

*In the opinion of Bond Counsel, assuming compliance by the Issuer with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes and is generally not an item of tax preference for purposes of the Federal Alternative Minimum Tax imposed on individuals and corporations. See "FEDERAL TAX CONSIDERATIONS" herein.*

NEW ISSUE

DTC BOOK ENTRY

NON-RATED

**OFFICIAL STATEMENT**

*Dated July 20, 2004*

**\$3,700,000**

**IOWA COUNTY, IOWA**

**GENERAL OBLIGATION COUNTY LAW ENFORCEMENT CENTER BONDS, SERIES 2004**

**Dated: August 1, 2004 ----- Due: June 1, 2006-2024**

The General Obligation County Law Enforcement Center Bonds, Series 2004, described above (the "Series 2004 Bonds" the "Bonds") are issued as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company NA, Des Moines, Iowa as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

Interest on the Bonds is payable on June 1 and December 1 in each year, beginning December 1, 2004 to the registered owners thereof. The Bonds will mature serially on June 1:

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**MATURITY SCHEDULE – SEE INSIDE**

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The Bonds are being issued by the County to evidence its obligation under a certain Loan Agreement in the principal amount of \$3,700,000 entered into for the purpose more fully described herein. The Bonds are issued pursuant to and in strict compliance with the provisions of Section 331.402 of the Code of Iowa, 2003, and all other laws amendatory thereof and supplemental thereto, and in conformity with a Resolution of the County Board of Supervisors (the "Board") authorizing and approving the Loan Agreement and providing for the issuance and securing the payment of the Bonds. The Loan Agreement and Bonds are valid and binding general obligations of the County payable from the levy of unlimited ad valorem taxes on all taxable property with the County. (See "Purpose, Authority, and Security" herein.)

The Bonds are subject to the approval of their legality by opinion of Dorsey & Whitney LLP, Attorneys, Des Moines, Iowa, whose opinion will be furnished at closing.

The Bonds will be designated as "*qualified tax-exempt obligations*" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986.

**RUAN SECURITIES CORPORATION**

604 Locust Street • Suite 317 • Des Moines, Iowa 50309 • Phone 515/245-3869

Member  
**SIPC**  
Securities Investors  
Protection Corporation



**MATURITY SCHEDULE**

<b><u>YEAR</u></b>	<b><u>AMOUNT</u></b>	<b><u>INTEREST RATE</u></b>	<b><u>PRICE</u></b>
2006	\$140,000	2.30%	100.000
2007	145,000	2.65%	100.000
2008	145,000	2.95%	100.000
2009	150,000	3.20%	100.000
2010	155,000	3.40%	100.000
2011	160,000	3.60%	100.000
2012	165,000	3.80%	100.000
2013	175,000	3.95%	100.000
2014	180,000	4.10%	100.000
2015	185,000	4.20%	100.000
2016	195,000	4.35%	100.000
2017	205,000	4.45%	100.000
2018	210,000	4.55%	100.000
2019	220,000	4.65%	100.000
2020	230,000	4.75%	100.000
2021	240,000	4.85%	100.000
2022	255,000	4.95%	100.000
2023	265,000	5.05%	100.000
2024	280,000	5.15%	100.000

The County reserves the right to prepay part or all of the Bonds maturing in each of the years 2017 to 2024 inclusive, prior to and in any order of maturity on June 1, 2016, or on any date thereafter upon terms of par and accrued interest.

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No broker, dealer, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations may not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Notes, by any person in any jurisdiction in which it is unlawful for such person to make such a solicitation or sale.

The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Reference herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified to their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement they will be furnished on request.

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# IOWA COUNTY, IOWA

## COUNTY OFFICIALS

**John Tibbon**, Chair, Board of Supervisors ..... *Term Expires January, 2007*  
**Ric Gerard**, Board of Supervisors ..... *Term Expires January, 2005*  
**Charles Montross**, Board of Supervisors ..... *Term Expires January, 2007*  
**Alice De Rycke**, Board of Supervisors ..... *Term Expires January, 2007*  
**Ray Garringer**, Board of Supervisors ..... *Term Expires January, 2005*  
**Linda Griggs**, County Auditor ..... *Term Expires January, 2005*  
**Kim Tanke**, County Treasurer ..... *Term Expires January, 2007*  
**Sue Peterson**, County Recorder ..... *Term Expires January, 2007*  
**James Slockett**, County Sheriff ..... *Term Expires January, 2005*  
**Lewis McMeen**, County Attorney ..... *Term Expires January, 2007*  
**Sharon Hudepohl**, County Assessor ..... *Term Expires January, 2010*

## COURTHOUSE

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Marengo, Iowa 52301  
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## BOND COUNSEL

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## UNDERWRITER

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604 Locust Street, Suite 317  
Des Moines, Iowa 50309  
Telephone 515/245-3869

**OFFICIAL STATEMENT**

**\$3,700,000**

**IOWA COUNTY, IOWA**

**GENERAL OBLIGATION COUNTY LAW ENFORCEMENT CENTER BONDS, SERIES 2004**

**INTRODUCTION**

This Official Statement, including the cover page and all appendices, is provided to set forth certain information with respect to the issuance of \$3,700,000 General Obligation County Law Enforcement Center Bonds, Series 2004, (the "Series 2004 Bonds", "the Bonds") of Iowa County, Iowa (the "Issuer"). None of the references to or summaries of the laws of the State of Iowa or any documents referred to in this Official Statement purport to be complete, and all such references are qualified in their entirety by reference to the complete provisions thereof.

**DESCRIPTION OF BONDS**

The Bonds are dated August 1, 2004, and will be issued as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal and interest on the Bonds will be paid by Bankers Trust Company, NA, Des Moines, Iowa as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein.

The Bonds will bear interest from their date at such rates and mature on the dates and in the amounts set forth on the cover page hereof, said interest being payable December 1, 2004 and semiannually thereafter on the first day of June and December in each year until maturity or earlier redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Payment of interest on the Bonds shall be made to the registered owners appearing on the registration books of the County at the close of business on the fifteenth day of the month next preceding the interest payment date.

**PURPOSE, AUTHORITY AND SECURITY**

The Bonds were approved by a 72.76% majority of the voters of the County voting at an election held April 27, 2004, with a total of 1,692 votes: 1,234 "yes" and 458 "no" votes. The Bonds are being issued for the purpose of providing funds to pay the cost of constructing, equipping and furnishing a Law Enforcement Center, including a Sheriff's Office, 911 Emergency Dispatch and Jail and acquiring real estate for the project. The Bonds are issued pursuant to and in strict compliance with the provisions of Sections 331.402 of the Code of Iowa, 2003, and all other laws amendatory thereof and supplemental thereto, and in conformity with a Resolution of the County Board of Supervisors authorizing and approving the Loan Agreement and providing for the issuance and securing the payment of the Bonds. The Bonds are valid and binding general obligations of the County payable from the levy of a sufficient continuing annual tax on all the taxable property within the County for the payment of the principal of and interest on the Bonds as the same become due, and the County has pledged its full faith, credit, revenues and resources and all the real and personal property of the County for the full and prompt payment thereof.

**OPTIONAL REDEMPTION**

The County reserves the right to prepay part or all of the Bonds maturing in each of the years 2017 and 2024, prior to and in any order of maturity on June 1, 2016, or on any date thereafter upon terms of par and accrued interest. If less than all of the Bonds of any like maturity are to be redeemed, the particular part of those Bonds to be redeemed shall be selected by the Registrar by lot. The Bonds may be called in part in one or more units of \$5,000. Notice of such redemption shall be mailed by certified mail to the registered owners thereof at the addresses shown on the County's registration books not less than 30 nor more than 60 days prior to such redemption date. All of such Bonds as to which the County reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given and for the redemption of which funds are duly provided, shall cease

to bear interest on the redemption date.

**UNDERWRITING**

The Bonds are being purchased by Ruan Securities Corporation (the "Underwriter") at the price of 98.5% of par plus accrued interest to date of closing. The Underwriter intends to offer the Bonds to the public initially at the offering prices or bond yields as set forth on the cover page of this Official Statement, which may subsequently change without any requirement of public notice. The Underwriter may offer and sell the Bonds to certain dealers at prices lower than the public offering prices.

## **BOOK ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity as set forth herein, each in the aggregate principal amount of maturity value of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Ownership interests in the Bonds may be purchased by or through DTC Participants in amounts of \$5,000 of principal amounts or maturity values, as the case may be, or integral multiple thereof.

The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Bond acquired. Transfers of ownership interest in the Bonds will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as specifically provided in the Resolution.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS, BOND HOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving reasonable notice to the Issuer and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Issuer will direct the Paying Agent to authenticate and deliver Bond certificates to either a successor securities depository or to the Beneficial Owners or their nominees in accordance with the requirement set forth in the Resolution. The Beneficial Owner, upon registration of the Bonds held in the Beneficial Owner's name, will become the registered owner of such Bonds.

The Issuer may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. In such event, Bonds will be delivered in accordance with the requirements set forth in the Resolution.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, the Issuer and the Paying Agent/Registrar will recognize DTC or its nominee as the Bond owner for all purposes, including notices and voting. Conveyance of notices and other communications of DTC to DTC Participants, by DTC Participants to indirect Participants, and by DTC Participants and indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

Payments of the principal of and interest on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Paying Agent or the Issuer subject to any statutory and regulatory requirements as may be in effect from time to time.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.



## LEGALITY

Legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Dorsey & Whitney LLP, of Des Moines, Iowa, Bond Counsel, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix B attached hereto. Bond Counsel has not participated in the preparation of this Official Statement.

## LITIGATION

There is no litigation now pending or, to the knowledge of County Officials, threatened which questions the validity of the Bonds or of any proceedings of the Issuer taken with respect to the issuance or sale thereof.

## CONTINUING DISCLOSURE

In order to permit participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement. The Issuer has complied in all material respects with any undertaking previously entered into by it under the Rule.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or the Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the Issuer to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

## FEDERAL TAX CONSIDERATIONS

The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 (the "Code"); it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions described in the preceding sentence will be subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the resolution authorizing the issuance of the Bonds, the Issuer will covenant to comply with all such requirements and will designate the Bonds as "*qualified tax exempt obligations*" within the meaning of Section 265(b)(3) of the Code, and, therefore, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction will be allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to such other federal tax consequences to owners of the Bonds. Prospective purchasers of the Bonds should consult with their tax advisors as to such matters.

## **THE ISSUER**

Iowa County is located in east central Iowa approximately 25 miles west of Iowa City. The County organized in 1845 with a population of 17,456 and contains 576 square miles of Iowa's more productive agricultural land. Marengo is the county seat and is one of seven cities in the county.

Iowa County is one of the top tourism attractions in Iowa. The Amana Colonies seven villages are located within Iowa County, together with Tanger Factory Outlet Center.

Medical offices are located in five communities and emergency care is available at the Margeno Memorial Hospital along with many other services. The hospital was built in 1954-55.

Several employment opportunities are available in Iowa County. See page seven for listing.

Transportation facilities in Iowa County include U.S. Interstate 80 which runs east and west through the middle of Iowa County along with U.S. Highway 6. U.S. Highways 149 and 151 run north and south and Iowa County's secondary road system has 155 miles of hard surface roads. The Eastern Iowa Airport is within 30 miles of Margeno.

Utilities are provided by Alliant Energy, Central Iowa Power, TIP Rural Electric, Iowa Telecom, AT&T, Qwest, MCI, Amana society Service Company, and several independent providers. The Northern Border Pipeline also runs through Iowa County.

Iowa County has students attending ten different school districts. Kirkwood Community College has a learning center in Williamsburg and offers a variety of classes for all age groups and interest. It is a short thirty minute drive to Cedar Rapids, Grinnell, or Iowa City where numerous opportunities are available for further education.

## **POPULATION TREND**

The census figures for Iowa County and municipalities incorporated within the County for the years shown are as follows:

<u>City</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Ladora	289	308	287
Marengo	2,308	2,270	2,535
Millersburg	184	188	184
North English	990	944	991
Parnell	234	209	220
Victor	1,046	966	952
Williamsburg	2,033	2,174	2,622
Total Incorporated	7,084	7,059	7,791
TOTAL COUNTY	15,429	14,630	15,671

## **TAXABLE RETAIL SALES TREND**

	<u>3/31/00</u>	<u>3/31/01</u>	<u>3/31/02</u>	<u>3/31/03</u>
Iowa County	\$178,945,652	\$169,370,959	\$168,708,916	\$166,260,407
No. of Businesses	662	670	678	615

## **TOP TEN EMPLOYERS BY EMPLOYMENT**

<u>Name</u>	<u>Industry</u>
Maytag Corporation	Manufacturing
Kinze Manufacturing	Manufacturing
Williamsburg Manufacturing	Manufacturing
Monsanto Company	Wholesale Trade
Amana Society	Manufacturing
Victor Manufacturing	Manufacturing
Victor Plastics	Manufacturing
Seven Villages Restaurant	Leisure & Hospitality
American Color Graphics	Manufacturing
Colonial Manor of Amana	Health Services

Source: Iowa Workforce Development

## EMPLOYMENT AND WAGES COVERED BY UNEMPLOYMENT INSURANCE

<u>Annual 2002</u>	<u>Reporting Unit</u>	<u>Average Yearly Employment</u>	<u>Gross Yearly Wage</u>	<u>Average Weekly Wage</u>
Total All Industries	562	9,788	\$286,317,194	\$ 563
Private Business	521	8,782	\$261,425,411	\$ 572
Agriculture and Mining	10	86	\$ 2,452,628	\$ 548
Construction	54	243	\$ 7,249,450	\$ 574
Manufacturing	38	4,092	\$158,386,336	\$ 744
Trade	187	2,019	\$ 52,498,097	\$ 500
Wholesale	37	436	\$ 25,629,048	\$1,130
Retail	150	1,583	\$ 26,869,049	\$ 326
Transportation & Utilities	17	155	\$ 5,334,171	\$ 662
Information	8	60	\$ 1,653,920	\$ 530
Finance, Insurance, Real Estate	34	131	\$ 3,741,119	\$ 549
Professional & Business Svcs.	49	251	\$ 6,891,095	\$ 528
Education & Health Svcs.	40	533	\$ 10,488,759	\$ 378
Leisure & Hospitality	56	1,113	\$ 11,324,896	\$ 196
Other Services	31	101	\$ 1,404,940	\$ 268
Government	41	1,005	\$ 24,891,783	\$ 476
State	5	28	\$ 929,791	\$ 639
Local	30	903	\$ 21,417,435	\$ 456
Federal	6	74	\$ 2,544,557	\$ 661

Source: Iowa Workforce Development

## UNEMPLOYMENT STATISTICS

<u>Year</u>	<u>Iowa County</u>	<u>State of Iowa</u>
2003	3.3	4.5
2002	3.1	4.0
2001	2.0	3.3
2000	1.7	2.6
1999	1.6	2.5
1998	2.2	2.8
1997	2.5	3.1
1996	2.8	3.8

## AGRICULTURE STATISTICS

The following information relative to the farms located in Iowa County and their produce for the crop years shown was obtained from the 2003 edition of Iowa Agricultural Statistics issued cooperatively by the U.S. Department of Agriculture and Iowa Farm Bureau.

Total Number of Farms	990
Total Land in Farms, acres	346,500
Average Farm size, acres	350

<u>2002 Crops</u>	<u>Acres Harvested</u>	<u>Yield</u>	<u>Production</u>	<u>Rank (1)</u>
Corn for grain, 000 bu.	111,000	175.7	19,500	57
Soybeans, 000 bu.	85,300	50.9	4,341	60
Oats, 000 bu.	3,500	91.4	320	9
All hay, tons	20,500	4.34	89,000	23
Alfalfa hay, tons	16,600	4.72	78,400	19

(1) State rank based on 99 counties

**HISTORICAL AVERAGE FARMLAND VALUES**

	<u>Iowa County</u>	<u>State Average</u>
2002	\$1,855	\$2,083
2001	\$1,874	\$1,926
2000	\$1,817	\$1,857

**GENERAL OBLIGATION DEBT SCHEDULE**

Fiscal Year Ending	<u>Current Outstanding General Obligation Debt</u>		<u>General Obligation County Law Enforcement Center Bonds, Series 2004</u>		<u>Total Principal and Interest</u>
	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Principal</u>	<u>Interest</u>	
6/01/2005	\$80,000	\$3,560		\$129,902	\$213,462
6/01/2006			\$140,000	155,882	295,882
6/01/2007			140,000	152,662	297,662
6/01/2008			145,000	148,820	293,820
6/01/2009			150,000	144,542	294,542
6/01/2010			155,000	139,742	294,742
6/01/2011			160,000	134,472	294,472
6/01/2012			165,000	128,712	293,712
6/01/2013			175,000	122,442	297,442
6/01/2014			180,000	115,530	295,530
6/01/2015			185,000	108,150	293,150
6/01/2016			195,000	100,380	295,380
6/01/2017			205,000	91,897	296,897
6/01/2018			210,000	82,775	292,775
6/01/2019			220,000	73,220	293,220
6/01/2020			230,000	62,990	292,990
6/01/2021			245,000	52,065	292,065
6/01/2022			255,000	40,425	295,425
6/01/2023			265,000	27,802	292,802
6/01/2024			<u>280,000</u>	<u>14,420</u>	<u>294,420</u>
Totals	\$80,000	\$3,560	\$3,700,000	\$2,026,834	\$5,810,394

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS** (All Funds)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance</u>
2003/04	\$4,666,004	\$11,651,952	\$12,334,627	(as of 6/30/2004)
2002/03	\$4,598,560	\$10,841,486	\$10,774,042	\$4,666,004
2001/02	\$4,170,450	\$11,534,047	\$11,105,937	\$4,598,560
2000/01	\$3,580,352	\$10,826,424	\$10,236,326	\$4,170,450
1999/00	\$4,171,762	\$10,127,488	\$10,718,898	\$3,580,352
1998/99	\$5,364,084	\$ 8,537,596	\$9,729,919	\$4,171,762

**CURRENT FUND BALANCES** (as of June 30, 2004)

General Fund .....	\$ 1,871,320
Special Revenue.....	\$ 2,069,324
Debt Service .....	\$ 42,685

## PROPERTY VALUATIONS AND TAX COLLECTION PROCEDURES

All property subject to taxation is valued in compliance with State law every two years subject to an equalization action of the State Department of Revenue. All property except utility property is assessed at the local level. The State Department of Revenue assesses utility property.

The Assessor establishes the actual valuation (100%) as of January 1 in a calendar year for taxes payable in the succeeding fiscal year, i.e. valuations made in 2003 are for taxes payable in the fiscal year 2004/2005. The actual value of parcels is provided by the assessor to the county auditor who then determines the taxable value. The taxable value is computed by adjusting the actual value of various classes of real property by percentages (roll back rates) determined by the State Department of Revenue. The roll back percentages for residential property values for the years shown are:

<u>Fiscal Year</u>	<u>Percentage</u>
1994/95	68.0404%
1995/96	67.5074%
1996/97	59.3180%
1997/98	58.8284%
1998/99	54.9090%
1999/00	56.4788%
2000/01	54.8505%
2001/02	56.2651%
2002/03	51.6676%
2003/04	51.3874%
2004/05	48.4558%

## GENERAL FUND LEVY LIMITS

The General Fund is used to pay expenses which benefit the County as a whole. Two categories of levy are applicable to the General Fund. They are the General Basic levy and the General Supplemental levy. The General Basic levy, which is limited to \$3.50 per \$1,000 of assessed valuation, is for typical county operating expenses such as general administration, health, recording of deeds and the like. The General Supplemental levy, which has no levy limit, is for those services which the County must provide, but over which the County has limited control, such as elections, court functions, social security and State retirement benefits. The County is required to utilize the General Basic levy to its fullest extent before utilizing the General Supplemental levy. Therefore the General Basic levy is always at its maximum of \$3.50 per \$1,000 of assessed valuation.

There is a statutory procedure which the County may utilize to increase its levy limit at a public hearing. Any such increase would be subject to protest by the electorate.

## VALUATION TREND

<u>Year</u>	<u>Iowa County Valuation Trend</u>	
	<u>100% Assessed Valuation</u>	<u>Taxable Valuation</u>
2003	\$1,009,562,156	\$675,784,345
TIF	(Included)	\$ 52,169,409
2002	\$1,000,638,583	\$714,073,795
TIF	(Included)	\$ 48,437,949
2001	\$1,003,715,989	\$714,173,915
TIF	(Included)	\$ 48,073,807
2000	\$ 915,484,622	\$685,501,598
TIF	(Included)	\$ 37,643,976
1999	\$ 900,166,704	\$662,821,272
TIF	(Included)	\$ 36,102,321

*Note: Tax Increment Financing (TIF) valuations are not available to be taxed for operating fund levies but are available for debt service levies on general obligation bonds.*

**CURRENT VALUATION BY PROPERTY CLASSIFICATION** Iowa County

The following shows the January 1, 2003 100% Assessed and Taxable Valuations of the County (for Fiscal Year 2004/05 tax levies).

	<u>January 1, 2003</u>	
	<u>Assessed Value</u> <u>(100% Valuation)</u>	<u>Taxable Valuation</u>
Residential	\$ 509,040,377	\$ 244,114,022
Agricultural	\$ 220,733,805	\$ 220,733,805
Ag Buildings	\$ 26,538,326	\$ 26,538,326
Commercial	\$ 73,196,657	\$ 72,402,805
Industrial	\$ 54,219,144	\$ 54,219,144
Railroads	\$ 2,976,956	\$ 2,954,838
Utilities (w/o Gas & Electric)	\$ 32,088,562	\$ 32,088,562
Utilities (Gas & Electric)	\$ 35,382,186	\$ 24,677,790
Gross	\$ 954,176,013	\$ 677,729,292
Less Military Exemption	\$ 1,944,947	\$ 1,944,947
Net Valuation	\$ 952,231,066	\$ 675,784,345
TIF	\$ 55,382,439	\$ 52,169,409
TOTAL	\$ 1,007,613,505	\$ 727,953,754

**2003 Gross Taxable Valuation By Class Of Property**

		<u>Percent</u> <u>Total</u>
Residential	\$244,114,022	36.02%
Commercial, Industrial, Railroad, and Utility*	161,665,349	23.85%
Agricultural	247,272,131	36.49%
Gas & Electric Utilities	<u>24,677,790</u>	<u>3.64%</u>
Total Gross Taxable Valuation	\$677,729,292	100.00%

\* Excludes gas and electric utility property

**PRINCIPAL TAXPAYERS**

<u>Taxpayer</u>	<u>2003 Taxable Valuation</u>
Amana Society	\$ 20,347,163
IES	\$ 19,001,011
Maytag Corp.	\$ 17,536,340
Tanger Properties (Limited Partnership)	\$ 14,075,412
Kinzenbaw, Jon E Revocable Trust	\$ 13,442,387
MI Development (America) Inc.	\$ 11,588,530
Northern Border Pipeline Co.	\$ 10,410,606
Amana Society Ser. Co. Electric	\$ 8,142,084
Holdens Foundation Seeds Inc	\$ 5,989,460
Iowa Telecom	\$ 3,972,743

**TAX RATE PER \$1,000 OF TAXABLE VALUATION**

Valuation Year:	2002	2001	2000	1999
Collection Year:	<u>2003/04</u>	<u>2002/03</u>	<u>2001/02</u>	<u>2000/01</u>
General Basic .....	\$ 3.50000	\$ 3.50000	\$ 3.50000	\$ 3.50000
General Supplemental .....	\$ .20761	\$ .00000	\$ .19808	\$ .38565
Debt Service .....	\$ .10436	\$ .10436	\$ .12362	\$ .00000
Mental Health/Development Disability ..	\$ .68000	\$ .88761	\$ 1.06380	\$ 1.10198
Total County (Urban)	\$ 4.49197	\$ 4.49197	\$ 4.88550	\$ 4.98763
Rural Services Basic.....	\$ 2.14027	\$ 2.14027	\$ 2.14027	\$ 1.90943
Total County (Rural) .....	\$ 6.63224	\$ 6.63224	\$ 7.02577	\$ 6.89706

**TAX COLLECTION TREND**

The following represents total taxes levied and collected for Iowa County and for years shown.

Collection Year:	<u>2004/05</u>	<u>2003/04</u>	<u>2002/03</u>	<u>2001/02</u>	<u>2000/01</u>
Taxes Levied	\$4,499,671	\$4,210,916	\$4,257,571	\$4,333,552	\$4,119,815
Taxes Collected	N/A	\$3,978,708	\$4,016,099	\$4,040,162	\$3,876,525
Percent Collected		(as of 6/30/2004)	94.3%	93.2%	94.1%

**DEBT LIMIT CALCULATION**

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit which is an amount equal to 5% of the value of taxable property within its limits as ascertained by the last state and county tax lists. The Issuer's debt limit, based upon 2003 property valuations, is illustrated below:

Actual Valuation, 2003	\$ 1,009,562,156.00
Less: Military Exemption	<u>1,948,651.00</u>
	\$ 1,007,613,505.00
	<u>x .05</u>
Debt Limit	\$ 50,380,675.00
Debt Applicable to Limit:	
GO Notes	\$ <u>3,780,000.00</u>
Amount of Debt Capacity Remaining	\$ 46,600,675.00
Percent of Debt Capacity Remaining	92.50%

**FINANCIAL STATEMENT**

Iowa County, Iowa (as of August 1, 2004)

2003 100% Valuation	\$ 1,009,562,156.00
2003 Taxable Valuation	\$ 727,953,754.00
General Obligation Debt (including this issue)	\$ 3,780,000.00
Ratio of General Obligation Debt to 100% Valuation	.37%
Direct General Obligation Debt per Capita (15,671)	\$ 241.21
100% Valuation per Capita	\$ 64,422.32

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# **APPENDIX "A"**

## ***INDEPENDENT AUDITOR'S REPORT***

*For year ended June 30, 2003  
As Prepared By*

**Hunt, Kain & Associates, P.C.**  
**Certified Public Accountants**  
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### INDEPENDENT AUDITOR'S REPORT

To the Officials of Iowa County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Iowa County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Iowa County's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Iowa County at June 30, 2003 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types of Iowa County for the year ended June 30, 2003.

As discussed in Note 13 to the general purpose financial statements, Iowa County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements will include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2004 on our consideration of Iowa County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is 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.

Hunt, Kain & Associates, P.C.

Iowa County  
Marengo, Iowa

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements due to the omission of the general fixed assets account group. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Oskaloosa, Iowa  
February 6, 2004

*Hunt, Kain & Associates, P.C.*

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IOWA COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
June 30, 2003

	Governmental Fund Types				Proprietary Fund Type				Fiduciary Fund Type	Account Groups			Total (Memorandum Only)	
	General		Special Revenue	Debt Service	Internal Service		General Fixed Assets	Long-term Debt						
LIABILITIES, FUND EQUITY AND OTHER CREDITS														
Liabilities:														
Accounts payable	\$ 170,038	\$ 345,356	\$ -	\$ 1,720					\$ 447	\$ -	\$ -	\$ -	\$ 517,561	
Salaries and benefits payable	26,074	61,949	-	-					790	-	-	-	88,813	
Due to other funds (note 3)	-	-	-	-					23,183	-	-	-	23,183	
Due to other governments (note 5)	3,501	84,859	-	-					13,413,015	-	-	-	13,501,375	
Trusts payable	-	-	-	-					6,647	-	-	-	6,647	
Deferred revenue:														
Succeeding year property tax	2,477,323	1,589,193	74,702	-					-	-	-	-	4,141,218	
Other	64,721	57,893	868	-					-	-	-	-	123,482	
Compensated absences	25,038	37,990	-	-					1,212	-	-	514,565	578,805	
Bonds payable (note 6)	-	-	-	-					-	-	-	160,000	160,000	
Total liabilities	2,766,695	2,177,240	75,570	1,720					13,445,294	-	674,565	19,141,084		
Fund equity and other credits:														
Investment in general fixed assets	-	-	-	-					-	8,774,583	-	-	8,774,583	
Unreserved retained earnings	-	-	-	33,592					-	-	-	-	33,592	
Fund balances:														
Reserved for:														
Inventories	-	182,417	-	-					-	-	-	-	182,417	
Prepaid expenses	-	26,836	-	-					-	-	-	-	26,836	
Supplemental levy purposes	293,582	-	-	-					-	-	-	-	293,582	
Pioneer cemetery	22,640	-	-	-					-	-	-	-	22,640	
Debt service	-	-	48,235	-					-	-	-	-	48,235	
Unreserved:														
Undesignated	1,701,325	2,426,539	-	-					-	-	-	-	4,127,864	
Total fund equity and other credits	2,017,547	2,635,792	48,235	33,592					-	8,774,583	-	-	13,509,749	
Total liabilities, fund equity and other credits														
	\$ 4,784,242	\$ 4,813,032	\$ 123,805	\$ 35,312					\$ 13,445,294	\$ 8,774,583	\$ 674,565	\$ 32,650,833		

See notes to financial statements.

## IOWA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
Year Ended June 30, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Revenues:</b>				
Property and other County tax	\$ 2,363,533	\$ 3,141,689	\$ 75,443	\$ 5,580,665
Interest and penalty on property tax	39,469	-	-	39,469
Intergovernmental	1,061,226	3,227,528	7,479	4,296,233
Licenses and permits	21,007	385	-	21,392
Charges for service	527,083	64,728	-	591,811
Use of money and property	189,625	26,896	-	216,521
Miscellaneous	30,902	129,165	-	160,067
<b>Total revenues</b>	<b>4,232,845</b>	<b>6,590,391</b>	<b>82,922</b>	<b>10,906,158</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	1,478,594	-	-	1,478,594
Physical health and social services	696,914	2,348	-	699,262
Mental health	-	1,458,881	-	1,458,881
County environment and education	489,175	344,884	-	834,059
Roads and transportation	-	4,371,088	-	4,371,088
Government services to residents	351,464	4,978	-	356,442
Administration	1,320,423	-	-	1,320,423
Non-program	361	-	-	361
Debt service	-	-	79,545	79,545
Capital projects	-	530,538	-	530,538
<b>Total expenditures</b>	<b>4,336,931</b>	<b>6,712,717</b>	<b>79,545</b>	<b>11,129,193</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(104,086)</b>	<b>(122,326)</b>	<b>3,377</b>	<b>(223,035)</b>

## IOWA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
Year Ended June 30, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
<b>Other financing sources (uses):</b>				
Operating transfers in	\$ 28,925	\$ 954,185	\$ -	\$ 983,110
Operating transfers out	(88,500)	(894,610)	-	(983,110)
	(59,575)	59,575	-	-
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(163,661)</b>	<b>(62,751)</b>	<b>3,377</b>	<b>(223,035)</b>
<b>Fund balances beginning of year, as restated (note 12)</b>	<b>2,181,208</b>	<b>2,671,719</b>	<b>44,858</b>	<b>4,897,785</b>
<b>Increase (decrease) in reserve for:</b>				
Inventories	-	(12)	-	(12)
Prepaid expenses	-	26,836	-	26,836
<b>Fund balances end of year</b>	<b>\$ 2,017,547</b>	<b>\$ 2,635,792</b>	<b>\$ 48,235</b>	<b>\$ 4,701,574</b>
See notes to financial statements.				

## IOWA COUNTY

COMPARISON OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
 ACTUAL TO BUDGET (CASH BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 Year Ended June 30, 2003

	Actual	Less Funds not Required to be Budgeted	Net	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
<b>Receipts:</b>						
Property and other County tax	\$ 5,492,468	\$ -	\$ 5,492,468	\$ 5,486,724	\$ 5,744	100 %
Interest and penalty on property tax	39,526	-	39,526	21,500	18,026	184
Intergovernmental	4,328,087	-	4,328,087	4,532,358	(204,271)	95
Licenses and permits	18,834	-	18,834	21,230	(2,396)	89
Charges for service	574,454	-	574,454	527,856	46,598	109
Use of money and property	231,068	(1,226)	229,842	352,950	(123,108)	65
Miscellaneous	157,049	(42,360)	114,689	66,655	48,034	236
Total receipts	10,841,486	(43,586)	10,797,900	11,009,273	(211,373)	98
<b>Disbursements:</b>						
Public safety and legal services	1,474,632	-	1,474,632	1,601,493	126,861	92
Physical health and social services	691,430	-	691,430	739,971	48,541	93
Mental health	1,443,185	-	1,443,185	1,443,511	326	100
County environment and education	739,398	-	739,398	928,941	189,543	80
Roads and transportation	4,101,923	-	4,101,923	4,106,197	4,274	100
Government services to residents	355,018	-	355,018	366,766	11,748	97
Administration	1,305,396	-	1,305,396	1,485,337	179,941	88
Non-program	361	-	361	67,400	67,039	1
Debt service	79,545	-	79,545	79,545	-	100
Capital projects	583,154	(21,253)	561,901	1,174,644	612,743	50
Total disbursements	10,774,042	(21,253)	10,752,789	11,993,805	1,241,016	90
Excess (deficiency) of receipts over (under) disbursements	67,444	(22,333)	45,111	(984,532)	\$ 1,029,643	
Balance beginning of year	4,598,560	(6,941)	4,591,619	4,598,560		
Balance end of year	\$ 4,666,004	\$ (29,274)	\$ 4,636,730	\$ 3,614,028		

See notes to financial statements.

Exhibit D

IOWA COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
 PROPRIETARY FUND TYPE  
 Year Ended June 30, 2003

	Internal Service - Employee Group Health
Operating revenues:	
Reimbursements from operating funds	\$ 32,790
Operating expenses:	
Claims	34,543
Operating loss	(1,753)
Retained earnings beginning of year	35,345
Retained earnings end of year	\$ 33,592
See notes to financial statements.	

Exhibit E

IOWA COUNTY

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 Year Ended June 30, 2003

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 32,790
Cash payments to suppliers for services	(34,928)
Net cash used in operating activities	(2,138)
Cash and cash equivalents at beginning of year	37,450
Cash and cash equivalents at end of year	\$ 35,312
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,753)
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Decrease) in accounts payable	(385)
Net cash used in operating activities	\$ (2,138)
See notes to financial statements.	

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2003

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

These financial statements present Iowa 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.

Two 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 Iowa County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the drainage districts can be obtained from the Iowa County Auditor's office.

**Jointly Governed Organizations** – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Iowa County Assessor's Conference Board, Iowa County Emergency Management Commission and Iowa County Joint E-911 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 an Agency Fund of the County.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2003

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

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

Governmental Funds

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

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

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

Proprietary Fund

**Internal Service Fund** – The 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** – The Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

**General Fixed Assets** – This account group is established to account for the general fixed assets of the County.

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



# NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2003

## Note 1. Summary of Significant Accounting Policies (continued)

### C. Measurement Focus

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

Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus.

This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

### D. Basis of Accounting

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

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

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

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

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

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.

# NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2003

## Note 1. Summary of Significant Accounting Policies (continued)

### E. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for 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, they have a maturity date no longer than three months.

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

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

The property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2002.

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 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.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

# IOWA COUNTY

## NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2003

### Note 1. Summary of Significant Accounting Policies (continued)

#### E. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

During the year ended June 30, 2003, no interest cost were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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

# IOWA COUNTY

## NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2003

### Note 1. Summary of Significant Accounting Policies (continued)

#### E. Assets, Liabilities and Fund Equity (continued)

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. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences have been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings - The unreserved retained earnings of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

#### F. Budgets and Budgetary Accounting

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, non-expendable trust 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 or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Exhibit C is a comparison of the cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2003

**Note 1. Summary of Significant Accounting Policies (continued)**

**F. Budgets and Budgetary Accounting (continued)**

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,122,180	\$ 110,665	\$ 4,232,845	\$ 6,636,381	\$ (45,990)	\$ 6,590,391
Expenditures	4,213,122	123,809	4,336,931	6,481,375	231,342	6,712,717
Net	(90,942)	(13,144)	(104,086)	155,006	(277,332)	(122,326)
Other financing sources (uses)	(59,575)	-	(59,575)	59,575	-	59,575
Beginning fund balances, as restated	2,203,620	(22,412)	2,181,208	2,350,085	321,634	2,671,719
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	(12)	(12)
Prepaid expenses	-	-	-	-	26,836	26,836
Ending fund balances	\$ 2,053,103	\$ (35,556)	\$ 2,017,547	\$ 2,564,666	\$ 71,126	\$ 2,635,792

	Governmental Fund Types					
	Debt Service			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 82,925	\$ (3)	\$ 82,922	\$ 10,841,486	\$ 64,672	\$ 10,906,158
Expenditures	79,545	-	79,545	10,774,042	355,151	11,129,193
Net	3,380	(3)	3,377	67,444	(290,479)	(223,035)
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	44,855	3	44,858	4,598,560	299,225	4,897,785
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	(12)	(12)
Prepaid expenses	-	-	-	-	26,836	26,836
Ending fund balances	\$ 48,235	\$ -	\$ 48,235	\$ 4,666,004	\$ 35,570	\$ 4,701,574

**NOTES TO FINANCIAL STATEMENTS**  
Year Ended June 30, 2003

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Total (Memorandum Only)**

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

**Note 2. Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The 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's funds are all deposited in financial institution depository accounts.

**Note 3. Due from and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Auditor	\$ 93
	County Recorder	10,856
	Auto License and Use Tax	11,770
		<u>22,719</u>
Special Revenue:		
County Recorder's	Trust and Agency:	
Records Management	County Recorder	464
		<u>\$ 23,183</u>

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2003

Note 4. Property and Equipment

The County completed a compilation of historical cost data related to its property and equipment for the year ended June 30, 2003.

A summary of property and equipment comprising general fixed assets is as follows:

	Balance End of Year
Land	\$ 652,321
Buildings	3,033,363
Equipment	5,088,899
Total	<u>\$ 8,774,583</u>

Note 5. 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. The delinquent and succeeding year property taxes indicated in the column below are liens on property which have not yet been collected. A summary of amounts due to other governments is as follows:

Fund	Description	Services and Collections	Delinquent and Succeeding Year Property Taxes	Total
General	Services	\$ 3,501	\$ -	3,501
Special Revenue: Mental Health	Services	84,859	-	84,859
Trust and Agency: County Assessor	Collections	50,791	305,977	356,768
Schools		171,828	8,779,602	8,951,430
Area Schools		8,902	459,791	468,693
Corporations		22,446	2,696,659	2,719,105
Townships		4,571	210,945	215,516
Auto License and Use Tax		322,277	-	322,277
All Other		185,503	193,723	379,226
		<u>766,318</u>	<u>12,646,697</u>	<u>13,413,015</u>
		\$ 854,678	\$ 12,646,697	\$ 13,501,375

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2003

Note 6. Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	General Obligation Bonds	Compen- sated Absences	Total
Balance beginning of year	\$ 230,000	\$ 516,782	\$ 746,782
Additions	-	-	-
Reductions	70,000	2,217	72,217
Balance end of year	<u>\$ 160,000</u>	<u>\$ 514,565</u>	<u>\$ 674,565</u>

General Obligation Bonds

Details of the County's general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue Dated November 14, 2000			Issue Dated March 30, 2001			Total
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	
2004	5.25 %	\$ 80,000	\$ 2,100	4.45 %	\$ -	\$ 3,560	\$ 80,000
2005	-	-	-	4.45	80,000	3,560	80,000
		<u>\$ 80,000</u>	<u>\$ 2,100</u>		<u>\$ 80,000</u>	<u>\$ 7,120</u>	<u>\$ 160,000</u>
							<u>\$ 9,220</u>

Note 7. 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 are 5.37% and 8.05%, respectively, and conservation officers, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$200,454, \$194,098, and \$184,067, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2003

Note 8. Risk Management

Iowa 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 400 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, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$143,974.

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 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, including automobile physical damage, 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 that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2003

Note 8. Risk Management (continued)

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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

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

Note 9. Employee Health Insurance Plan

The Iowa County Employee Group Health Fund was established to account for the partial self funding of the increased deductible portion (\$100 to \$500 for single plan and \$500 to \$1,000 for family plan) of the County's health insurance benefit plan provided by their health insurance carrier. Effective April 1, 1993, Iowa County entered into an administrative services agreement with Blue Cross and Blue Shield of Iowa for administration of the plan. The agreement is subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the Iowa County 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 Blue Cross and Blue Shield of Iowa from the Iowa County Employee Group Health Fund. The County records the plan assets and related liabilities of the Iowa County Health Insurance Fund as an Internal Service Fund.

Note 10. County Care Facility

Effective May 29, 1990, the County entered into an agreement to transfer operation of the County Care Facility to a private operator. In accordance with the agreement, the County leases the real estate and personal property to the private operator. The County provides financial support for the operation of the care facility.

Note 11. Construction Commitment

The County has entered into a contract totaling \$321,127 for courthouse roofing. As of June 30, 2003, costs of \$280,446 have been incurred against the contract. The balance remaining at June 30, 2003 of \$40,681 will be paid as work on the project progresses.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2003

Note 12. Restatement of Beginning Balance

The beginning balances of the Conservation Land Acquisition, Conservation Donation and Amara Villages Funds have been reclassified from Fiduciary, Expendable Trust Funds to Special Revenue Funds to properly reflect the nature of the funds as shown below:

	Expendable Trust Funds	Special Revenue Funds
Beginning fund balance, as previously reported	\$ 557,921	\$ 2,113,798
Amount reclassified as special revenue fund	(557,921)	557,921
Beginning fund balance, as restated	\$ -	\$ 2,671,719

Note 13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus, and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual basis of accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the financial activities.

## **APPENDIX “B”**

### PRELIMINARY LEGAL OPINION

*as furnished by  
Dorsey & Whitney LLP, Attorneys  
Des Moines, Iowa*

Page 2

2. The Bonds and the Loan Agreement are valid and binding general obligations of the Issuer.

3. All taxable property within the boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount.

4. The interest on the Bonds (including any original issue discount property allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 per cent of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

DORSEY & WHITNEY LLP

DORSEY & WHITNEY LLP

We hereby certify that we have examined certified copies of the proceedings of the Board of Supervisors of Iowa County, Iowa (the "Issuer") passed preliminary to the issue by the Issuer of its General Obligation County Law Enforcement Center Bonds, Series 2004 (the "Bonds"), in the amount of \$3,700,000, dated August 1, 2004, in the denomination of \$5,000 each, or any integral multiple thereof, in evidence of the Issuer's obligation under a certain loan agreement (the "Loan Agreement"), dated as of August 1, 2004. The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, commencing December 1, 2004, at the respective rates as follows:

Year	Principal Amount	Interest Rate Per Annum	Year	Principal Amount	Interest Rate Per Annum
2006	\$140,000	2.30%	2016	\$195,000	4.35%
2007	\$145,000	2.65%	2017	\$205,000	4.45%
2008	\$145,000	2.95%	2018	\$210,000	4.55%
2009	\$150,000	3.20%	2019	\$220,000	4.65%
2010	\$155,000	3.40%	2020	\$230,000	4.75%
2011	\$160,000	3.60%	2021	\$240,000	4.85%
2012	\$165,000	3.80%	2022	\$255,000	4.95%
2013	\$175,000	3.95%	2023	\$265,000	5.05%
2014	\$180,000	4.10%	2024	\$280,000	5.15%
2015	\$185,000	4.20%			

but the Bonds maturing in each of the years 2017 to 2024, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the Bonds.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The aforementioned proceedings show lawful authority for such issue under the laws of the State of Iowa.

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**APPENDIX "C"**

***CONTINUING DISCLOSURE CERTIFICATE***

*as furnished by*

***Dorsey & Whitney LLP***  
*Des Moines, Iowa*

## CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (as in effect and interpreted from time to time, the "Rule"), the Issuer will covenant and agree, for the benefit of the Owners (as hereinafter defined) from time to time of any Bonds which are outstanding, in the Bond Resolution, to provide certain specified information, if customarily prepared and publicly available, and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The Issuer is the only "obligated person" with respect to the Bonds within the meaning of the Rule for purposes of identifying the entities with respect to which continuing disclosure must be made. Giving effect to the issuance of the Bonds, there will not be more than \$10 million in principal amount of municipal securities outstanding on the date of issuance of the Bonds as to which the Issuer is an obligated person (excluding municipal securities exempt from the Rule under paragraph (d)(1) thereof). The Issuer has complied in all material respects with any undertaking previously entered into by it under the Rule.

Breach of the Disclosure Covenants will not constitute a default under the Bond Resolution or the Bonds. A broker or dealer is to consider a known breach of the Disclosure Covenants before recommending the purchase or sale of Bonds in the secondary market. Thus, a failure on the part of the Issuer to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

As used herein, "Owner" means, with respect to a Bond, the registered holder or holders thereof appearing in the registration records maintained by the Registrar or any "Beneficial Owner" (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, "Beneficial Owner" means, with respect to a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

As used herein, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the Disclosure Covenants or information generally available to the public. Notwithstanding the foregoing sentence, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

## Information To Be Disclosed

The Issuer will provide, in the manner set forth below, either directly or indirectly through an agent designated by the Issuer, the following information at the following times:

### Annual Information

At least annually to the state information depository then designated or operated by the State of Iowa (the "State Depository"), if any, or, if no State Depository then exists, to any person or entity upon request, certain information (the "Disclosure Information"), including the audited financial statements of the Issuer and any other information of the type contained in the Official Statement for the Bonds not included in such financial statements but customarily prepared and made publicly available by the Issuer, which information may be unaudited and which, for financial statement information, shall be for the most recent fiscal year of the Issuer (if in response to a request, the most recent fiscal year ending not less than 270 days before the date of the request), and, for other such information, the information most recently compiled by the Issuer on a customary basis and publicly available under applicable data privacy or other laws.

Requests for Disclosure Information should be directed to:

Linda Griggs  
County Auditor  
Iowa County Courthouse  
901 Court Avenue  
Marengo, Iowa 52301  
Telephone (319) 642-3923

If any part of the Disclosure Information is changed because it is no longer compiled or publicly available or can no longer be generated because the operations of the Issuer have materially changed or been discontinued, such Disclosure Information need no longer be provided if the Issuer includes in the Disclosure Information a statement to such effect; provided, however, if such discontinued operations have been replaced by other Issuer operations with respect to which data is not included in the Disclosure Information and the Issuer determines that certain specified data regarding such replacement operations would be a Material Fact and such data is customarily compiled and publicly available, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Disclosure Covenants are amended as permitted by the Bond Resolution, then the Issuer is to include in the next Disclosure Information to be delivered under the Disclosure Covenants, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

#### *Certain Material Events*

In a timely manner to the Municipal Securities Rulemaking Board and to the State Depository, if any, notice of the occurrence of any of the following events which is a Material Fact:

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (G) Modifications to rights of security holders;
- (H) Bond calls;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities; and
- (K) Rating changes.

The Issuer Bonds that, since no debt service reserve fund secures the Bonds and if there is no credit enhancement securing the Bonds on the date of issue, the events listed in clauses (C), (D) and (E) may not be applicable.

#### *Certain Other Information*

In a timely manner to the State Depository or, if no State Depository then exists, with the next delivery of the Disclosure Information, notice of the occurrence of any of the following events or conditions:

- (A) the amendment or supplementing of the Disclosure Covenants pursuant to the Bond Resolution, together with a copy of such amendment or supplement and any explanation provided by the Issuer under the Disclosure Covenants;
- (B) the termination of the obligations of the Issuer under the Disclosure Covenants pursuant to the Bond Resolution;
- (C) any change in the accounting principles pursuant to which any financial statements constituting a portion of the Disclosure Information are prepared; and
- (D) any change in the fiscal year of the Issuer.

#### **Term**

The Disclosure Covenants shall remain in effect until all Bonds have been paid or legally defeased under the Bond Resolution. Notwithstanding the preceding sentence, however, the Disclosure Covenants shall terminate and be without further effect as of any date on which the Issuer delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the Issuer to comply with the Disclosure Covenants will not cause participating underwriters in the

primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successor thereto or amendatory thereof.

#### **Amendments; Interpretation**

The Disclosure Covenants (and the form and requirements of the Disclosure Information) may be amended or supplemented by the Issuer from time to time, without notice to or the consent of the Owners of any Bonds, by a resolution of the governing body of the Issuer filed in the office of the recording officer of the Issuer accompanied by an opinion of Bond Counsel, who may rely on certificates of the Issuer and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Issuer or the type of operations conducted by the Issuer, or (b) is required by, or better complies with, the provisions of paragraph (d)(2) of the Rule; (ii) the Disclosure Covenants as so amended or supplemented would have complied with the requirements of paragraph (d)(2) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Owners under the Rule. If the Disclosure Information is so amended, the Issuer agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

The Disclosure Covenants are to be construed so as to satisfy the requirements of paragraph (d)(2) of the Rule.

#### **Default; Remedies**

If the Issuer fails to comply with any of the Disclosure Covenants, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any such covenant. In no event shall a default under the Disclosure Covenants constitute a default under the Bonds or under any other provision of the Bond Resolution.

