

KEOKUK COUNTY, IOWA

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

JUNE 30, 2005

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA

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KEOKUK COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Denny	Board of Supervisors	January, 2007
Mary K. Krier	Board of Supervisors	January, 2009
Ernie Greiner	Board of Supervisors	January, 2007
Christy Bates	County Auditor	January, 2009
Christine Kleinmeyer	County Treasurer	January, 2007
Nancy T. Snakenberg	County Recorder	January, 2007
Ron George	County Sheriff	January, 2009
John E. Schroeder	County Attorney	January, 2007
Drew Sanders	County Assessor	January, 2010

Anderson, Larkin & Co. P.C.

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Keokuk County, Iowa:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Keokuk County, Iowa at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 27, 2005 on our consideration of Keokuk County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 8 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Keokuk County, Iowa's basic financial statements. The financial statements for the three years ended June 30, 2004 (which are not presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO P.C

Ottumwa, Iowa  
October 27, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### 2005 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues increased \$648,411 from fiscal 2004 to fiscal 2005. Intergovernmental revenues increased \$253,859.
- The County's Governmental funds' expenditures totaled \$1,684,569 more in fiscal 2005 than in fiscal 2004. Capital projects expenditures made up the largest increase of \$764,203.
- The County's Governmental funds' fund balance decreased 23%, or approximately \$1,370,586, from June 30, 2004 to June 30, 2005.

### USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Keokuk County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Keokuk County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Keokuk County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor Governmental and the individual Agency Funds.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:

1. The General Fund,
2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds account for the County's Internal Service Fund, the Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for agriculture extension education, emergency management services and the County Assessor, to name a few

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Keokuk County, Iowa's combined net assets increased from \$8,587,631 to \$11,120,904 during the year ended June 30, 2005. The analysis that follows focuses on the changes in the net assets for governmental activities

### Net Assets of Governmental Activities

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current and other assets	\$ 9,237,353	\$ 9,640,360
Capital assets	<u>6,989,330</u>	<u>3,704,487</u>
Total assets	<u>16,226,683</u>	<u>13,344,847</u>
Long-term liabilities	585,000	1,195,000
Other liabilities	<u>4,520,779</u>	<u>3,562,216</u>
Total liabilities	<u>5,105,779</u>	<u>4,757,216</u>
Net assets:		
Invested in capital assets, net of related debt	6,989,330	3,704,487
Restricted	4,278,860	4,949,161
Unrestricted	<u>(147,286)</u>	<u>(66,017)</u>
Total net assets	\$ <u>11,120,904</u>	\$ <u>8,587,631</u>

Net assets of Keokuk County, Iowa's governmental activities increased by \$2,533,273 (\$11,120,904 compared to \$8,587,631). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at approximately \$(147,286) and \$(66,017) at June 30, 2005 and 2004, respectively.

### Changes in Net Assets of Governmental Activities

	Year ended	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues:		
Charges for service	\$ 854,318	\$ 860,250
Operating grants, contributions and restricted interest	5,209,400	2,901,004
Capital grants, contributions and restricted interest	3,118,695	1,050,520
General revenues:		
Property and other County tax	1,390,187	2,863,239
Penalty and interest on property tax	36,550	41,648
State tax credits	97,383	169,717
Grants and contributions not restricted to specific purposes	-	19,144
Unrestricted investment earnings	63,991	79,338
Other general revenues	<u>93,796</u>	<u>74,134</u>
Total revenues	<u>10,864,320</u>	<u>8,058,994</u>

Program expenses:		
Public safety and legal services	879,396	920,060
Physical health and social services	583,494	678,609
Mental health	715,743	663,052
County environment and education services	425,237	400,845
Roads and transportation	4,359,726	3,147,466
Governmental services to residents	355,097	326,036
Administration	901,156	823,150
Interest on long-term debt	1,729	54,709
Capital projects	100,728	240,461
Non-program activities	8,741	-
Total expenses	<u>8,331,047</u>	<u>7,254,388</u>
Increase in net assets	2,533,273	804,606
Net assets beginning of year	<u>8,587,631</u>	<u>7,783,025</u>
Net assets end of year	\$ <u>11,120,904</u>	\$ <u>8,587,631</u>

The County decreased property tax asking for the 2005FY by 2%. The property tax asking for the 2006FY was set at \$3,985,966, an increase of \$1,074,228 from the 2005FY.

#### INDIVIDUAL MAJOR FUND ANALYSIS

As Keokuk County, Iowa completed the year, its governmental funds reported a combined fund balance of \$4,511,566, a decrease of \$1,370,586 compared to last year's total of \$5,882,152. The decrease in fund balance is primarily attributable to the General Fund. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures were \$2,315,151 and \$3,450,827, respectively. The ending fund balance showed a decline of \$1,214,384 from the prior year to \$576,395. The largest increase in expenditures was debt service of \$555,982. This increase related to the payoff of debt from the previous year's advance refunding.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$716,380, an increase of 8% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$14,974 from the prior year.
- Secondary Roads Fund expenditures increased by approximately \$1,049,352 over the prior year. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$371,944, or 13%.
- Rural Services ending fund balance increased \$115,100 from the June 30, 2004 balance, primarily due to a decrease in transfers out of \$208,711.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, Keokuk County, Iowa amended its budget once. This amendment was made on May 9, 2005 and resulted in an increase in budgeted disbursements primarily related to road projects.

Even with these amendments, the County underspent the original total budgeted amount of \$9,009,472 by \$387,563 for the year ended June 30, 2005.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, Keokuk County had approximately \$6,989,330 invested in a broad range of capital assets (net of depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,284,843, or 89% percent over last year.

#### Capital Assets of Governmental Activities at Year End

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Land	\$ 1,011,300	\$ 1,011,300
Buildings and improvements	385,373	379,701
Equipment and vehicles	1,267,020	1,116,258
Infrastructure	<u>4,325,637</u>	<u>1,197,228</u>
Total	\$ <u>6,989,330</u>	\$ <u>3,704,487</u>
This year's major additions included:		
Infrastructure	\$ 3,200,534	
Buildings	18,353	
Equipment and vehicles	<u>410,423</u>	
Total	\$ <u>3,638,310</u>	

The County had depreciation expense of \$353,467 in FY05 and total accumulated depreciation of \$2,436,039 at June 30, 2005.

The County's fiscal year 2005 capital budget included \$401,900 for capital projects, principally for road and bridge improvements. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

### Long-Term Debt

At June 30, 2005, Keokuk County, Iowa had approximately \$856,614 in general obligation capital loan notes and other debt outstanding compared to approximately \$1,467,194 at June 30, 2004, as shown below:

#### Outstanding Debt of Governmental Activities at Year-End

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Capital loan notes	\$ 640,000	\$ 1,259,000
Sick leave conversion	15,665	-
Compensated absences	<u>200,949</u>	<u>208,194</u>
Total	\$ <u>856,614</u>	\$ <u>1,467,194</u>

Debt decreased as a result of paying off series 1996 capital loan notes as a result of a prior year refunding issue.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Keokuk County, Iowa's outstanding general obligation debt of \$625,000 is significantly below its constitutional debt limit of \$38,636,835. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Keokuk County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.4 percent. This compares with the State's unemployment rate of 4.6 percent and the national rate of 5.0 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.1 percent for fiscal year 2005 compared with the national rate of 3.4 percent.

These indicators were taken into account when adopting the budget for 2006FY. Amounts available for appropriation in the operating budget are \$9,122,088, a decrease of 7% from the final amended 2005FY budget. The amount of revenue to support the above expenditures is projected to increase 3% from the final amended 2005FY budget to \$7,820,618. Property taxes supporting the 2006FY budget increased \$917,128 from the 2005FY budget and makes up 48% of the revenue for the 2006FY budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2006FY by approximately \$1,295,470, leaving an overall reserve of approximately 19% of budgeted 2006FY expenditures.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Keokuk County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Keokuk County Auditor's Office, 101 South Main Street, Sigourney, Iowa.

Anderson, Larkin & Co., P.C.

## KEOKUK COUNTY, IOWA

## STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities
<b>ASSETS:</b>	
Cash and pooled investments	\$ 4,213,348—
Receivables:	
Property tax:	
Delinquent	6,810
Succeeding year	3,855,560
Accounts	92,054
Accrued interest	253
Special assessments	27,445
Contracts receivable	278,651
Revolving loan receivable	75,000
Inventories	598,331
Prepaid expenses	89,901—
Capital assets (net of accumulated depreciation)	<u>6,989,330 ✓</u>
	<b>TOTAL ASSETS</b> <u>16,226,683 ✓</u>
<b>LIABILITIES:</b>	
Accounts payable	241,562—
Salaries and benefits payable	85,013 ✓
Due to other governments	2,931—
Accrued interest payable	-1,905
Deferred revenue:	
Succeeding year property tax	3,855,560—
Other	62,194—
Long-term liabilities:	
Portion due and payable within one year:	
Capital loan notes	55,000
Sick leave conversion	15,665
Compensated absences	200,949
Portion due and payable after one year:	
Capital loan notes	<u>585,000</u>
	<b>TOTAL LIABILITIES</b> <u>5,105,779</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	6,989,330 ✓
Restricted for:	
Supplemental levy	343,689 ✓
Mental health	941,361 ✓
Rural services	196,223 ✓
Capital projects	6,571 ✓
Secondary roads	2,386,935 ✓
Debt service	15,727 ✓
Other purposes	388,354 ✓
Unrestricted	<u>(147,286)</u>
	<b>TOTAL NET ASSETS</b> <u>\$ 11,120,904</u>

## KEOKUK COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 879,396	\$ 48,126	\$ 7,147	\$ -	\$ (824,123)
Physical health and social services	583,494	273,750	99,652	-	(210,092)
Mental health	715,743	-	700,770	-	(14,973)
County environment and education services	425,237	150,644	802,100	-	527,507
Roads and transportation	4,359,726	211,770	3,581,711	3,118,695	2,552,450
Governmental services to residents	355,097	2,547	18,020	-	(334,530)
Administration	901,156	167,481	-	-	(733,675)
Interest on long-term debt	1,729	-	-	-	(1,729)
Capital projects	100,728	-	-	-	(100,728)
Non-program activities	8,741	-	-	-	(8,741)
Total	\$ 8,331,047	\$ 854,318	\$ 5,200,400	\$ 3,118,695	851,366
General revenues:					
Property and other County tax levied for:					
General purposes					1,390,187
Penalty and interest on property tax					36,550
State tax credits					97,383
Unrestricted investment earnings					63,991
Other general revenues					93,796
Total general revenues					1,681,907
Change in net assets					2,533,273
<u>NET ASSETS</u> - Beginning of year					8,587,631
<u>NET ASSETS</u> - End of year					\$ 11,120,904

## KEOKUK COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

ASSETS	General	Special Revenue			Nonmajor Governmental Funds	Total
		MH-DD Services	Rural Services	Secondary Roads		
Cash and pooled investments	\$ 603,429	\$ 1,051,189	\$ 195,948	\$ 1,883,453	\$ 413,202	\$ 4,147,221
Receivables:						
Property tax:						
Delinquent	3,868	463	2,479	-	-	6,810
Succeeding year	2,190,312	261,850	1,403,398	-	-	3,855,560
Accounts	21,295	-	533	70,226	-	92,054
Accrued interest	174	-	-	-	79	253
Special assessments	-	-	-	-	27,445	27,445
Revolving loan receivable	-	-	-	-	75,000	75,000
Contracts receivable	-	-	-	278,651	-	278,651
Inventories	-	-	-	598,331	-	598,331
Prepaid expenses	30,436	-	-	-	-	30,436
<b>TOTAL ASSETS</b>	<b>\$ 2,849,514</b>	<b>\$ 1,313,502</b>	<b>\$ 1,602,358</b>	<b>\$ 2,830,661</b>	<b>\$ 515,726</b>	<b>\$ 9,111,761</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 29,135	\$ 106,425	\$ 258	\$ 99,419	\$ 2,629	\$ 239,865
Salaries and benefits payable	37,293	1,084	-	46,636	-	85,013
Compensated absences	11,391	320	-	17,209	-	28,920
Due to other governments	1,120	-	-	1,811	-	2,931
Deferred revenue:						
Succeeding year property tax	1,190,312	261,850	1,403,398	-	-	3,855,560
Other	3,868	463	2,479	278,651	102,445	387,906
<b>TOTAL LIABILITIES</b>	<b>2,273,119</b>	<b>372,141</b>	<b>1,406,135</b>	<b>443,726</b>	<b>105,074</b>	<b>4,600,195</b>
<b>FUND BALANCES:</b>						
Reserved for:						
Inventories	-	-	-	598,331	-	598,331
Prepaid expenses	30,436	-	-	-	-	30,436
Supplemental levy	343,689	-	-	-	-	343,689
Capital loan notes	-	-	-	-	15,727	15,727
Unreserved, reported in:						
General fund	202,270	-	-	-	-	202,270
Capital projects fund	-	-	-	-	6,571	6,571
Special revenue funds	-	941,361	196,223	1,788,604	388,354	3,314,542
Total fund balances	576,395	941,361	196,223	2,386,935	410,652	4,511,566
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,849,514</b>	<b>\$ 1,313,502</b>	<b>\$ 1,602,358</b>	<b>\$ 2,830,661</b>	<b>\$ 515,726</b>	<b>\$ 9,111,761</b>

KEOKUK COUNTY, IOWARECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005

Total governmental fund balances	\$ 4,511,566
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$9,425,369 and the accumulated depreciation is \$2,436,039	6,989,330
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	387,906
The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets	61,701
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(1,905)
Long-term liabilities, including long-term compensated absences payable and sick leave conversion, are not due and payable in the current period and, therefore, are not reported in the fund financial statements	<u>(827,694)</u>
Net assets of governmental activities	\$ <u>11,120,904</u>

## KEOKUK COUNTY, IOWA

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

	General	Special Revenue			Nonmajor Governmental Funds	Total
		MH-DD Services	Rural Services	Secondary Roads		
<b>REVENUES:</b>						
Property and other County tax	\$ 1,421,544	\$ 244,230	\$ 1,245,964	\$ -	\$ -	\$ 2,911,738
Interest and penalty on property tax	36,550	-	-	-	-	36,550
Intergovernmental	212,089	457,176	166,762	2,922,192	84,788	3,843,007
Licenses and permits	15,694	-	-	3,441	-	19,135
Charges for service	493,102	-	-	8,415	49,608	551,125
Use of money and property	84,750	-	-	-	43,457	128,207
Miscellaneous	51,425	-	-	86,045	87,889	225,359
Total revenues	<u>2,315,154</u>	<u>701,406</u>	<u>1,412,726</u>	<u>3,020,093</u>	<u>265,742</u>	<u>7,715,121</u>
<b>EXPENDITURES:</b>						
Current:						
Public safety and legal services	878,022	-	-	-	-	878,022
Physical health and social services	593,320	-	-	-	-	593,320
Mental health	-	716,380	-	-	-	716,380
County environment and education services	210,715	-	217,314	-	-	423,759
Roads and transportation	-	-	291,163	3,123,520	-	3,414,703
Governmental services to residents	311,335	-	2,110	-	37,598	351,043
Administration	891,944	-	-	-	-	891,944
Non-program activities	-	-	-	8,736	-	8,736
Debt service	565,491	-	-	-	16,800	582,291
Capital projects	-	-	-	1,124,781	100,728	1,225,509
Total expenditures	<u>3,450,827</u>	<u>716,380</u>	<u>506,337</u>	<u>4,257,037</u>	<u>155,126</u>	<u>9,085,707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,135,673)</u>	<u>(14,974)</u>	<u>906,389</u>	<u>(1,236,944)</u>	<u>110,616</u>	<u>(1,370,586)</u>
Other financial sources (uses):						
Operating transfers in	-	-	-	865,000	5,000	870,000
Operating transfers out	(78,711)	-	(791,289)	-	-	(870,000)
Total other financing sources (uses)	<u>(78,711)</u>	<u>-</u>	<u>(791,289)</u>	<u>865,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	(1,214,384)	(14,974)	115,100	(371,944)	115,616	(1,370,586)
Fund balances - Beginning of year	<u>1,790,779</u>	<u>956,335</u>	<u>81,123</u>	<u>2,758,879</u>	<u>295,036</u>	<u>5,882,152</u>
Fund balances - End of year	\$ <u>576,395</u>	\$ <u>941,361</u>	\$ <u>196,223</u>	\$ <u>2,386,935</u>	\$ <u>410,652</u>	\$ <u>4,511,566</u>

KEOKUK COUNTY, IOWA

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

Net change in fund balances - Total governmental funds \$ (1,370,586)

Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital assets	\$ 519,615	
Depreciation expense	(53,467)	166,148

Capital assets contributed by the Iowa Department of Transportation 3,118,695

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

Property tax and other deferred revenues	3,098
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	15,000
--	--------

Payments by other entities to retire capital loan notes are not recorded in governmental funds.	604,000
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	36,165
Sick leave conversion	(15,665)
Interest on long-term debt	4,040

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities	(27,622)
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Change in net assets of governmental activities	\$ 2,533,273
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KEOKUK COUNTY, IOWA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2005

		<u>Internal Service - Employee Group Health</u>
 <u>ASSETS</u>		
Cash and cash equivalents	\$	66,127
Prepaid expenses		<u>59,465</u>
TOTAL ASSETS		<u>125,592</u>
 <u>LIABILITIES</u>		
Accounts payable		1,697
Deferred revenue		<u>62,194</u>
TOTAL LIABILITIES		<u>63,891</u>
 <u>NET ASSETS:</u>		
Unrestricted	\$	<u>61,701</u>

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

	Internal Service - Employee <u>Group Health</u>
<u>OPERATING REVENUES:</u>	
Charges to County operating funds and others	\$ <u>775,833</u>
<u>OPERATING EXPENSES:</u>	
Dental claims	30,445
Medical insurance premiums	759,449
Refunds and miscellaneous expenses	1,415
Group life insurance premiums	5,483
Administrative fees	<u>6,865</u>
Total operating expenses	803,657
Operating loss	(27,824)
<u>NON-OPERATING REVENUES:</u>	
Interest on investments	<u>202</u>
	NET LOSS (27,622)
<u>NET ASSETS</u> - Beginning of year	<u>89,323</u>
<u>NET ASSETS</u> - End of year	\$ <u>61,701</u>

KEOKUK COUNTY, IOWA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2005

Internal Service -  
 Employee  
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from charges to others	\$ 775,833
Cash payments for dental claims	(28,748)
Cash payments for insurance premiums	(764,932)
Cash payments for miscellaneous services	<u>(8,280)</u>
NET CASH USED IN OPERATING ACTIVITIES	(26,127)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>202</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,925)

CASH AND CASH EQUIVALENTS - Beginning of Year

92,052

CASH AND CASH EQUIVALENTS - End of Year

\$ 66,127

RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES:

Operating loss	\$ (27,824)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in prepaid expenses	4,009
Decrease in accounts payable	(3,637)
Increase in deferred revenue	<u>1,325</u>
Net cash used in operating activities	\$ <u>(26,127)</u>

KEOKUK COUNTY, IOWA

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

ASSETS

Cash and pooled investments:		
County Treasurer	\$	485,737
Other County officials		109,852
Accounts receivable		6,848
Property tax receivable:		
Delinquent		16,574
Succeeding year		9,387,974
Accrued interest		378
		<u>10,007,363</u>
	TOTAL ASSETS	

LIABILITIES

Accrued compensated absences		49
Accounts payable		916
Due to other governments		9,880,395
Salaries and benefits payable		4,607
Trusts payable		121,396
		<u>10,007,363</u>
	TOTAL LIABILITIES	
	NET ASSETS	\$ <u>          -</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

For financial reporting purposes, Keokuk County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizens 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: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission and Keokuk 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.

B. Basis of Presentation

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

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

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

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

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

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

Proprietary Fund:

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

Fiduciary Funds:

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

C. Measurement Focus and Basis of Accounting

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

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

KEOKUK COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D Assets, Liabilities and Fund Equity (Continued)

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments, is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Buildings and improvements	50,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-50
Infrastructure	40-65
Equipment and vehicles	5-20

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D Assets, Liabilities and Fund Equity (Continued)

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end and prepaid health insurance premiums.

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

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

Sick leave conversion – Upon their retirement, County employees who have 15 years of continuous County employment, and meet certain other restrictions are eligible to use 25% of their accrued sick leave to pay for future health insurance premiums for themselves, their spouse and dependents, subject to certain coverage restrictions.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Capital Projects function.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

The County's funds are all deposited in financial institution depository accounts

NOTE 3: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	General	\$ 73,711
	Special Revenue:	
	Rural Services	791,289
Capital Projects	General	<u>5,000</u>
	Total	\$ <u>870,000</u>

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

NOTE 4: CONTRACTS RECEIVABLE – SECONDARY ROADS

As of June 30, 2005, the County has long-term interest-free contracts receivable from five cities for reimbursements from road paving. Summaries of the payment schedules are as follows:

Year Ending June 30,	City of <u>Delta</u>	City of <u>Richland</u>	City of <u>Gibson</u>	City of <u>Harper</u>	City of <u>What Cheer</u>	<u>Total</u>
2006	\$ 3,423	\$ 11,000	\$ 2,500	\$ 6,458	\$ 7,800	\$ 31,181
2007	3,347	11,000	2,500	3,229	7,800	27,876
2008	-	11,000	2,500	3,229	7,800	24,529
2009	-	11,000	2,500	3,229	7,800	24,529
2010	-	11,000	2,500	3,229	7,800	24,529
2011-2019	-	<u>5,932</u>	<u>22,379</u>	<u>25,571</u>	<u>92,125</u>	<u>146,007</u>
Total	\$ <u>6,770</u>	\$ <u>60,932</u>	\$ <u>34,879</u>	\$ <u>44,945</u>	\$ <u>131,125</u>	\$ <u>278,651</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: REVOLVING LOAN RECEIVABLE

During the year ended June 30, 2000, the County received a Community Development Block Grant of \$500,000. The County made a long-term interest-free loan to Rosewood Farms for economic development. The loan was for \$300,000. The other \$200,000 was in the form of a Community Development Block Grant forgivable loan. During the year ended June 30, 2001, the loan was assigned to Iowa Turkey Growers Cooperative. All funds repaid will be used to make future economic development loans to eligible applicants. The following is a schedule of payments to be received on the loan:

Year Ending June 30,	<u>Amount</u>
2006	\$ <u>75,000</u>

NOTE 6: CAPITAL ASSETS

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

	<u>Balance Beginning of Year</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Balance End of Year</u>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ <u>1,011,300</u>	\$ _____	\$ _____	\$ <u>1,011,300</u>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	698,139	18,353	-	716,492
Equipment and vehicles	3,286,642	410,423	430,628	3,266,437
Infrastructure	<u>1,221,606</u>	<u>3,209,534</u>	-	<u>4,431,140</u>
Total capital assets being depreciated	<u>5,206,387</u>	<u>3,638,310</u>	<u>430,628</u>	<u>8,414,069</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	318,438	12,681	-	331,119
Equipment and vehicles	2,170,384	259,661	430,628	1,999,417
Infrastructure	<u>24,378</u>	<u>81,125</u>	-	<u>105,503</u>
Total accumulated depreciation	<u>2,513,200</u>	<u>353,467</u>	<u>430,628</u>	<u>2,436,039</u>
Total capital assets being depreciated, net	<u>2,693,187</u>	<u>3,284,843</u>	-	<u>5,978,030</u>
Governmental activities capital assets, net	\$ <u>3,704,487</u>	\$ <u>3,284,843</u>	\$ _____	\$ <u>6,989,330</u>

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Public safety and legal services	\$ 40,905
Physical health and social services	2,158
County environment and education	10,951
Roads and transportation	293,928
Administration	<u>5,525</u>
Total depreciation expense - Governmental activities	\$ <u>353,467</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Services and Collections and Delinquent Property Taxes</u>	<u>Succeeding Year Property Taxes</u>	<u>Total</u>
General	\$ 1,120	\$ -	\$ 1,120
Special Revenue:			
Secondary Roads	<u>1,811</u>	-	<u>1,811</u>
Total governmental funds	<u>2,931</u>	-	<u>2,931</u>
Agency:			
County Recorder	36	-	36
County Assessor	44,974	183,571	228,545
Schools	136,501	5,120,743	6,557,244
Area schools	6,798	319,470	326,268
Corporations	34,534	1,398,389	1,432,923
Agriculture extension education	1,612	75,778	77,390
County hospital	15,052	728,330	744,192
Townships	1,734	76,288	78,022
E-911	60,799	-	60,799
Auto license and use tax	170,774	-	170,774
Fire districts	3,784	183,656	187,440
All other	<u>15,013</u>	<u>1,749</u>	<u>16,762</u>
Total agency funds	<u>492,421</u>	<u>9,387,974</u>	<u>9,880,395</u>
	<u>\$ 495,352</u>	<u>\$ 9,387,974</u>	<u>\$ 9,883,326</u>

NOTE 8: CHANGES IN LONG-TERM DEBT

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

	<u>Capital Loan Notes</u>	<u>Compensated Absences</u>	<u>Sick Leave Conversion</u>	<u>Total</u>
Balance - Beginning of year	\$ 1,259,000	\$ 208,194	\$ -	\$ 1,467,194
Additions	-	200,949	15,665	216,614
Reductions	<u>619,000</u>	<u>208,194</u>	-	<u>827,194</u>
Balance - End of year	<u>\$ 640,000</u>	<u>\$ 200,949</u>	<u>\$ 15,665</u>	<u>\$ 856,614</u>
Due within one year	<u>\$ 55,000</u>	<u>\$ 200,949</u>	<u>\$ 15,665</u>	<u>\$ 271,614</u>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

**NOTE 8: CHANGES IN LONG-TERM DEBT** (Continued)

Capital Loan Notes

In July 2001, the County issued \$180,000 of capital loan notes to pay for the Meadowbrook sewer project. In February 2002, the County issued \$55,000 of capital loan notes to pay off the original \$180,000 capital loan notes. The Series 2002 notes are to be payable exclusively from special assessments collected on the Meadowbrook sewer project. In the event that special assessment collections are insufficient to make a principal and interest payment when due, the County has agreed to increase appropriations to the fund or issue additional notes to assure timely payment. The County is required to place 10% of special assessments collected in a reserve fund as security for payments on the notes. The amount reserved at June 30, 2005 was \$15,727

In May 2003, the County issued \$70,000 of limited tax anticipation capital loan notes. The loan proceeds were used to pay costs of acquiring fire equipment for Benton Township. The Series 2003 notes are payable from Benton Township's fire protection tax levied pursuant to Chapter 359 43 of the Code of Iowa. However, the County is primarily responsible for this debt and would be required to make the payment should the township be unable to cover the principal and interest costs of this issue.

In June 2004, the County issued \$575,000 of crossover advance refunding capital loan notes to advance refund the Series 1996 capital loan notes. The net proceeds of \$565,491 were placed in escrow and were used to redeem the Series 1996 notes on their call date of June 1, 2005.

As a result of the crossover advance refunding, the County reduced its total debt service requirements over the life of the notes by \$37,505, which resulted in a present value economic gain of \$28,831.

A summary of the County's June 30, 2005 capital loan note indebtedness is as follows:

Year ending June 30,	<u>\$55,000 – Series 2002</u>			<u>\$70,000 Series 2003</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2006	6.00 %	-	\$ -	4.45 %	\$ 10,000	\$ 2,225
2007	6.00	-	-	4.45	10,000	1,780
2008	6.00	-	-	4.45	10,000	1,335
2009	6.00	-	-	4.45	10,000	890
2010	6.00	-	-	4.45	10,000	445
2011	6.00	5,000	300	-	-	-
2012	6.00	10,000	600	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
<b>Total</b>		<b>\$ 15,000</b>	<b>\$ 900</b>		<b>\$ 50,000</b>	<b>\$ 6,675</b>

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 8: CHANGES IN LONG-TERM DEBT (Continued)

Year ending June 30,	\$575,000 – Series 2004			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2006	2.20 %	\$ 45,000	\$ 20,848	\$ 55,000	\$ 23,073
2007	2.65	50,000	19,857	60,000	21,637
2008	3.00	45,000	18,532	55,000	19,867
2009	3.25	50,000	17,183	60,000	18,073
2010	3.45	50,000	15,558	60,000	16,003
2011	3.70	55,000	13,832	60,000	14,132
2012	3.90	50,000	11,798	60,000	12,398
2013	4.05	55,000	9,847	55,000	9,847
2014	4.20	55,000	7,620	55,000	7,620
2015	4.35	60,000	5,310	60,000	5,310
2016	4.50	60,000	2,700	60,000	2,700
Total		\$ 575,000	\$ 143,085	\$ 640,000	\$ 150,660

During the year ended June 30, 2005, the County retired \$15,000 of capital loan notes and \$604,000 was retired by other entities.

NOTE 9: PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 5.10% and 7.66%, respectively and conservation officers in which case the percentages are 6.10% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively and for conservation officers were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.01%, respectively and for conservation officers were 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, 2005, 2004 and 2003 were \$146,878, \$139,922, and \$136,841, respectively, equal to the required contributions for each year.

NOTE 10: RISK MANAGEMENT

Keokuk County, Iowa is exposed to various risks of loss related to torts; theft; damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: EMPLOYEE HEALTH INSURANCE PLAN

The County has a minimum premium dental insurance plan, which is administered by Blue Cross and Blue Shield of Iowa. The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$35,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the plan year ended June 30, 2005.

KEOKUK COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 11: EMPLOYEE HEALTH INSURANCE (Continued)

Monthly payments of plan contributions to the Keokuk County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, claims processed and insurance premiums are paid to Blue Cross and Blue Shield of Iowa from the Keokuk County Employee Group Health Fund. The County records the plan assets and related liabilities of the Keokuk County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$775,833.

NOTE 12: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2004 have been reclassified to conform with the June 30, 2005 presentation.

NOTE 13: SPECIAL REPORT

On December 1, 2005, the State Auditor's office issued a report as a result of a special investigation of the Keokuk County Information Technology department. The report covered the period of October 14, 2002 through March 14, 2005, and included findings related to their procedures.

Anderson, Larkin & Co. P.C.

REQUIRED SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2005

	Governmental Fund Types	Budgeted Amounts		Final to Actual Variance - Positive (Negative)	
		Actual	Original		Final
<u>RECEIPTS:</u>					
Property and other County tax	\$ 2,911,912	\$ 2,812,528	\$ 2,812,528	\$ 99,384	
Interest and penalty on property tax	38,782	2,850	2,850	35,932	
Intergovernmental	3,980,124	3,000,630	3,904,630	75,494	
Licenses and permits	19,325	15,532	15,432	3,893	
Charges for service	640,691	621,130	641,185	(494)	
Use of money and property	133,140	112,045	114,267	18,873	
Miscellaneous	226,919	98,050	113,050	113,869	
Total receipts	<u>7,950,893</u>	<u>6,662,765</u>	<u>7,303,942</u>	<u>346,951</u>	
<u>DISBURSEMENTS:</u>					
Public safety and legal services	891,808	890,730	900,730	8,922	
Physical health and social services	599,517	671,478	673,800	74,283	
Mental health	688,655	1,009,533	1,009,533	320,878	
County environment and education services	442,405	447,560	447,560	5,155	
Roads and transportation	3,545,701	4,156,600	4,888,800	1,343,100	
Governmental services to residents	31,480	338,248	365,128	17,648	
Administration	860,155	1,080,453	1,080,453	212,298	
Non-program activities	-	1,000	1,000	1,000	
Debt service	16,800	8,000	18,000	1,200	
Capital projects	1,221,389	405,900	405,900	(815,489)	
Total disbursements	<u>8,621,909</u>	<u>9,009,472</u>	<u>9,790,904</u>	<u>1,168,995</u>	
Excess (deficiency) of receipts over (under) disbursements	(671,016)	(2,346,707)	(2,186,962)	1,515,946	
Other financing sources, net	-	100	100	(100)	
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(671,016)	(2,346,607)	(2,186,862)	1,515,846	
<u>BALANCE</u> - Beginning of year	<u>4,820,749</u>	<u>4,479,647</u>	<u>4,479,647</u>	<u>341,102</u>	
<u>BALANCE</u> - End of year	\$ <u>4,149,733</u>	\$ <u>2,133,040</u>	\$ <u>2,292,785</u>	\$ <u>1,856,948</u>	

KEOKUK COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2005

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 7,950,893	\$ 235,772	\$ 7,715,121
Expenditures	<u>8,621,909</u>	<u>(463,798)</u>	<u>9,085,707</u>
Net	(671,016)	699,570	(1,370,586)
Beginning fund balances	<u>4,820,749</u>	<u>(1,061,403)</u>	<u>5,882,152</u>
Ending fund balances	\$ <u>4,149,733</u>	\$ <u>(361,833)</u>	\$ <u>4,511,566</u>

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KEOKUK COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2005

This budgeting comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No 41 for governments with significant budgeting perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. The 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education services, roads and transportation, governmental services to residents, administration, non-program activities, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$781,432. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the capital projects function.

OTHER SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>REAP</u>	<u>County</u>	<u>County</u>	<u>Meadowbrook</u>
	<u>Fund</u>	<u>Recorder's</u>	<u>Recorder's</u>	<u>Sewer</u>
		<u>Management</u>	<u>Electronic</u>	<u>Project</u>
			<u>Transaction Fee</u>	
 <u>ASSETS</u>				
Cash and pooled investments	\$ 27,227	\$ 468	\$ 2,205	\$ 12,249
Receivables:				
Accrued interest	18	2	15	12
Special assessments	-	-	-	27,445
Revolving loan receivable	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	\$ <u>27,245</u>	\$ <u>470</u>	\$ <u>2,220</u>	\$ <u>39,706</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenues	-	-	-	27,445
Total liabilities	<u>          </u>	<u>          </u>	<u>          </u>	<u>27,445</u>
 <u>FUND EQUITY:</u>				
Reserved for capital loan notes	-	-	-	15,727
Unreserved, reported in:				
Capital projects funds	-	-	-	-
Special revenue funds	27,245	470	2,220	(3,466)
Total fund equity	<u>27,245</u>	<u>470</u>	<u>2,220</u>	<u>12,261</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>27,245</u>	\$ <u>470</u>	\$ <u>2,220</u>	\$ <u>39,706</u>

<u>Revolving Loan Account</u>	<u>Capital Projects</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 225,351	\$ 6,571	\$ 139,131	\$ 413,202
32	-	-	79
-	-	-	27,445
<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
\$ <u>300,383</u>	\$ <u>6,571</u>	\$ <u>139,131</u>	\$ <u>515,726</u>
\$ -	\$ -	\$ 2,629	\$ 2,629
<u>75,000</u>	<u>-</u>	<u>-</u>	<u>102,145</u>
<u>75,000</u>	<u>-</u>	<u>2,629</u>	<u>105,074</u>
-	-	-	15,727
-	6,571	-	6,571
<u>225,383</u>	<u>-</u>	<u>136,502</u>	<u>388,354</u>
<u>225,383</u>	<u>6,571</u>	<u>136,502</u>	<u>410,652</u>
\$ <u>300,383</u>	\$ <u>6,571</u>	\$ <u>139,131</u>	\$ <u>515,726</u>

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA

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

	<u>REAP Fund</u>	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Meadowbrook Sewer Project</u>
<b>REVENUES:</b>				
Intergovernmental	\$ 9,495	\$ -	\$ -	\$ -
Charges for service	-	2,497	-	7,734
Use of money and property	193	8	96	-
Miscellaneous	-	-	-	-
Total revenues	<u>9,688</u>	<u>2,505</u>	<u>96</u>	<u>7,734</u>
<b>EXPENDITURES:</b>				
Operating:				
Governmental services to residents	-	2,800	34,798	-
Debt service	-	-	-	16,800
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>2,800</u>	<u>34,798</u>	<u>16,800</u>
Excess (deficiency) of revenues over (under) expenditures	9,688	(295)	(34,702)	(9,066)
Other financing sources:				
Operating transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,688	(295)	(34,702)	(9,066)
Fund balances - Beginning of year	<u>17,557</u>	<u>765</u>	<u>36,922</u>	<u>21,327</u>
Fund balances - End of year	\$ <u>27,245</u>	\$ <u>470</u>	\$ <u>2,220</u>	\$ <u>12,261</u>

<u>Revolving Loan Account</u>	<u>Capital Projects</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 75,293	\$ -	\$ -	\$ 84,788
-	-	39,377	49,608
21	-	43,139	43,457
-	-	87,889	87,889
<u>75,314</u>	<u>-</u>	<u>170,405</u>	<u>265,742</u>
-	-	-	37,598
-	-	-	16,800
-	<u>5,000</u>	<u>95,728</u>	<u>100,728</u>
-	<u>5,000</u>	<u>95,728</u>	<u>155,126</u>
75,314	(5,000)	74,677	110,616
-	<u>5,000</u>	-	<u>5,000</u>
75,314	-	74,677	115,616
<u>150,069</u>	<u>6,571</u>	<u>61,825</u>	<u>295,036</u>
\$ <u>225,383</u>	\$ <u>6,571</u>	\$ <u>136,502</u>	\$ <u>410,652</u>

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2005

	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
 <u>ASSETS</u>			
Cash and pooled investments:			
County Treasurer	\$ -	\$ -	\$ -
Other County officials	36	5,596	104,220
Receivables:			
Accounts receivable	-	-	-
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accrued interest	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>36</u>	\$ <u>5,596</u>	\$ <u>104,220</u>
 <u>LIABILITIES</u>			
Accrued compensated absences	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other governments	36	-	-
Salaries and benefits payable	-	-	-
Trusts payable	-	5,596	104,220
	<u>-</u>	<u>5,596</u>	<u>104,220</u>
TOTAL LIABILITIES	\$ <u>36</u>	\$ <u>5,596</u>	\$ <u>104,220</u>

Schedule 3

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ 61,207	\$ 12,245	\$ 3,459	\$ 839	\$ 14,576	\$ 1,601	\$ 32,061
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	325	2	1,286	133	2,473
-	-	183,656	1,749	728,330	76,288	1,398,389
<u>55</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>61,262</u>	\$ <u>12,245</u>	\$ <u>187,440</u>	\$ <u>2,590</u>	\$ <u>744,192</u>	\$ <u>78,022</u>	\$ <u>1,432,923</u>
\$ -	\$ 49	\$ -	\$ -	\$ -	\$ -	\$ -
463	308	-	-	-	-	-
60,799	11,340	187,440	2,590	744,192	78,022	1,432,923
-	548	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>61,262</u>	\$ <u>12,245</u>	\$ <u>187,440</u>	\$ <u>2,590</u>	\$ <u>744,192</u>	\$ <u>78,022</u>	\$ <u>1,432,923</u>

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2005

<u>ASSETS</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>Agriculture Extension Education</u>
Cash and pooled investments:				
County Treasurer	\$ 125,164	\$ 6,236	\$ 48,853	\$ 1,481
Other County officials	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Property tax:				
Delinquent	11,337	562	325	131
Succeeding year	6,420,743	319,470	183,571	75,778
Accrued interest	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	\$ <u>6,557,244</u>	\$ <u>326,268</u>	\$ <u>232,749</u>	\$ <u>77,390</u>
<u>LIABILITIES</u>				
Accrued compensated absences	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	145	-
Due to other governments	6,557,244	326,268	228,545	77,390
Salaries and benefits payable	-	-	4,059	-
Trusts payable	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	\$ <u>6,557,244</u>	\$ <u>326,268</u>	\$ <u>232,749</u>	\$ <u>77,390</u>

<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Total</u>
\$ 170,451	\$ 2,830	\$ 4,732	\$ 2	\$ 485,737
-	-	-	-	109,852
-	-	6,848	-	6,848
-	-	-	-	16,574
-	-	-	-	9,387,974
<u>323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378</u>
\$ <u>170,774</u>	\$ <u>2,830</u>	\$ <u>11,580</u>	\$ <u>2</u>	\$ <u>10,007,363</u>
\$ -	\$ -	\$ -	\$ -	\$ 49
-	-	-	-	916
170,774	2,830	-	2	9,880,395
-	-	-	-	4,607
<u>-</u>	<u>-</u>	<u>11,580</u>	<u>-</u>	<u>121,396</u>
\$ <u>170,774</u>	\$ <u>2,830</u>	\$ <u>11,580</u>	\$ <u>2</u>	\$ <u>10,007,363</u>

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2005

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
Balances beginning of year	\$ <u>218</u>	\$ <u>3,804</u>	\$ <u>103,824</u>
Additions:			
Property and other County tax	-	-	-
State tax credits	-	-	-
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	170,590	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	396
Trusts	-	81,862	-
Miscellaneous	-	-	-
Total additions	<u>170,590</u>	<u>81,862</u>	<u>396</u>
Deductions:			
Agency remittances:			
To other funds	170,772	-	-
To other governments	-	-	-
Trusts paid out	-	80,070	-
Total deductions	<u>170,772</u>	<u>80,070</u>	<u>-</u>
Balances end of year	\$ <u>36</u>	\$ <u>5,596</u>	\$ <u>104,220</u>

<u>E-911</u>	<u>Emergency Management Services</u>	<u>Fire Districts</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ <u>71,613</u>	\$ <u>9,972</u>	\$ <u>173,929</u>	\$ <u>2,935</u>	\$ <u>716,557</u>	\$ <u>74,995</u>	\$ <u>1,293,284</u>
-	-	183,521	1,370	722,196	75,633	1,367,727
-	-	9,890	111	47,867	5,109	123,717
86,083	-	-	-	-	-	-
-	41,930	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,445	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>88,528</u>	<u>41,930</u>	<u>193,411</u>	<u>1,481</u>	<u>770,063</u>	<u>80,742</u>	<u>1,491,444</u>
-	-	-	-	-	-	-
98,879	39,657	179,900	1,826	742,428	77,715	1,351,805
-	-	-	-	-	-	-
<u>98,879</u>	<u>39,657</u>	<u>179,900</u>	<u>1,826</u>	<u>742,428</u>	<u>77,715</u>	<u>1,351,805</u>
\$ <u>61,262</u>	\$ <u>12,245</u>	\$ <u>187,440</u>	\$ <u>2,590</u>	\$ <u>744,192</u>	\$ <u>78,022</u>	\$ <u>1,432,923</u>

KEOKUK COUNTY, IOWA

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

<u>ASSETS AND LIABILITIES</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Balances beginning of year	\$ <u>6,139,618</u>	\$ <u>311,295</u>	\$ <u>228,381</u>
Additions:			
Property and other County tax	6,370,495	316,629	186,302
State tax credits	416,455	20,756	12,538
E911 surcharge	-	-	-
Emergency management grants	-	-	-
Office fees and collections	-	-	607
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	75
Trusts	-	-	-
Miscellaneous	-	-	-
Total additions	<u>6,786,950</u>	<u>337,385</u>	<u>199,522</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	6,369,324	322,412	195,154
Trusts paid out	-	-	-
Total deductions	<u>6,369,324</u>	<u>322,412</u>	<u>195,154</u>
Balances end of year	\$ <u>6,557,244</u>	\$ <u>326,268</u>	\$ <u>232,749</u>

Schedule 4 - (Continued)

<u>Agriculture Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Total</u>
\$ <u>71,563</u>	\$ <u>207,067</u>	\$ <u>334</u>	\$ <u>6,369</u>	\$ <u>-</u>	\$ <u>9,415,758</u>
76,829	-	-	-	-	9,300,702
3,278	-	-	-	-	639,721
-	-	-	-	-	86,083
-	-	-	-	-	41,030
-	-	-	-	-	171,197
-	2,501,207	-	-	-	2,501,207
-	-	16,038	-	-	16,038
-	323	-	-	-	3,239
-	-	-	74,454	-	156,316
-	-	-	-	66	66
<u>80,107</u>	<u>2,501,530</u>	<u>16,038</u>	<u>74,454</u>	<u>66</u>	<u>12,916,499</u>
-	-	-	-	-	170,772
74,280	2,537,823	13,542	-	64	12,004,809
-	-	-	69,243	-	149,313
<u>74,280</u>	<u>2,537,823</u>	<u>13,542</u>	<u>69,243</u>	<u>64</u>	<u>12,324,894</u>
\$ <u>77,390</u>	\$ <u>170,774</u>	\$ <u>2,830</u>	\$ <u>11,580</u>	\$ <u>2</u>	\$ <u>10,007,363</u>

## KEOKUK COUNTY, IOWA

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

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b><u>REVENUES:</u></b>				
Property and other County tax	\$ 2,911,738	\$ 2,860,621	\$ 2,768,801	\$ 2,758,773
Interest and penalty on property tax	36,550	32,710	33,782	34,431
Intergovernmental	3,843,007	3,589,148	3,738,618	3,745,125
Licenses and permits	19,135	19,973	17,362	17,490
Charges for service	551,125	307,125	234,682	336,720
Use of money and property	128,207	157,683	177,960	178,088
Miscellaneous	225,359	99,450	62,853	49,564
Total	\$ <u>7,715,121</u>	\$ <u>7,066,710</u>	\$ <u>7,034,058</u>	\$ <u>7,120,191</u>
<b><u>EXPENDITURES:</u></b>				
Operating:				
Public safety and legal services	\$ 878,022	\$ 906,641	\$ 808,504	\$ 798,344
Physical health and social services	593,320	616,083	611,624	724,945
Mental health	716,380	662,544	775,723	835,382
County environment and education services	423,759	386,606	370,534	361,958
Roads and transportation	3,414,702	3,162,779	3,009,989	2,946,331
Governmental services to residents	351,041	315,607	272,542	255,619
Administration	391,044	817,056	836,562	766,973
Non-program activities	8,736	-	-	6,922
Debt service	582,291	32,509	7,522	184,800
Capital projects	1,225,509	461,306	517,624	136,411
Total	\$ <u>9,085,707</u>	\$ <u>7,401,138</u>	\$ <u>7,210,624</u>	\$ <u>7,017,685</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Officials of Keokuk County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keokuk County, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect Keokuk County, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keokuk County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
October 27, 2005

Anderson, Larkin & Co. P.C.

KEOKUK COUNTY, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties

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

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

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review

Responses

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – At the end of each day a listing of cash receipts, a fee book report of entered business and cash on hand are balanced or compared by two or more employees. Bank accounts are reconciled promptly by the Deputy Recorder, who does not sign checks except in the absence of the Recorder. Two or more employees are involved in comparing a listing of cash receipts, fee book report of entered business

KEOKUK COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS: (Continued)

Reportable Conditions: (Continued)

I-A-05 Segregation of Duties (Continued)

and actual cash to balance before weekly cash deposits are made. The same practice is used monthly and quarterly to balance at the end of each month and quarter. It should be noted that at the end of the fiscal year, the Recorder's checking account obtains a zero balance as no monies are retained by this office except for \$100 petty cash retained for the cash register. All monies either monthly or quarterly are reported to the County Treasurer or appropriate state or federal agencies. As this office employs a full-time Recorder, a full-time Deputy and a part-time Recording clerk, I feel we have accomplished a segregation of duties to the best of our ability.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have reviewed procedures and made significant changes to improve internal control. We have added one staff position and employees have been assigned daily tasks to improve internal control. We do try to work jointly in as many ways as possible.

Conclusion – Responses accepted.

I-B-05 County Sheriff Bank Reconciliations

Comment – It was noted that bank reconciliations for the Sheriff's fees account were not always being performed each month, but only as time allowed.

Recommendation – Bank accounts should be reconciled each month. Assistance should be obtained if needed.

Response – Bank reconciliations will be done monthly in the future.

Conclusion – Response accepted.

I-C-05 Current Tax Reconciliation

Comment – The County Treasurer was unable to reconcile the current abstract to current tax collections and adjustments for all taxing districts.

Recommendation – The County Treasurer should prepare a current tax reconciliation by taxing district at year end in order to maintain an accurate account of current taxes.

Response – We will prepare a current tax reconciliation by taxing district in the future.

Conclusion – Response accepted.

I-D-05 Nontimely Deposits

Comment – We noted some receipts that were not deposited timely in the Sheriff's office.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum, if daily deposits are not possible.

KEOKUK COUNTY, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS: (Continued)

Reportable Conditions: (Continued)

I-D-05 Nontimely Deposits (Continued)

Response – We will make sure that all receipts are deposited timely.

Conclusion – Response accepted.

I-E-05 Credit Card Usage

Comment – The County had a \$500 spending limit relating to credit card usage that was not followed.

Recommendation – The County should follow its policy or the policy needs to be changed.

Response – The County has discontinued the use of County owned credit cards.

Conclusion – Response accepted.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

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

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the capital projects function.

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

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

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

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

II-E-05 Business Transactions – Except as follows, no business transactions between the County and County officials or employees were noted:

The County conducted business with a spouse of a County employee in the amount of \$1,628 for the year ended June 30, 2005. This appears to represent a conflict of interest in accordance with Code of Iowa Section 331.342.

Recommendation – In accordance with Code of Iowa Section 331.342, transactions which exceed \$1,500 in total for the fiscal year should be entered into through a competitive bid to avoid a potential conflict of interest.

Response – The County has operated for the past several years under the assumption that the limit was \$5,000 and they will adjust their procedures accordingly. Also, the project required immediate attention which the contractor could provide so he was hired.

Conclusion – Response accepted.

KEOKUK COUNTY, IOWA  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2005

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

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

Recommendation – The County should consider surety bond coverage for the County Auditor and Deputy Auditor since they are involved in writing warrants.

Response – We will consider this.

Conclusion – Response accepted

II-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted

Several checks/warrants that are outstanding for more than one year have not been cancelled with the proceeds being remitted to the State.

Recommendation – In regard to this issue, the County should comply with Code of Iowa Section 331.554.

Response – We will do so from now on.

Conclusion – Response accepted.

II-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-J-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

II-K-05 Special Report – On December 1, 2005, the State Auditor's office issued a report as a result of a special investigation of the Keokuk County Information Technology department. The report covered the period of October 14, 2002 through March 14, 2005, and included findings related to their procedures