expenditures	<u>11,840,031</u>	<u>3,892,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,350,998</u>	<u>(71,149)</u>
Other financing sources (uses):		
Sale of capital assets	-	-
Operating transfers in	23,954	-
Operating transfers out	(271,226)	-
Stamped drainage warrants issued	-	-
Total other financing sources (uses)	<u>(247,272)</u>	<u>-</u>
Net change in fund balances	1,103,726	(71,149)
Fund balances beginning of year, as restated	<u>3,796,631</u>	<u>867,274</u>
Fund balances end of year	<u>\$ 4,900,357</u>	<u>796,125</u>

See notes to financial statements.

Special Revenue				
Rural Services	Secondary Roads	Capital Projects	Nonmajor	Total
2,257,951	-	-	637,840	12,607,687
-	-	-	-	121,381
-	-	-	41,064	41,064
89,930	3,023,144	-	281,650	8,156,106
-	6,090	-	-	187,435
-	224	21,244	61,569	1,797,483
-	3,023	12,945	93,540	243,537
59	26,539	66,237	587,558	1,068,399
2,347,940	3,059,020	100,426	1,703,221	24,223,092
-	-	-	33,252	4,141,707
-	-	-	600	2,347,396
-	-	-	-	3,892,605
193,321	-	-	126,580	1,460,257
54,941	4,801,529	-	-	4,856,470
-	-	-	-	740,936
-	-	-	52	2,744,922
-	-	-	17,277	287,288
-	-	-	679,810	1,084,659
-	651,362	1,288,940	176,116	2,200,176
248,262	5,452,891	1,288,940	1,033,687	23,756,416
2,099,678	(2,393,871)	(1,188,514)	669,534	466,676
-	-	-	155,084	155,084
-	2,175,608	286,920	46,927	2,533,409
(2,041,776)	-	-	(220,407)	(2,533,409)
-	-	-	17,277	17,277
(2,041,776)	2,175,608	286,920	(1,119)	172,361
57,902	(218,263)	(901,594)	668,415	639,037
192,477	2,122,778	1,501,853	875,944	9,356,957
250,379	1,904,515	600,259	1,544,359	9,995,994

Dallas County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2004

Net change in fund balances - Total governmental funds (page 25) \$ 639,037

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

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

Expenditures for capital assets	\$ 3,219,898	
Capital assets contributed by the Iowa Department of Transportation	672,918	
Depreciation expense	<u>(1,920,541)</u>	1,972,275

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

(499,627)

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	4,766	
Other	<u>148,970</u>	153,736

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

Issued	(17,277)	
Repaid	<u>696,499</u>	679,222

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	61,683	
Interest on long-term debt	<u>3,750</u>	65,433

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

(59,817)

Change in net assets of governmental activities (page 17)

\$ 2,950,259

See notes to financial statements.

Dallas County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2004

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 450,267
Receivables:	
Accounts	39,921
Accrued interest	136
Total assets	490,324
Liabilities	
Accounts payable	235,004
Net Assets	
Unrestricted	\$ 255,320

See notes to financial statements.

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

Year ended June 30, 2004

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,298,398
Reimbursements from employees		297,750
Insurance reimbursements		46,975
Total operating revenues		<u>1,643,123</u>
Operating expenses:		
Medical claims	\$ 1,428,057	
Administrative and other fees	<u>278,057</u>	<u>1,706,114</u>
Operating loss		(62,991)
Non-operating revenues:		
Interest income		3,174
Net loss		<u>(59,817)</u>
Net assets beginning of year		<u>315,137</u>
Net assets end of year		<u>\$ 255,320</u>

See notes to financial statements.

Dallas County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2004

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds and other reimbursements	\$ 1,595,838
Cash received from insurance reimbursements	7,364
Cash paid to suppliers for services	(1,633,565)
Net cash used by operating activities	(30,363)
Cash flows from investing activities:	
Interest on investments	3,478
Net decrease in cash and cash equivalents	(26,885)
Cash and cash equivalents beginning of year	477,152
Cash and cash equivalents end of year	\$ 450,267
 Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (62,991)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in accounts receivable	(39,921)
Increase in accounts payable	72,549
Net cash used by operating activities	\$ (30,363)

See notes to financial statements.

Dallas County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,053,338
Other County officials	114,969
Receivables:	
Property tax:	
Delinquent	347,840
Succeeding year	53,228,000
Accounts	43,046
Accrued interest	641
Special assessments	2,000,000
Due from other governments	16,965
Prepaid insurance	4,339
Total assets	<u>57,809,138</u>

Liabilities

Accounts payable	3,823
Salaries and benefits payable	18,021
Due to other governments	57,669,859
Trusts payable	61,134
Compensated absences	56,301
Total liabilities	<u>57,809,138</u>

Net assets \$ -

See notes to financial statements.

Dallas County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Dallas 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 (GASB).

A. Reporting Entity

For financial reporting purposes, Dallas 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 Dallas 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.

Ninety-one 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 Dallas 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 Dallas County Auditor's Office.

The Dallas County Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Dallas County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and Dallas County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the North Dallas Regional Solid Waste Planning Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants 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 nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

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

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for 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 the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 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:

Asset Class	Estimated Useful lives (In Years)
Buildings	10 - 50
Other improvements	10 - 35
Infrastructure	20 - 65
Equipment	2 - 50
Vehicles	3 - 20

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and succeeding year tax increment financing that will not be recognized as revenue until the year for which it is levied.

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 and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

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

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

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements in certain departments exceeded the appropriations prior to the Board approving an appropriation amendment.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$232,330 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Economic Development Loans

During the year ended June 30, 1999, the County loaned \$48,656 interest free to Medical Services Industries, Inc. The loan requires quarterly payments of \$1,250. Payments totaling \$5,000 were received during the year ended June 30, 2004.

During the year ended June 30, 2000, the County loaned \$50,000 to Percival Scientific, Inc. The loan bears a 5% interest rate per annum and requires quarterly payments of \$2,831. Payments totaling \$11,325 were received during the year ended June 30, 2004.

A summary of the loans receivable at June 30, 2004 is as follows:

Year Ending June 30,	Medical Services Industries, Inc.		Percival Scientific, Inc.		Total
	Principal	Interest	Principal	Interest	Principal
2005	\$ 5,000	-	8,212	205	13,212
2006	5,000	-	-	-	5,000
2007	5,000	-	-	-	5,000
2008	4,906	-	-	-	4,906
Total	\$ 19,906	-	8,212	205	28,118

(4) Due From/Due to Other Funds and Interfund Receivable/Payable

Due From/Due to Other Funds:

The detail of interfund assets and liabilities at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 736
	Secondary Roads	279
Special Revenue:	General	1,466
Secondary Roads	Special Revenue:	
	County Sheriff Forfeiture	68
Total		\$ 2,549

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

Interfund Receivable/Payable:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	<u>\$ 200,000</u>

The above interfund asset and liability represents the remaining balance of an interfund loan to be repaid upon receipt of grant proceeds.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Tax Increment Financing	\$ 424
	Sale of County Property	1,390
	Conservation Land Acquisition	21,800
	Public Health Nurse Trust	340
Special Revenue:		
Secondary Roads	General	132,137
	Special Revenue:	
	Rural Services	2,041,776
	Tax Increment Financing	1,695
Ortonville Sewer	General	5,863
Capital Projects	General	133,226
	Special Revenue:	
	Sale of County Property	153,694
Debt Service	Special Revenue:	
	Tax Increment Financing	41,064
Total		<u>\$ 2,533,409</u>

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

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year (as restated)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,633,814	720,716	-	3,354,530
Construction in progress	1,851,542	1,789,424	(1,239,606)	2,401,360
Total capital assets not being depreciated	<u>4,485,356</u>	<u>2,510,140</u>	<u>(1,239,606)</u>	<u>5,755,890</u>
Capital assets being depreciated:				
Buildings	12,947,712	176,055	(29,804)	13,093,963
Improvements other than buildings	30,566	120,432	-	150,998
Equipment and vehicles	8,292,333	1,139,501	(1,057,945)	8,373,889
Infrastructure, road network	27,080,077	1,186,294	-	28,266,371
Total capital assets being depreciated	<u>48,350,688</u>	<u>2,622,282</u>	<u>(1,087,749)</u>	<u>49,885,221</u>
Less accumulated depreciation for:				
Buildings	4,741,667	229,104	(7,749)	4,963,022
Improvements other than buildings	873	4,314	-	5,187
Equipment and vehicles	3,438,886	787,613	(580,373)	3,646,126
Infrastructure, road network	9,133,119	899,510	-	10,032,629
Total accumulated depreciation	<u>17,314,545</u>	<u>1,920,541</u>	<u>(588,122)</u>	<u>18,646,964</u>
Total capital assets being depreciated, net	<u>31,036,143</u>	<u>701,741</u>	<u>(499,627)</u>	<u>31,238,257</u>
Governmental activities capital assets, net	<u>\$ 35,521,499</u>	<u>3,211,881</u>	<u>(1,739,233)</u>	<u>36,994,147</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 262,551
Physical health and social services	17,625
Mental health	77,390
County environment and education	167,808
Roads and transportation	1,214,522
Governmental services to residents	46,326
Administration	<u>134,319</u>
Total depreciation expense - governmental activities	<u>\$ 1,920,541</u>

(7) 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	\$ 100,428
Special Revenue:		
Mental Health	Services	442,611
Secondary Roads	Services	795
		<u>443,406</u>
Total for governmental funds		<u>\$ 543,834</u>
Agency:		
County Assessor	Collections	\$ 774,189
Schools		30,237,634
Community Colleges		1,016,181
Corporations		20,303,961
City Special Assessments		2,018,908
Auto License and Use Tax		1,044,377
All other		<u>2,274,609</u>
Total for agency funds		<u>\$ 57,669,859</u>

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Installment Purchase Agreement	Capital Lease Purchase Agreements	General Obligation Capital Loan Notes	Drainage District Warrants	Compensated Absences	Total
Balance beginning of year	\$ 7,000	147,201	9,790,000	20,400	594,643	10,559,244
Increases	-	-	-	17,277	397,562	414,839
Decreases	7,000	46,840	630,000	12,659	459,245	1,155,744
Balance end of year	<u>\$ -</u>	<u>100,361</u>	<u>9,160,000</u>	<u>25,018</u>	<u>532,960</u>	<u>9,818,339</u>
Due within one year	<u>\$ -</u>	<u>30,419</u>	<u>675,000</u>	<u>25,018</u>	<u>317,476</u>	<u>1,047,913</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a phone system and skid loader. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.25% to 9.66% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

Year Ending June 30,	Phone System	Skid Loader	Total
2005	\$ 35,316	3,210	38,526
2006	35,317	3,209	38,526
2007	35,317	3,209	38,526
Total minimum lease payments	105,950	9,628	115,578
Less amount representing interest	(14,288)	(929)	(15,217)
Present value of net minimum lease payments	\$ 91,662	8,699	100,361

Payments under capital lease purchase agreements for the year ended June 30, 2004, including a tractor paid off during the year, totaled \$59,752.

General Obligation Capital Loan Notes

A summary of the County's June 30, 2004 general obligation capital loan notes is as follows:

Year Ending June 30,	General Obligation Capital Loan Notes					
	Series 1993			Series 2000A		
	Issued December 1, 1993			Issued August 1, 2000		
	Interest		Interest	Interest		Interest
	Rates	Principal		Rates	Principal	
2005	4.60%	\$ 210,000	20,000	-	98,808	
2006	4.70	220,000	10,340	-	98,808	
2007		-	-	-	98,808	
2008		-	-	-	98,808	
2009		-	-	5.00%	\$ 45,000	98,808
2010-2014		-	-	5.00-5.10	570,000	439,035
2015-2019		-	-	5.20-5.40	1,025,000	238,863
2020		-	-	5.40	250,000	13,500
Total		\$ 430,000	30,340		\$ 1,890,000	1,185,438

Year Ending June 30,	General Obligation Capital Loan Notes					
	Series 2001A			Series 2001B		
	Issued May 1, 2001			Issued May 1, 2001		
	Interest		Interest	Interest		Interest
	Rates	Principal		Rates	Principal	
2005	3.90%	\$ 135,000	37,870	5.65%	\$ 230,000	12,995
2006	4.05	390,000	32,605		-	-
2007	4.10	410,000	16,810		-	-
2008		-	-		-	-
2009		-	-		-	-
2010-2014		-	-		-	-
2015-2019		-	-		-	-
2020		-	-		-	-
Total		\$ 935,000	87,285		\$ 230,000	12,995

General Obligation Capital Loan Notes						
Year Ending June 30,	Series 2002A			Series 2002B		
	Issued March 1, 2002			Issued April 1, 2002		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2005		-	106,050	3.25%	\$ 100,000	73,355
2006		-	106,050	3.50	105,000	70,105
2007		-	106,050	3.80	105,000	66,430
2008	4.25%	\$ 235,000	106,050	4.00	110,000	62,440
2009	4.25	200,000	96,062	4.15	115,000	58,040
2010-2014	4.25-4.75	860,000	357,775	4.30-4.80	650,000	210,705
2015-2019	4.75-5.00	825,000	169,588	5.00	470,000	47,750
2020	5.00	180,000	9,000		-	-
Total		<u>\$2,300,000</u>	<u>1,056,625</u>		<u>\$ 1,655,000</u>	<u>588,825</u>

General Obligation Capital Loan Notes						
Year Ending June 30,	Series 2002C			Total		
	Issued December 15, 2002					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2005		-	60,660	\$ 675,000	409,738	1,084,738
2006		-	60,660	715,000	378,568	1,093,568
2007	2.75%	\$ 65,000	60,660	580,000	348,758	928,758
2008	3.05	260,000	58,873	605,000	326,171	931,171
2009	3.30	270,000	50,942	630,000	303,852	933,852
2010-2014	3.50-3.95	1,125,000	106,585	3,205,000	1,114,100	4,319,100
2015-2019		-	-	2,320,000	456,201	2,776,201
2020		-	-	430,000	22,500	452,500
Total		<u>\$ 1,720,000</u>	<u>398,380</u>	<u>\$ 9,160,000</u>	<u>3,359,888</u>	<u>12,519,888</u>

During the year ended June 30, 2004, the County retired \$630,000 of general obligation capital loan notes.

Drainage Warrants

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

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

(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 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$475,974, \$450,541 and \$423,452, respectively, equal to the required contributions for each year.

(10) Risk Management

Dallas 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 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$281,446.

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 \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$25,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee 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 American Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2004 was \$1,298,398.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$204,118, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$255,320 at June 30, 2004 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. 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. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 136,848
Incurred claims (including claims incurred but not reported at June 30, 2004)	1,428,057
Payment on claims during the fiscal year	<u>(1,360,787)</u>
Unpaid claims end of year	<u>\$ 204,118</u>

(12) Construction Commitment

The County has entered into a contract totaling \$491,944 for bridge construction. As of June 30, 2004, costs of \$277,925 on the project have been incurred. The balance of \$214,019 remaining at June 30, 2004 will be paid as work on the project progresses.

(13) Hospital Revenue Bonds

The County issued \$4,600,000 of revenue bonds for the purpose of lending the proceeds to Hospital Fund, Inc. The proceeds will be used for the construction of a congregate housing facility for seniors on the campus of the Dallas County Hospital. The bonds are payable solely from hospital revenues and do not constitute a liability of the County.

(14) Industrial Development Revenue Bonds

The County has issued a total of \$13,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the revenues derived and the bond principal and interest do not constitute liabilities of the County.

(15) Economic Development Agreements

In November 2003, Dallas County entered into a 28E agreement with the City of West Des Moines to aid in the financing of an economic development project. The project will be financed through tax increment financing by the City as well as additional funding granted through the County as determined in the 28E agreement. The agreement begins in fiscal 2004 and continues through fiscal 2009. No payments were made to the City of West Des Moines under the terms of this 28E agreement during the year ended June 30, 2004.

In November 2003, the County entered into a private development agreement with the City of DeSoto and Oak Hill Plantation, L.C. The County agreed to make certain economic development grants to the developer to reimburse the developer for a portion of the cost of public improvements constructed. The grant payments to be made equal 50% of the tax increment financing collected by the County, but shall not exceed the actual cost of the public improvements or \$5,500,000. No payments were made to the developer under the terms of this agreement during the year ended June 30, 2004.

(16) Pending Litigation

The County is a defendant in several lawsuits seeking specified and unspecified amounts of damages. The probability and amount of loss, if any, is indeterminable.

(17) Designated Fund Equity

The County has designated amounts from the General, Mental Health and County Attorney Forfeiture unds for special projects. At June 30, 2004, the amounts designated are as follows:

Description	Amount
General:	
Sewer system hook-up at Care Facility	\$ 43,338
Information technology software and hardware	46,000
Construction projects	114,000
Equipment	23,721
Miscellaneous	62,000
	289,059
Mental Health:	
Database system	95,000
County Attorney Forfeiture:	
Database system	155
Total	\$ 384,214

(18) Restatements

The beginning General Fund balance was restated to include inventory not previously reported, as follows:

	General Fund
Fund balance, June 30, 2003, as previously reported	\$ 3,679,531
Adjustment for inventory not previously reported	117,100
Fund balance July 1, 2003, as restated	\$ 3,796,631

In addition, beginning net assets for governmental activities was restated to correct the valuation of and reporting for certain capital assets and to include inventory not previously reported, as follows:

	Governmental Activities
Net assets, June 30, 2003, as previously reported	\$ 34,142,903
Capital assets not previously reported, net of accumulated depreciation	969,752
Inventory not previously reported	117,100
Net assets July 1, 2003, as restated	\$ 35,229,755

Dallas County

Required Supplementary Information

Dallas 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, 2004

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 12,648,499	-
Interest and penalty on property tax	121,293	-
Intergovernmental	8,246,024	-
Licenses and permits	186,381	-
Charges for service	1,844,890	-
Use of money and property	244,124	171
Miscellaneous	1,155,191	117,023
Total receipts	<u>24,446,402</u>	<u>117,194</u>
Disbursements:		
Public safety and legal services	4,123,108	-
Physical health and social services	2,351,736	-
Mental health	3,583,894	-
County environment and education	1,458,567	71,292
Roads and transportation	4,711,734	-
Governmental services to residents	741,834	-
Administration	2,716,389	-
Non-program	440,130	17,277
Debt service	1,082,300	14,786
Capital projects	2,085,507	-
Total disbursements	<u>23,295,199</u>	<u>103,355</u>
Excess (deficiency) of receipts over (under) disbursements	1,151,203	13,839
Other financing sources, net	172,361	17,277
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,323,564	31,116
Balance beginning of year	8,947,651	132,677
Balance end of year	<u>\$ 10,271,215</u>	<u>163,793</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
12,648,499	12,713,062	12,719,370	(70,871)
121,293	31,500	31,500	89,793
8,246,024	7,819,383	8,963,614	(717,590)
186,381	189,543	189,543	(3,162)
1,844,890	1,533,425	1,623,671	221,219
243,953	269,550	239,455	4,498
1,038,168	404,687	976,105	62,063
<u>24,329,208</u>	<u>22,961,150</u>	<u>24,743,258</u>	<u>(414,050)</u>
4,123,108	4,318,746	4,549,730	426,622
2,351,736	2,515,736	2,641,073	289,337
3,583,894	3,529,415	3,816,925	233,031
1,387,275	1,426,446	1,508,304	121,029
4,711,734	4,845,363	5,031,363	319,629
741,834	837,004	1,044,587	302,753
2,716,389	2,885,567	3,167,387	450,998
422,853	280,126	481,496	58,643
1,067,514	1,069,121	1,100,501	32,987
2,085,507	1,246,460	3,177,500	1,091,993
<u>23,191,844</u>	<u>22,953,984</u>	<u>26,518,866</u>	<u>3,327,022</u>
1,137,364	7,166	(1,775,608)	2,912,972
155,084	-	355,084	(200,000)
1,292,448	7,166	(1,420,524)	2,712,972
8,814,974	6,581,144	8,737,429	77,545
<u>10,107,422</u>	<u>6,588,310</u>	<u>7,316,905</u>	<u>2,790,517</u>

Dallas County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 24,446,402	(223,310)	24,223,092
Expenditures	23,295,199	461,217	23,756,416
Net	1,151,203	(684,527)	466,676
Other financing sources, net	172,361	-	172,361
Beginning fund balances	8,947,651	409,306	9,356,957
Ending fund balances	\$ 10,271,215	(275,221)	9,995,994

See accompanying independent auditor's report.

Dallas County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$3,564,882. 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 Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements in certain departments exceeded the appropriations prior to the Board approving an appropriation amendment.

Dallas County

Other Supplementary Information

Dallas County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

	Tax Increment Financing	Supplemental Environmental Projects	County Sheriff Forfeiture	County Attorney Forfeiture	Courthouse Restoration	County Recorder's Records Management	Facility Maintenance Dallas County Care Facility	Economic Development	County Recorder's Electronic Transaction
Assets									
Cash and pooled investments:									
County Treasurer	\$ -	1,000	473,391	33,107	6,797	75,478	12,000	247,750	22,734
Conservation Foundation	-	-	-	-	-	-	-	-	-
Receivables:									
Property tax:									
Delinquent	-	-	-	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-	-	-	-
Tax increment financing:									
Delinquent	1,803	-	-	-	-	-	-	-	-
Succeeding year	68,000	-	-	-	-	-	-	-	-
Accounts	-	-	-	379	-	-	-	-	-
Accrued interest	-	-	-	-	1	31	-	624	15
Drainage assessments:									
Delinquent	-	-	-	-	-	-	-	-	-
Succeeding year	-	-	-	-	-	-	-	-	-
Economic development loans	-	-	-	-	-	-	-	28,118	-
Total assets	\$ 69,803	1,000	473,391	33,486	6,798	75,509	12,000	276,492	22,749
Liabilities and Fund Equity									
Liabilities:									
Due to other funds	\$ -	-	68	-	-	-	-	-	-
Deferred revenue:									
Succeeding year property tax	-	-	-	-	-	-	-	-	-
Succeeding year tax increment financing	68,000	-	-	-	-	-	-	-	-
Other	1,803	-	-	-	-	-	-	28,118	-
Total liabilities	69,803	-	68	-	-	-	-	28,118	-
Fund equity:									
Fund balances:									
Reserved for:									
Drainage projects	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Unreserved:									
Designated for special projects	-	-	-	155	-	-	-	-	-
Undesignated	-	1,000	473,323	33,331	6,798	75,509	12,000	248,374	22,749
Total fund equity	-	1,000	473,323	33,486	6,798	75,509	12,000	248,374	22,749
Total liabilities and fund equity	\$ 69,803	1,000	473,391	33,486	6,798	75,509	12,000	276,492	22,749

See accompanying independent auditor's report.

Special Revenue													
Resource	Jail												Total
Enhancement and Protection	Sheriff's Office Grant	Room and Board Fees	Jail Commissary	Conservation Conditional Use	Drainage District	Conservation Land Acquisition	Ambulance Trust	Public Health Nurse Trust	Ortonville Sewer	Conservation Foundation	Debt Service		
39,128	7	10,000	4,351	104,518	68,829	73,911	14,183	13,359	2,754	-	243,079	-	1,446,376
-	-	-	-	-	-	-	-	-	-	94,964	-	-	94,964
-	-	-	-	-	-	-	-	-	-	-	4,866	-	4,866
-	-	-	-	-	-	-	-	-	-	-	658,000	-	658,000
-	-	-	-	-	-	-	-	-	-	-	-	-	1,803
-	-	-	-	-	-	-	-	-	-	-	-	-	68,000
-	-	-	-	-	-	50	-	-	910	-	-	-	1,339
10	-	-	-	334	-	-	-	-	-	-	686	-	1,701
-	-	-	-	-	11,229	-	-	-	-	-	-	-	11,229
-	-	-	-	-	14,545	-	-	-	-	-	-	-	14,545
-	-	-	-	-	-	-	-	-	-	-	-	-	28,118
39,138	7	10,000	4,351	104,852	94,603	73,961	14,183	13,359	3,664	94,964	906,631	-	2,330,941
-	-	-	-	-	-	-	-	-	-	-	-	-	68
-	-	-	-	-	-	-	-	-	-	-	658,000	-	658,000
-	-	-	-	-	-	-	-	-	-	-	-	-	68,000
-	-	-	-	-	25,774	-	-	-	-	-	4,819	-	60,514
-	-	-	-	-	25,774	-	-	-	-	-	662,819	-	786,582
-	-	-	-	-	1,754	-	-	-	-	-	-	-	1,754
-	-	-	-	-	-	-	-	-	-	-	243,812	-	243,812
-	-	-	-	-	-	-	-	-	-	-	-	-	155
39,138	7	10,000	4,351	104,852	67,075	73,961	14,183	13,359	3,664	94,964	-	-	1,298,638
39,138	7	10,000	4,351	104,852	68,829	73,961	14,183	13,359	3,664	94,964	243,812	-	1,544,359
39,138	7	10,000	4,351	104,852	94,603	73,961	14,183	13,359	3,664	94,964	906,631	-	2,330,941

Dallas County

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

Year ended June 30, 2004

	Tax Increment Financing	Supplemental Environmental Projects	County Sheriff Forfeiture	County Attorney Forfeiture	Courthouse Restoration	County Recorder's Records Management	Facility Maintenance Dallas County Care Facility	Economic Development	County Recorder's Electronic Transaction
Revenues:									
Property and other county tax	\$ -	-	-	-	-	-	-	-	-
Tax increment financing	41,064	-	-	-	-	-	-	-	-
Intergovernmental	-	1,000	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	22,947	-	-	22,689
Use of money and property	-	-	-	-	3	169	12,000	3,959	60
Miscellaneous	-	-	378,733	22,933	1,446	-	-	26,325	-
Total revenues	41,064	1,000	378,733	22,933	1,449	23,116	12,000	30,284	22,749
Expenditures:									
Operating:									
Public safety and legal services	-	-	28,180	3,644	-	-	-	-	-
Physical health and social services	-	-	-	-	-	-	-	-	-
County environment and education	-	-	-	-	-	-	-	50,000	-
Administration	-	-	-	-	52	-	-	-	-
Non-program	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	28,180	3,644	52	-	-	50,000	-
Excess (deficiency) of revenues over (under) expenditures	41,064	1,000	350,553	19,289	1,397	23,116	12,000	(19,716)	22,749
Other financing sources (uses):									
Sale of capital assets	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	(43,183)	-	-	-	-	-	-	-	-
Stamped drainage warrants issued	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(43,183)	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,119)	1,000	350,553	19,289	1,397	23,116	12,000	(19,716)	22,749
Fund balances beginning of year	2,119	-	122,770	14,197	5,401	52,393	-	268,090	-
Fund balances end of year	\$ -	1,000	473,323	33,486	6,798	75,509	12,000	248,374	22,749

See accompanying independent auditor's report.

Schedule 2

Special Revenue														
Resource	Sheriff's	Jail								Public				
Enhancement	Office	Room and	Jail	Sale of	Conservation	Drainage	Conservation	Ambulance	Nurse	Ortonville	Conservation	Debt		
and	Grant	Board	Commissary	County	Conditional	District	Land	Trust	Trust	Sewer	Foundation	Service	Total	
Protection		Fees		Property	Use		Acquisition							
-	-	-	-	-	-	-	-	-	-	-	-	637,840	637,840	
-	-	-	-	-	-	-	-	-	-	-	-	-	41,064	
107,523	-	-	-	-	-	-	151,047	-	-	-	-	22,080	281,650	
229	-	10,000	2,413	-	-	-	3,520	-	-	-	-	-	61,569	
-	-	-	-	-	51,315	-	12,954	-	-	-	171	12,680	93,540	
-	-	-	-	-	-	6,411	33,329	1,865	1,015	4,890	110,611	-	587,558	
107,752	-	10,000	2,413	-	51,315	6,411	200,850	1,865	1,015	4,890	110,782	672,600	1,703,221	
-	-	-	1,062	-	-	-	-	366	-	-	-	-	33,252	
-	-	-	-	-	-	-	-	-	600	-	-	-	600	
-	-	-	-	-	-	-	-	-	-	5,288	71,292	-	126,580	
-	-	-	-	-	-	-	-	-	-	-	-	-	52	
-	-	-	-	-	-	17,277	-	-	-	-	-	-	17,277	
-	-	-	-	-	-	14,786	-	-	-	-	-	665,024	679,810	
98,076	-	-	-	-	-	-	78,040	-	-	-	-	-	176,116	
98,076	-	-	1,062	-	-	32,063	78,040	366	600	5,288	71,292	665,024	1,033,687	
9,676	-	10,000	1,351	-	51,315	(25,652)	122,810	1,499	415	(398)	39,490	7,576	669,534	
-	-	-	-	155,084	-	-	-	-	-	-	-	-	155,084	
-	-	-	-	-	-	-	-	-	-	5,863	-	41,064	46,927	
-	-	-	-	(155,084)	-	-	(21,800)	-	(340)	-	-	-	(220,407)	
-	-	-	-	-	-	17,277	-	-	-	-	-	-	17,277	
-	-	-	-	-	-	17,277	(21,800)	-	(340)	5,863	-	41,064	(1,119)	
9,676	-	10,000	1,351	-	51,315	(8,375)	101,010	1,499	75	5,465	39,490	48,640	668,415	
29,462	7	-	3,000	-	53,537	77,204	(27,049)	12,684	13,284	(1,801)	55,474	195,172	875,944	
39,138	7	10,000	4,351	-	104,852	68,829	73,961	14,183	13,359	3,664	94,964	243,812	1,544,359	

Dallas County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,022	179,500	223,423
Other county officials	114,969	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,032	5,505	200,211
Succeeding year	-	130,000	651,000	29,814,000
Accounts	12,182	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid insurance	-	-	299	-
Total assets	\$ 127,151	132,054	836,304	30,237,634
Liabilities				
Accounts payable	\$ -	-	2,060	-
Salaries and benefits payable	-	-	15,711	-
Due to other governments	114,412	132,054	774,189	30,237,634
Trusts payable	12,739	-	-	-
Compensated absences	-	-	44,344	-
Total liabilities	\$ 127,151	132,054	836,304	30,237,634

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
8,049	125,100	2,366	18,908	1,044,377	450,593	2,053,338
-	-	-	-	-	-	114,969
8,132	118,861	3,088	-	-	11,011	347,840
1,000,000	20,060,000	291,000	-	-	1,282,000	53,228,000
-	-	-	-	-	30,864	43,046
-	-	-	-	-	641	641
-	-	-	2,000,000	-	-	2,000,000
-	-	-	-	-	16,965	16,965
-	-	-	-	-	4,040	4,339
<u>1,016,181</u>	<u>20,303,961</u>	<u>296,454</u>	<u>2,018,908</u>	<u>1,044,377</u>	<u>1,796,114</u>	<u>57,809,138</u>
-	-	-	-	-	1,763	3,823
-	-	-	-	-	2,310	18,021
1,016,181	20,303,961	296,454	2,018,908	1,044,377	1,731,689	57,669,859
-	-	-	-	-	48,395	61,134
-	-	-	-	-	11,957	56,301
<u>1,016,181</u>	<u>20,303,961</u>	<u>296,454</u>	<u>2,018,908</u>	<u>1,044,377</u>	<u>1,796,114</u>	<u>57,809,138</u>

Dallas County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 83,550	123,492	814,697	29,011,036
Additions:				
Property and other county tax	-	130,191	652,036	29,774,920
E911 surcharge	-	-	-	-
State tax credits	-	4,494	23,961	1,022,980
Drivers license fees	-	-	-	-
Office fees and collections	2,269,761	-	871	-
Electronic transaction fee	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	594,978	-	-	-
Miscellaneous	-	10	354	2,388
Total additions	2,864,739	134,695	677,222	30,800,288
Deductions:				
Agency remittances:				
To other funds	1,431,361	-	-	-
To other governments	791,336	126,133	655,615	29,573,690
Trusts paid out	598,441	-	-	-
Total deductions	2,821,138	126,133	655,615	29,573,690
Balances end of year	\$ 127,151	132,054	836,304	30,237,634

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
992,510	19,503,880	301,020	2,141,957	883,556	1,807,220	55,662,918
1,001,053	19,780,034	298,797	-	-	1,270,065	52,907,096
-	-	-	-	-	149,819	149,819
35,406	573,003	11,661	-	-	47,933	1,719,438
-	-	-	-	250,061	-	250,061
-	-	-	-	-	104,280	2,374,912
-	-	-	-	-	10,455	10,455
-	-	-	-	11,644,721	-	11,644,721
-	-	-	190,747	-	-	190,747
-	-	-	-	-	452,594	1,047,572
80	2,284	-	-	-	298,040	303,156
1,036,539	20,355,321	310,458	190,747	11,894,782	2,333,186	70,597,977
-	-	-	-	355,574	39	1,786,974
1,012,868	19,555,240	315,024	313,796	11,378,387	1,892,804	65,614,893
-	-	-	-	-	451,449	1,049,890
1,012,868	19,555,240	315,024	313,796	11,733,961	2,344,292	68,451,757
1,016,181	20,303,961	296,454	2,018,908	1,044,377	1,796,114	57,809,138

Schedule 5

Dallas County

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

For the Last Five Years

	Modified Accrual Basis				
	2004	2003	2002	2001	2000
Revenues:					
Property and other county tax	\$ 12,607,687	12,032,172	11,039,642	9,881,176	8,941,962
Interest and penalty on property tax	121,381	115,161	124,755	95,133	84,910
Tax increment financing	41,064	31,994	24,008	41,069	32,546
Intergovernmental	8,156,106	7,904,433	8,281,991	8,926,732	7,593,168
Licenses and permits	187,435	179,451	149,465	144,663	173,026
Charges for service	1,797,483	1,730,355	1,480,991	1,388,435	1,181,885
Use of money and property	243,537	321,119	327,598	473,574	329,929
Miscellaneous	1,068,399	1,090,338	535,315	836,748	742,445
Total	<u>\$ 24,223,092</u>	<u>23,405,023</u>	<u>21,963,765</u>	<u>21,787,530</u>	<u>19,079,871</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 4,141,707	4,348,165	3,782,743	3,667,036	3,595,982
Physical health and social services	2,347,396	2,260,699	2,427,581	3,142,956	3,058,837
Mental health	3,892,605	3,541,726	3,541,905	3,286,486	2,956,813
County environment and education	1,460,257	1,370,639	1,387,881	1,666,743	1,278,909
Roads and transportation	4,856,470	4,692,586	4,405,522	4,242,934	4,382,680
Governmental services to residents	740,936	944,689	692,597	616,099	579,149
Administration	2,744,922	2,715,171	2,630,155	2,159,302	2,057,475
Non-program	287,288	367,328	369,459	815,834	346,023
Debt service	1,084,659	1,103,312	730,587	706,938	478,968
Capital projects	2,200,176	3,732,903	2,896,180	2,582,424	759,486
Total	<u>\$ 23,756,416</u>	<u>25,077,218</u>	<u>22,864,610</u>	<u>22,886,752</u>	<u>19,494,322</u>

See accompanying independent auditor's report.

Dallas County

Schedule 6

Dallas County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Partnership Program	16.607		\$ 1,272
Public Safety Partnership and Community Policing Grants	16.710	2002UMWX0145	29,200
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		1,101
Total direct			<u>31,573</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		12,588
U.S. Department of Justice:			
Iowa Department of Justice - Crime Victim Assistance Division:			
Violence Against Women Formula Grants	16.588	VW-04-7588	2,000
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	03F-0476	25,500
Iowa Department of Human Services - Boone/ Dallas County Decategorization:			
Enforcing Underage Drinking Laws Program	16.727	JJYD-S04-07	2,542
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C025(44)--8J-25	122,196
Highway Planning and Construction	20.205	BROS-C025(45)--8J-25	5,745
Highway Planning and Construction	20.205	BROS-C025(57)--8J-25	222,340
Highway Planning and Construction	20.205	STP-ES-C025(50)--8I-25	58,614
			<u>408,895</u>

Dallas County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Public Safety - Governor's Traffic Safety Bureau:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	03-410-Task 10	<u>2,521</u>
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	04-163-Task 19	<u>405</u>
National Endowment for the Arts:			
Heartland Arts Fund:			
Promotion of the Arts - Partnership Agreements	45.025	FY04-0141	407
Iowa Department of Cultural Affairs - Iowa Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	FY04-0047	<u>9,200</u>
			<u>9,607</u>
National Endowment for the Humanities:			
Humanities Iowa:			
Promotion of the Humanities - Federal/State Partnership	45.129	25-0503-65-23M	<u>5,750</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense - Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		<u>23,508</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>16,455</u>
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584		<u>53</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>3,056</u>
Foster Care - Title IV-E	93.658		<u>7,521</u>
Adoption Assistance	93.659		<u>2,001</u>
Medical Assistance Program	93.778		<u>16,557</u>
Social Services Block Grant	93.667		<u>10,814</u>
Social Services Block Grant	93.667		<u>107,766</u>
			<u>118,580</u>

Schedule 6

Dallas County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Community Opportunities, Inc:			
Immunization Grants	93.268	5883I438	5,885
Immunization Grants	93.268	5884I438	4,629
			10,514
Iowa Department of Public Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5883BT27	2,058
Grinnell Regional Public Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		25,357
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884BT01	31,587
			59,002
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003	5883EM24	4,387
Public Health and Social Services Emergency Fund	93.003	5883EM22	3,831
			8,218
State Rural Hospital Flexibility Program	93.241	5884EM22	5,992
			741,265
Total indirect			741,265
Total			\$ 772,838

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Dallas County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Dallas County:

We have audited the financial statements of Dallas County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Dallas County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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. Prior year statutory comments have been resolved except for items IV-B-04, IV-G-04, IV-H-04 and IV-J-04.

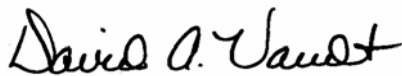
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dallas County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 Dallas County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

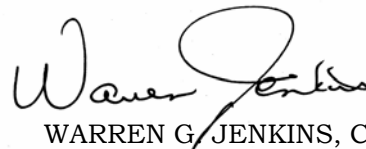
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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 II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-04 through II-J-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas County and other parties to whom Dallas 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 Dallas County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2004

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Dallas County



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STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Dallas County:

Compliance

We have audited the compliance of Dallas County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. Dallas County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Dallas County's management. Our responsibility is to express an opinion on Dallas County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dallas County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dallas County's compliance with those requirements.


In our opinion, Dallas County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

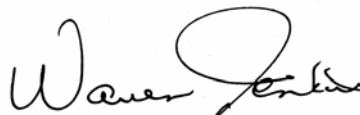
The management of Dallas County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dallas County's internal control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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dallas County and other parties to whom Dallas County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2004

Dallas County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Dallas County did not qualify as a low-risk auditee.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Receipts - opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Sheriff, Recorder and Agricultural Extension Office
(2) Investments - custody, accounting and recording interest earnings.	Treasurer
(3) Disbursements - processing of claims, check writing, check signing, mailing checks and final approval.	Auditor, Sheriff and Recorder
(4) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.	Sheriff and Recorder

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

Responses -

County Auditor - We are in the process of trying to get at least two people involved in all functions mentioned above.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

County Treasurer – With a limited number of employees, we make an effort to have different employees involved in various stages of processing and rotate work assignments. We feel this is the best we can do under our current situation.

County Sheriff –

- (1) We will continue to do random recording of checks as they arrive at the Sheriff's Office and then check and initial them on the deposit slip.
- (3) A non-authorized signer will be in charge of check processing and then signed by an authorized signer to implement internal control.
- (4) For the D.A.R.E. account, I will take steps to have that account reconciled by a non-authorized signer.

County Recorder – We have corrected items (1), (3) and (4).

Agricultural Extension Office – We will have other staff open checks that come in the mail and enter date, name and amount of check in a log. Staff person will initial entry. Periodically the director will do a random check of log, receipt book and deposit.

Conclusions –

County Auditor – Response accepted.

County Treasurer – Response acknowledged. Duties should be segregated to the extent possible with existing personnel.

County Sheriff – Response accepted.

County Recorder – Response accepted.

Agricultural Extension Office – Response accepted.

II-B-04 County Sheriff – A restrictive endorsement was not placed on checks upon receipt. Room and board monies were not deposited timely.

Insurance claim checks totaling approximately \$15,000 for repair/replacement of damaged Sheriff's cars were made payable to the vendor instead of being receipted in and disbursed from the County.

Recommendation – A restrictive endorsement (for deposit only) should be placed on all checks when received to help provide protection in case of theft or loss. All collections should be deposited intact timely.

All checks received should be recorded as a receipt by the County Treasurer. Collections and subsequent disbursements should be reflected in the County's accounting system and should be included in the County's annual budget and financial report.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Response – Regarding timeliness of deposits, all room and board monies received will be deposited on a weekly basis and all checks received will immediately have a restrictive endorsement stamped on them.

Regarding insurance claim checks, I will review our current procedures for handling these situations. I wish to explain, for the record, that the mentioned claims are all insurance claims for damaged patrol cars and the insurance checks were made out to the vendor that was making the repairs to the damaged vehicles. During the budgeting process, it is impossible to predict costs due to accidents and revenues from insurance claims. I will review and consult with the Budget Department on this issue.

Conclusion – Response accepted.

- II-C-04 Jail Commissary, DARE, Room and Board Accounts – During the year ended June 30, 2004, expenditures other than for commissary resale items were made from the Sheriff's commissary bank account, but were not charged against the budget.

Also, expenditures for equipment were made from the Sheriff's DARE and Room and Board bank accounts, but were not charged against the budget.

Recommendation – The DARE, Room and Board, and the profits from the Jail Commissary account should be remitted to the County Treasurer. Purchases of equipment and non-resale items should be charged against the Sheriff's budget and reflected in the County's accounting system.

Response – We will make sure all expenditures are charged against the budget.

Conclusion – Response accepted.

- II-D-04 Disaster Recovery – The County does not have a written disaster recovery plan for the County's information system.

Recommendation – A written disaster recovery plan should be developed.

Response – A disaster recovery plan is still being developed and will be available as soon as all the necessary procedures are in place.

Conclusion – Response accepted.

- II-E-04 Public Health Nurse Receivables – Although monthly accounts receivable reconciliations were prepared, variances were not properly identified and resolved in a timely manner. In addition, an independent person does not review the reconciliations for propriety.

Recommendation – Variances in the monthly accounts receivable reconciliations should be identified and resolved in a timely manner and an independent person should review and verify the accuracy of the reconciliation.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Response – Variances in the monthly accounts receivable reconciliations will be identified and resolved and documented in a timely manner. Agency administrator will reinstitute the process of review of these reconciliations on a monthly basis to assure this process and verify the accuracy of the reconciliation.

Conclusion – Response accepted.

- II-F-04 County Auditor – Certain claims generated by other departments did not include evidence of departmental approval of the claims.

Recommendation – All claims should include the proper departmental signatures.

Response – We will get departmental approval before paying claims.

Conclusion – Response accepted.

- II-G-04 Capital Assets – Written authorization is not required prior to deleting items from the capital asset record and deletions are not recorded until after the end of the year. A physical observation of capital assets has not been performed periodically by an employee having no responsibility for the assets.

Recommendation – The County should adopt a policy to require written authorization for all capital asset disposals, whether by trade, sale or other method, and deletions should be recorded as they occur. Capital assets should be observed periodically by an employee having no responsibility for the assets.

Response – A policy, including forms for disposal, has been approved by the Board of Supervisors. The asset policy also sets forth an annual inventory process.

Conclusion – Response accepted.

- II-H-04 County Farm Livestock Inventory – An independent person does not reconcile purchases and sales of livestock against the inventory records. In addition, an independent person does not periodically perform test counts of the inventory.

Recommendation – In order to verify the accuracy of livestock inventory counts, an independent person should review and reconcile the purchases and sales of livestock against the inventory records and perform surprise test counts of quantities on hand.

Response – We are implementing a process to reconcile the farm inventory and do periodic tests on inventory counts.

Conclusion – Response accepted.

- II-I-04 Change Orders – Approval of change orders for construction projects was not always included in the Board of Supervisor minutes. In addition, signed change order forms could not be located for two change orders.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation – The Board of Supervisors should approve and sign all change orders and the action should be included in the minutes. All change order forms should be retained.

Response – We will make sure any change orders needed for construction projects are placed on the agenda and signed copies are retained by the Board of Supervisors.

Conclusion – Response accepted.

- II-J-04 Sales Tax Refund – Sales tax refunds for the Mental Health Building, Courthouse Roof, Care Facility Roof and Parking Lot projects were not applied for. Claims for refund must be filed with the Iowa Department of Revenue within twelve months after the completion of a project.

Recommendation – The County should timely apply for all sales tax refunds available.

Response – We will make every attempt to file for refunds within the time limits.

Conclusion – Response accepted.

- II-K-04 Prepayment of Goods/Services – Warrants were written at the end of the fiscal year for services that were not performed or completed. This included cell phone service. The prepayment of goods/services is not considered to be a best business practice.

Recommendation – Goods/services should only be paid when the goods have been received or the services have been rendered.

Response – Goods/services will only be paid when the goods and services have been rendered. The payment of all goods/services will continue to be authorized by agency management.

Conclusion – Response accepted.

- II-L-04 Duplicate Payment – One claim totaling \$558 was noted with a handwritten invoice attached as support. This handwritten invoice appeared to be prepared by a County employee and matched an original vendor invoice already paid by the County.

Recommendation – Handwritten invoices should not be accepted as support unless they are signed by the vendor. Also, when support consists of a handwritten invoice, previous payments to the vendor should be reviewed so duplicate payments do not occur.

Response – We will not accept handwritten invoices unless signed by the vendor in the future.

Conclusion – Response accepted.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 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, 2004.

IV-B-04 Certified Budget – During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

Disbursements in certain departments exceeded the appropriations prior to the Board approving an appropriation amendment.

Recommendation – Chapter 331.434(6) 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 – We will develop internal controls to monitor appropriations as well as all disbursements to ensure they do not exceed budgeted amounts.

Conclusion – Response accepted.

IV-C-04 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.

IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-04 Business Transactions – No transactions between the County and County officials or employees were noted.

IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of Board proceedings were published, certain minutes were not published within the time period required by Chapter 349.18 of the Code of Iowa.

Minutes of certain Board meetings were not signed.

Recommendation – The County should ensure the minutes are published as required. The minutes should be signed to authenticate the record.

Response – We will more closely monitor the minutes, time frames and signature compliance.

Conclusion – Response accepted.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- IV-H-04 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

Certain proceeds from the Series 2002C General Obligation Capital Loan Notes credited to the Capital Projects, Conservation Administration Building Fund did not receive interest as required by Chapter 12C.9(2) of the Code of Iowa. Interest earned on certificate of deposit number 23601 was incorrectly credited to the General Fund.

Recommendation – Interest earned on capital loan note proceeds should be credited to the appropriate Capital Projects Fund as required.

Response – We have made corrections as recommended.

Conclusion – Response accepted.

- IV-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- IV-J-04 Compensation to Employees – One County employee received compensation through County claim rather than through payroll for certain work performed outside their normal duties. The compensation was not subject to withholding and was not included as wages on Internal Revenue Service (IRS) Form W-2.

Recommendation – The County should include all compensation paid to employees in payroll in accordance with IRS regulations.

Response – All compensation to employees will be through payroll in the future.

Conclusion – Response accepted.

- IV-K-04 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, 2004 for the County Extension Office did not exceed the amount budgeted.

- IV-L-04 Interfund Loan – During the year ended June 30, 2004, the County approved an interfund loan between the General Fund and the Capital Projects, Bike Trail Fund for \$200,000 that was not to be liquidated in the current fiscal year. The interfund loan was not approved in accordance with the Chapter 331.479 of the Code of Iowa.

Chapter 331.479 requires a notice of public hearing to be published that includes a statement of the amount, purposes and form of debt, the proposed time of its liquidation and the time and place of the meeting at which the board proposes to take action to authorize the debt. The public notice did not include the stated amount, form of debt or proposed time of liquidation for the interfund loan.

Recommendation – The County should ensure future non-current debt is authorized in accordance with Chapter 331.479 of the Code of Iowa.

Dallas County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Response – The Board of Supervisors will review the notice of public hearing prior to it being published to make sure Chapter 331.479 of the Code of Iowa is being followed.

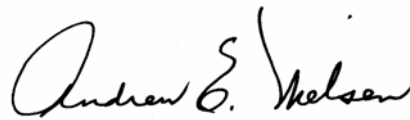
Conclusion – Response accepted.

Dallas County

Staff

This audit was performed by:

Cynthia L. Weber, CPA, Manager
Brian R. Brustkern, CPA, Senior Auditor II
Kimberly M. Knight, CPA, Senior Auditor
Brad T. Holtan, Staff Auditor
Jessica L. Christensen, Assistant Auditor
Ryan J. Johnson, Assistant Auditor
Janet M. Tiefenthaler, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State