

WAPELLO COUNTY, IOWA

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

JUNE 30, 2005

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

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WAPELLO COUNTY, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jerry Parker	Board of Supervisors	January 2007
Steve Siegel	Board of Supervisors	January 2008
Mike Peterson	Board of Supervisors	January 2007
Phyllis M. Dean	County Auditor	January 2008
Diane L. Kiefer	County Treasurer	January 2007
Joyce Hass	County Recorder	January 2007
Donald Kirkendall	County Sheriff	January 2008
Mark Tremmel	County Attorney	January 2007
Jon Brinegar	County Assessor	January 2010

Anderson, Larkin & Co. P.C.

INDEPENDENT AUDITOR'S REPORT

To the Officials of Wapello County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wapello 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 Wapello 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wapello 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 report dated October 21, 2005 on our consideration of Wapello 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 7 and 32 through 34 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 Wapello County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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 21, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello 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

- ◆ County governmental funds revenue increased 24%, or approximately \$3,944,706 from 2004 to 2005.
- ◆ County program expenses were 9%, or approximately \$1,337,113, more in 2005 than in 2004.
- ◆ The County's net assets increased 12%, or approximately \$3,198,250, during the year ended 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 government'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 Wapello 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 Wapello 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 Wapello 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 Funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

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, roads and transportation, governmental services to residents, administration, interest on long-term debt and other 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. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. 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 are used to account for the County's internal service 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 drainage districts, 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. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 16,012,482	\$ 16,454,624
Capital assets	<u>24,228,650</u>	<u>20,018,404</u>
Total assets	<u>40,241,132</u>	<u>36,473,028</u>
Long-term debt outstanding	998,897	1,146,200
Other liabilities	<u>8,762,494</u>	<u>8,045,337</u>
Total liabilities	<u>9,761,391</u>	<u>9,191,537</u>
Net assets:		
Invested in capital assets, net of related debt	23,842,396	19,414,172
Restricted	6,348,110	7,049,388
Unrestricted	<u>289,235</u>	<u>817,931</u>
Total net assets	\$ <u>30,479,741</u>	\$ <u>27,281,491</u>

Net assets of the County's governmental activities increased by 12% (\$30,479,741 compared to \$27,281,491). The largest portion of the County's net assets is the Investment in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with resources 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 – decreased from approximately \$817,931 at June 30, 2004 to approximately \$289,235 at the end of this year, a decrease of 65%.

Changes in Net Assets of Governmental Activities

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,047,807	\$ 972,259
Operating grants, contributions and restricted interest	7,856,114	9,344,280
Capital grants, contributions and restricted interest	5,146,501	769,631
General revenues:		
Property and other County tax	4,882,172	4,166,934
Grants and contributions not restricted to specific purposes	102,944	121,608
Unrestricted investment earnings	161,339	117,599
Other general revenues	<u>861,812</u>	<u>621,672</u>
Total revenues	<u>20,058,689</u>	<u>16,113,983</u>
Program expenses:		
Public safety and legal services	3,335,214	3,314,523
Physical health and social services	1,512,366	1,408,777
Mental health	4,041,408	3,644,368
County environment and education	809,936	634,444
Roads and transportation	3,771,636	3,632,798
Governmental services to residents	895,654	441,866
Administration	2,381,114	2,323,639
Non-program	96,504	83,674
Interest on long-term debt	<u>16,607</u>	<u>39,237</u>
Total expenses	<u>16,860,439</u>	<u>15,523,326</u>
Increase in net assets	3,198,250	590,657
Net assets – Beginning of year	<u>27,281,491</u>	<u>26,690,834</u>
Net assets – End of year	\$ <u>30,479,741</u>	\$ <u>27,281,491</u>

The results of governmental activities for the year resulted in Wapello County, Iowa's net assets increasing by \$3,198,250. Revenues for governmental activities increased by \$3,944,706 from the prior year, including increases in capital grants, contributions and restricted interest.

The cost of all governmental activities this year was \$16,860,439 compared to \$15,523,326 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$2,810,017 because some of the cost was paid by those directly benefited from the programs (\$1,047,807) or by other governments and organizations that subsidized certain programs with grants and contributions (\$13,002,615).

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$7,168,526, which is a decrease of \$1,039,099 from last year's total of \$8,207,625.

- General Fund revenues and expenditures increased by 10% and 3% respectively when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$72,465 from \$1,321,543 to \$1,249,078.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$4,051,923, an increase of 11% from the prior year. The Mental Health Fund balance at year end decreased by \$442,833 from the prior year.
- Secondary Roads Fund expenditures decreased by \$298,957 from the prior year. There was a decrease in the Secondary Roads Fund ending balance of \$801,655, or 40%, due to the expenditure of prior year fund balance accumulations for road projects.
- LEC maintenance expenditures increased \$24,739 from the previous year which caused a decrease in its ending fund balance from the prior year of \$107,769 to \$3,493,675.

BUDGETARY HIGHLIGHTS

Over the course of the year, Wapello County amended its budget three times. The first amendment was made on November 30, 2004 and resulted in an increase in budgeted disbursements in certain County departments. The second amendment was made on April 26, 2005. This amendment resulted in an increase in budgeted disbursements in certain County departments. The third amendment was made on May 31, 2005. This amendment resulted in an increase in budgeted disbursements in certain County departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Wapello County, Iowa had \$24,228,650 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net increase (including additions, deletions and depreciation) of \$4,210,246 or 21% more than the prior year. The majority of this increase was due to infrastructure additions.

Capital Assets of Governmental Activities at Year End

	<u>2005</u>	<u>2004</u>
Land	\$ 1,300,742	\$ 1,426,729
Buildings and improvements (net)	14,017,715	14,654,195
Machinery and equipment (net)	2,705,095	2,717,056
Infrastructure (net)	<u>6,205,098</u>	<u>1,220,424</u>
Totals	\$ <u>24,228,650</u>	\$ <u>20,018,404</u>

The year's major additions included:

Infrastructure	\$ 5,136,699	\$ 1,283,740
Replacement of motorgraders and other secondary roads equipment	195,307	399,546
County Sheriff and County Conservation vehicles	28,726	58,023
Other machinery and equipment	<u>29,529</u>	<u>144,178</u>
	\$ <u>5,390,261</u>	\$ <u>1,885,487</u>

The County had depreciation expense of \$1,054,028 and \$956,668 for the years ended June 30, 2005 and 2004, respectively, and total accumulated depreciation as of June 30, 2005 and 2004 of \$20,385,718 and \$22,544,866, respectively.

Long-term Debt

At June 30, 2005, the County had \$998,897 in bonds and other debt compared to approximately \$1,146,200 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	<u>2005</u>	<u>2004</u>
Capital loan notes	\$ 376,500	\$ 611,000
Capital lease purchase agreements	-	6,724
Installment purchase agreement	26,254	52,508
Compensated absences	<u>596,143</u>	<u>475,968</u>
Totals	\$ <u>998,897</u>	\$ <u>1,146,200</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$56,266,234. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Wapello County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2006 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Unemployment in the County now stands at 5.2% versus 5.5% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 5.0%.

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

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are increasing by \$3,2610 above the final 2005 budget. Property taxes and charges for service are expected to make up the majority of this decrease. Budgeted disbursements are expected to decrease by approximately \$1,220,401 compared to the final 2005 budget. Decreases in capital projects represent the largest decrease. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$809,229 by the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Wapello 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 Wapello County Auditor's Office, 101 West Fourth Street, Ottumwa, Iowa.

WAPELLO COUNTY, IOWASTATEMENT OF NET ASSETSJUNE 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and pooled investments	\$ 7,621,312
Cash in escrow	15,000
Receivables:	
Property tax:	
Delinquent	47,697
Succeeding year	7,314,987
Accounts	147,462
Due from other funds	3,108
Due from other governments	579,738
Inventories	283,178
Capital assets (net of accumulated depreciation)	<u>24,228,650</u>
Total assets	<u>40,241,132</u>
<u>LIABILITIES:</u>	
Accounts payable	624,919
Salaries and benefits payable	95,061
Due to other governments	682,108
Deferred revenue:	
Succeeding year property tax	7,314,987
Other	45,419
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	596,143
Capital loan notes	201,500
Installment purchase agreement	26,254
Portion due or payable after one year:	
Capital loan notes	<u>175,000</u>
Total liabilities	<u>9,761,391</u>
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	23,842,396
Restricted for:	
Mental health purposes	(75,440)
Secondary roads purposes	1,191,833
LEC maintenance	3,493,675
Supplemental levy purposes	428,662
Debt service	17,382
Capital projects	907,039
Other purposes	384,959
Unrestricted	<u>289,235</u>
Total net assets	<u>\$ 30,479,741</u>

WAPELLO COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Public safety and legal services	\$ 3,335,214	\$ 270,551	\$ 461,339	\$ -	\$ (2,603,324)
Physical health and social services	1,512,366	143,698	230,702	-	(1,137,966)
Mental health	4,041,408	75,837	3,533,255	-	(432,316)
County environment and education	809,936	60,704	17,023	-	(732,209)
Roads and transportation	3,771,636	14,159	3,261,212	5,132,578	4,636,313
Governmental services to residents	895,654	-	-	-	(895,654)
Administration	2,381,114	482,858	347,583	-	(1,550,673)
Non-program	96,504	-	5,000	-	(91,504)
Interest on long-term debt	16,607	-	-	13,923	(2,684)
Total	\$ 16,860,439	\$ 1,047,807	\$ 7,856,114	\$ 5,146,501	(2,810,017)
GENERAL REVENUES:					
Property and other County tax levied for:					
General purposes					4,567,586
Debt service					195,679
Penalty and interest on property tax					118,907
State tax credits					525,939
Grants and contributions not restricted to specific purpose					102,944
Unrestricted investment earnings					161,339
Miscellaneous					197,232
Sales of general fixed assets					138,641
Total general revenues					6,008,267
CHANGE IN NET ASSETS					3,198,250
NET ASSETS - Beginning of year					27,281,491
NET ASSETS - End of year					\$ 30,479,741

WAPELLO COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>		
		<u>MH-DD</u>	<u>Secondary Roads</u>	<u>LEC Maintenance</u>
Cash and pooled investments	\$ 1,377,588	\$ 498,081	\$ 1,089,846	\$ 3,496,305
Cash in escrow	-	-	-	-
Receivables:				
Property tax:				
Delinquent	29,419	12,864	-	-
Succeeding year	4,511,799	1,972,859	-	-
Accounts	121,281	6,809	70	12,738
Due from other governments	178,051	191	200,946	-
Inventories	-	-	283,178	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>6,218,138</u>	\$ <u>2,490,904</u>	\$ <u>1,574,040</u>	\$ <u>3,509,043</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 120,962	\$ 81,520	\$ 150,694	\$ 14,643
Salaries and benefits payable	53,335	949	33,352	-
Compensated absences	50,213	2,869	27,629	-
Due to other funds	141,721	5,509	42,458	-
Due to other governments	63,281	490,028	128,074	725
Deferred revenue:				
Succeeding year property tax	4,511,799	1,972,859	-	-
Other	27,749	12,510	-	-
Total liabilities	<u>4,969,060</u>	<u>2,566,244</u>	<u>382,207</u>	<u>15,368</u>
 <u>FUND BALANCES:</u>				
Reserved for:				
Debt service	-	-	-	-
Drainage warrants/Drainage improvement certificates	-	-	-	-
Capital projects	-	-	-	-
Supplemental levy purposes	428,662	-	-	-
Unreserved, reported in:				
General fund	820,416	-	-	-
Special revenue funds	-	(75,440)	1,191,833	3,493,675
Total fund balances	<u>1,249,078</u>	<u>(75,440)</u>	<u>1,191,833</u>	<u>3,493,675</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,218,138</u>	\$ <u>2,490,804</u>	\$ <u>1,574,040</u>	\$ <u>3,509,043</u>

Nonmajor Governmental <u>Funds</u>	<u>Total</u>
\$ 1,120,118	\$ 7,581,938
15,000	15,000
5,414	47,697
830,329	7,314,987
6,564	147,462
200,550	579,738
-	283,178
<u>2,177,975</u>	<u>15,970,000</u>
\$ 23,053	\$ 390,872
7,425	95,061
1,265	81,976
1,363	191,051
-	682,108
830,329	7,314,987
5,160	45,119
<u>868,595</u>	<u>8,801,474</u>
17,382	17,382
4,190	4,190
907,039	907,039
-	428,662
-	820,416
380,769	4,990,837
<u>1,309,380</u>	<u>7,168,526</u>
\$ <u>2,177,975</u>	\$ <u>15,970,000</u>

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

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

TOTAL GOVERNMENTAL FUND BALANCES	\$ 7,168,526
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 \$44,614,368 and the accumulated depreciation is \$20,385,718.	24,228,650
The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	(514)
Long-term liabilities, including notes payable, capital leases payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(916,921)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>30,479,741</u>

WAPELLO COUNTY, IOWA

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

	General	Special Revenue		
		MH-DD	Secondary Roads	LEC Maintenance
REVENUES:				
Property and other County tax	\$ 4,299,413	\$ 1,621,273	\$ -	\$ -
Interest and penalty on property tax	118,907	-	-	-
Intergovernmental	1,553,729	1,902,693	2,490,674	-
Licenses and permits	100	-	13,715	-
Charges for service	875,849	75,837	444	-
Use of money and property	161,339	-	-	65,471
Miscellaneous	197,232	9,287	24,147	23,880
Total revenues	<u>7,206,569</u>	<u>3,609,090</u>	<u>2,528,980</u>	<u>89,351</u>
EXPENDITURES:				
Current:				
Public safety and legal services	2,816,762	-	-	197,120
Physical health and social services	1,511,227	-	-	-
Mental health	-	4,051,923	-	-
County environment and education	330,581	-	-	-
Roads and transportation	-	-	3,237,354	-
Governmental services to residents	479,925	-	-	-
Administration	2,160,516	-	-	-
Non-program	96,247	-	-	-
Debt service	-	-	-	-
Capital projects	145,904	-	720,781	-
Total expenditures	<u>7,541,162</u>	<u>4,051,923</u>	<u>3,958,135</u>	<u>197,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(334,593)</u>	<u>(442,833)</u>	<u>(1,429,155)</u>	<u>(107,769)</u>
Other financial sources (uses):				
Sale of capital assets	262,128	-	2,500	-
Operating transfers in	-	-	625,000	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>262,128</u>	<u>-</u>	<u>627,500</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(72,465)</u>	<u>(442,833)</u>	<u>(801,655)</u>	<u>(107,769)</u>
FUND BALANCES - Beginning of year	<u>1,321,543</u>	<u>367,393</u>	<u>1,993,488</u>	<u>3,601,444</u>
FUND BALANCES - End of year	\$ <u>1,249,078</u>	\$ <u>(75,440)</u>	\$ <u>1,191,833</u>	\$ <u>3,493,675</u>

Nonmajor Governmental		
<u>Funds</u>		<u>Total</u>
\$ 1,968,671	\$	7,889,357
-		118,907
75,339		6,022,435
60,203		74,018
21,659		973,789
27,129		253,939
5,000		259,546
<u>2,158,001</u>		<u>15,591,991</u>
78,502		3,092,384
-		1,511,227
-		4,051,923
295,970		626,551
229,119		3,466,473
2,393		482,318
60,592		2,221,108
-		96,247
198,258		198,258
<u>282,544</u>		<u>1,149,229</u>
<u>1,147,378</u>		<u>16,895,718</u>
<u>1,010,623</u>		<u>(1,303,727)</u>
-		264,628
-		625,000
<u>(625,000)</u>		<u>(625,000)</u>
<u>(625,000)</u>		<u>264,628</u>
385,623		(1,039,099)
<u>923,757</u>		<u>8,207,625</u>
\$ <u>1,309,380</u>	\$	<u>7,168,526</u>

Anderson, Larkin & Co. P.C.

WAPELLO 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 \$ (1,039,099)

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. Depreciation expense and gain on sale of fixed assets exceeded capital expenditures in the current year as follows:

Expenditures for capital assets	\$ 1,062,204	
Depreciation expense	(1,54,028)	
Gain on sale	<u>(125,987)</u>	(117,811)

Farm to market funds used to construct infrastructure 4,328,057

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Principal payments paid by the County	267,478
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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 absence	(114,155)
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The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets (less amounts allocated to Agency Funds) of the Internal Service Fund is reported with governmental activities.

<u>(126,220)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 3,198,250

WAPELLO COUNTY, IOWA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

Internal Service -
Wapello County
Employee Health

ASSETS:

Cash and cash equivalents
Due from other funds

\$ 39,374
194,673

TOTAL ASSETS 234,047

LIABILITIES:

Accounts payable

234,047

NET ASSETS:

Unrestricted

\$ -

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

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

	Internal Service - Wapello County <u>Employee Health</u>
<u>OPERATING REVENUES:</u>	
Reimbursements from operating funds	\$ 1,765,335
<u>OPERATING EXPENSES:</u>	
Medical claims	<u>1,895,560</u>
Operating loss	(130,225)
<u>NON-OPERATING REVENUES:</u>	
Interest on investments	<u>1,665</u>
<u>NET LOSS</u>	<u>(128,560)</u>
<u>NET ASSETS</u> - Beginning of year	<u>128,560</u>
<u>NET ASSETS</u> - End of year	\$ <u> -</u>

Anderson, Larkin & Co. P.C.

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

Internal Service -
Wapello County
Employee Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating fund reimbursements	\$ 1,570,662
Cash payments to suppliers for services	<u>(1,836,167)</u>
NET CASH USED IN OPERATING ACTIVITIES	(265,505)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>1,665</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(263,840)

CASH AND CASH EQUIVALENTS - Beginning of year

303,214

CASH AND CASH EQUIVALENTS - End of year

\$ 39,374

RECONCILIATION OF OPERATING LOSS TO NET

CASH USED IN OPERATING ACTIVITIES:

Operating loss	\$ (130,225)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in due from other funds	(194,673)
Increase in accounts payable	<u>59,393</u>
Net cash used in operating activities	\$ <u>(265,505)</u>

WAPELLO COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2005ASSETS

Cash and pooled investments:	
County Treasurer	\$ 1,980,275
Other County officials	96,929
Accounts receivable	42,688
Property tax receivable:	
Delinquent	144,490
Succeeding year	23,096,822
Due from other governments	2,345
Total assets	<u>25,363,549</u>

LIABILITIES

Accounts payable	83,975
Due to other funds	3,622
Due to other governments	25,248,467
Trusts payable	23,443
Compensated absences	4,042
Total liabilities	<u>25,363,549</u>

NET ASSETS \$ -

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wapello 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, Assessor 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, Wapello 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 that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

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

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

The drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Wapello County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Wapello County Auditor's office.

Jointly Governed Organizations - The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Empowerment Board and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the 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.

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 other nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue

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

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

The LEC Maintenance Fund is used to account for local option tax funds received for maintenance of the Law Enforcement Center.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund

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

C Measurement Focus and Basis of Accounting

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

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

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

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

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

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

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 1.5% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the financial statements.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or 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 three years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	25-50
Building improvements	25-50
Infrastructure	15-50
Equipment	5-20
Vehicles	5-15

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 represent 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.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned, retired or used vacation or sick leave within the first 60 days after year end. 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, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

G. Reclassifications

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

NOTE 2: CASH, POOLED INVESTMENTS AND CASH EQUIVALENTS

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.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 2: CASH AND POOLED INVESTMENTS (Continued)

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,070,216 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

NOTE 3: DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Internal Service: Wapello County Employee Health	\$ <u>194,673</u>	General \$ 141,721 Special Revenue: MH-DD 5,509 Secondary Roads 42,458 Rural Services 1,363 Agency: County Assessor <u>3,622</u> \$ <u>194,673</u>

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

NOTE 4: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	\$ <u>625,000</u>	Rural Services	\$ <u>625,000</u>

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

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,426,729	\$ -	\$ (125,987)	\$ 1,300,742
Total capital assets not being depreciated	<u>1,426,729</u>	<u>-</u>	<u>(125,987)</u>	<u>1,300,742</u>
Capital assets being depreciated:				
Buildings	33,854,686	-	(3,036,957)	30,817,729
Machinery and equipment	5,998,115	253,562	(176,219)	6,075,458
Infrastructure	<u>1,283,740</u>	<u>5,136,699</u>	<u>-</u>	<u>6,420,439</u>
Total capital assets being depreciated	<u>41,136,541</u>	<u>5,390,261</u>	<u>(3,213,176)</u>	<u>43,313,626</u>
Less accumulated depreciation for:				
Buildings	19,347,675	489,295	(3,036,957)	16,800,014
Machinery and equipment	3,133,875	12,707	(176,219)	3,370,363
Infrastructure	<u>63,316</u>	<u>152,025</u>	<u>-</u>	<u>215,341</u>
Total accumulated depreciation	<u>22,544,866</u>	<u>1,054,028</u>	<u>(3,213,176)</u>	<u>20,385,718</u>
Total capital assets being depreciated, net	<u>18,591,675</u>	<u>4,336,233</u>	<u>-</u>	<u>22,927,908</u>
Governmental activities capital assets, net	\$ <u>20,018,404</u>	\$ <u>4,336,233</u>	\$ <u>(125,987)</u>	\$ <u>24,228,650</u>

Depreciation expense was charged to functions:

Governmental activities	
Public safety and legal services	\$ 244,244
Physical health and social services	168
Mental health	1,732
County environment and education	27,727
Roads and transportation	421,333
Governmental services to residents	320,593
Administration	<u>38,231</u>
Total depreciation expense – governmental activities	\$ <u>1,054,028</u>

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 63,281
Special Revenue:		
MH-DD	Services	490,028
Secondary roads	Services	128,074
LEC maintenance	Services	725
Total for governmental funds		\$ <u>682,108</u>
Agency:		
Schools	Collections	\$ 11,191,523
Corporations		11,288,522
Area Schools		658,234
Auto License and Use Tax		597,547
Empowerment Board		387,666
County Assessor		354,042
Townships		195,957
Agricultural Extension Education		150,561
E911		284,619
All Other		<u>139,796</u>
Total for agency funds		\$ <u>25,248,467</u>

NOTE 7: CHANGES IN LONG-TERM LIABILITIES

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

	<u>Capital Lease Purchase Agreement</u>	<u>Capital Loan Notes</u>	<u>Installment Purchase Agreement</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 6,724	\$ 611,000	\$ 52,508	\$ 475,968	\$ 1,146,200
Increases (decreases)	(6,724)	(234,500)	(26,254)	120,175	(147,303)
Balance end of year	\$ _____	\$ <u>376,500</u>	\$ <u>26,254</u>	\$ <u>596,143</u>	\$ <u>998,897</u>
Due within one year	\$ _____	\$ <u>201,500</u>	\$ <u>26,254</u>	\$ <u>596,143</u>	\$ <u>823,897</u>

Capital Loan Notes

Wapello County, Iowa issued \$545,000 of capital loan notes on May 5, 2004. The notes carry an interest rate of 2.00% to 2.50% with final maturity on June 1, 2007.

Wapello County, Iowa is one of the ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member County issued \$230,000 General Obligation Capital Loan Notes on May 1, 1991 to the SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. SIADSA is holding cash of \$15,000, which represents the unspent note proceeds, in escrow for Wapello County, Iowa at June 30, 2005.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES (Continued)

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

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>May 5, 2004</u>		
		<u>Tax Exempt Series 2004</u> <u>(Refunding)</u>		
		<u>Principal</u>	<u>Interest</u>	
2006	2.25%	\$ 185,000	\$ 8,538	
2007	2.50%	<u>175,000</u>	<u>4,375</u>	
		<u>\$ 360,000</u>	<u>\$ 12,913</u>	

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>October 31, 1995</u>		
		<u>South Iowa Area Detention</u> <u>Service Agency Capital</u> <u>Loan Notes</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	7.00%	\$ 16,500	\$ 1,155	\$ 201,500
2007		-	-	<u>175,000</u>
		<u>\$ 16,500</u>	<u>\$ 1,155</u>	<u>\$ 376,500</u>

Installment Purchase Agreement

The County entered into an installment purchase agreement on June 1, 2004 to purchase computer equipment. The following is a schedule of installment payments including interest of 3.63% per annum.

<u>Year Ended</u> <u>June 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	3.63%	\$ <u>26,254</u>	\$ <u>952</u>

NOTE 8: 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. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$282,084, \$270,582, and \$257,060, respectively, equal to the required contributions for each year.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RISK MANAGEMENT

Wapello County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were \$170,065.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RISK MANAGEMENT (Continued)

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10: EMPLOYEE HEALTH INSURANCE PLAN

The Wapello County Employee Health Fund (an internal service fund) was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through the purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Wapello County Employee Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Wapello County Employee Health Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$1,765,335.

Amounts payable from the Wapello County Employee Health Fund at June 30, 2005 total \$234,047 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims as of July 1, 2004	\$ 174,654
Incurred claims (including claims incurred but not reported as of June 30, 2005):	
Provision for current-year events where the County has retained risk of loss	1,895,560
Payments:	
Claims attributable to current-year events where the County has retained risk of loss	<u>1,836,167</u>
Unpaid claims as of June 30, 2005	\$ <u>234,047</u>

NOTE 11: DEFICIT FUND BALANCE

The MH-DD Fund had a deficit balance of \$75,440 at June 30, 2005. The deficit will be eliminated upon receipt of state grants.

REQUIRED SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

WAPELLO 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 <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual Variance - Positive (Negative)
		<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other County tax	\$ 7,819,583	\$ 7,955,254	\$ 7,955,224	\$ (135,641)
Interest and penalty on property tax	119,027	92,880	92,880	26,147
Intergovernmental	6,052,573	6,104,583	6,244,887	(192,314)
Licenses and permits	71,447	77,150	222,245	(150,798)
Charges for service	985,918	746,570	760,784	225,134
Use of money and property	234,627	151,159	176,159	58,468
Miscellaneous	261,464	363,700	373,700	(112,236)
Total receipts	<u>15,544,639</u>	<u>15,491,296</u>	<u>15,825,879</u>	<u>(281,240)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	3,089,623	3,179,356	3,302,992	213,369
Physical health and social services	1,509,669	1,418,508	1,642,893	133,224
Mental health	3,855,541	3,846,946	4,086,446	230,902
County environment and education	610,411	648,136	652,041	41,600
Roads and transportation	3,336,405	3,095,961	3,520,961	184,456
Governmental services to residents	534,488	573,726	612,701	78,213
Administration	2,065,486	1,940,553	2,196,689	131,203
Non-program	93,052	97,344	97,344	4,292
Debt service	198,257	222,579	222,579	24,322
Capital projects	1,120,695	1,718,000	1,920,473	799,778
Total disbursements	<u>16,413,760</u>	<u>16,751,109</u>	<u>18,255,119</u>	<u>1,841,359</u>
Deficiency of receipts under disbursements	(869,121)	(1,259,813)	(2,429,240)	(1,560,119)
Other financing sources, net	<u>264,638</u>	<u>19,500</u>	<u>291,740</u>	<u>27,102</u>
Deficiency of receipts and other financing sources under disbursements and other financing uses	(604,483)	(1,240,313)	(2,137,500)	(1,533,017)
<u>BALANCE</u> - Beginning of year	<u>8,187,466</u>	<u>8,091,800</u>	<u>8,216,538</u>	<u>29,072</u>
<u>BALANCE</u> - End of year	\$ <u>7,582,983</u>	\$ <u>6,851,487</u>	\$ <u>6,079,038</u>	\$ <u>(1,503,945)</u>

WAPELLO 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	\$ 15,544,639	\$ 47,352	\$ 15,591,991
Expenditures	<u>16,413,760</u>	<u>481,958</u>	<u>16,895,718</u>
Net	(869,121)	(434,606)	(1,303,727)
Other financing sources (uses)	264,638	(10)	264,628
Beginning fund balance	<u>8,187,466</u>	<u>20,159</u>	<u>8,207,625</u>
Ending fund balance	\$ <u>7,582,983</u>	\$ <u>(414,457)</u>	\$ <u>7,168,526</u>

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2005

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,504,010. These budget amendments are reflected in the final budgeted amounts.

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

OTHER SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

<u>ASSETS</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and pooled investments	\$ 17,353	\$ 311,000	\$ 791,765	\$ 1,120,118
Cash in escrow	-	-	15,000	15,000
Receivables:				
Property tax:				
Delinquent	1,076	4,338	-	5,414
Succeeding year	164,971	665,358	-	830,329
Accounts	-	6,564	-	6,564
Due from other governments	-	100,276	100,276	200,550
TOTAL ASSETS	\$ <u>183,400</u>	\$ <u>1,087,536</u>	\$ <u>907,039</u>	\$ <u>2,177,975</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ -	\$ 23,053	\$ -	\$ 23,053
Salaries and benefits payable	-	7,425	-	7,425
Compensated absences	-	1,265	-	1,265
Due to other funds	-	1,363	-	1,363
Deferred revenue:				
Succeeding year property tax	164,971	665,358	-	830,329
Other	1,047	4,113	-	5,160
Total liabilities	<u>166,018</u>	<u>702,577</u>	<u>-</u>	<u>868,595</u>
 <u>FUND EQUITY:</u>				
Reserved for:				
Debt service	17,382	-	-	17,382
Capital projects	-	-	907,039	907,039
Drainage warrants/Drainage improvement certificates	-	4,190	-	4,190
Unreserved, reported in:				
Special revenue funds	-	380,769	-	380,769
Total fund equity	<u>17,382</u>	<u>384,959</u>	<u>907,039</u>	<u>1,309,380</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>183,400</u>	\$ <u>1,087,536</u>	\$ <u>907,039</u>	\$ <u>2,177,975</u>

WAPELLO COUNTY, IOWA

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

	<u>Debt</u> <u>Service</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Total</u>
REVENUES:				
Property and other County tax	\$ 195,679	\$ 1,236,646	\$ 536,346	\$ 1,968,671
Intergovernmental	13,923	61,416	-	75,339
Licenses and permits	-	60,203	-	60,203
Charges for service	-	21,659	-	21,659
Use of money and property	-	27,129	-	27,129
Miscellaneous	-	5,000	-	5,000
Total revenues	<u>209,602</u>	<u>1,412,053</u>	<u>536,346</u>	<u>2,158,001</u>
EXPENDITURES:				
Operating:				
Public safety and legal services	-	78,502	-	78,502
County environment and education	-	295,970	-	295,970
Roads and transportation	-	229,119	-	229,119
Governmental services to residents	-	2,393	-	2,393
Administration	-	60,592	-	60,592
Debt service	198,258	-	-	198,258
Capital projects	-	161,428	121,116	282,544
Total expenditures	<u>198,258</u>	<u>828,004</u>	<u>121,116</u>	<u>1,147,378</u>
Excess of revenues over expenditures	11,344	584,049	415,230	1,010,623
Other financing uses:				
Operating transfers out	-	(625,000)	-	(625,000)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	11,344	(40,951)	415,230	385,623
FUND BALANCES - Beginning of year,	<u>6,038</u>	<u>425,910</u>	<u>491,809</u>	<u>923,757</u>
FUND BALANCES - End of year	\$ <u>17,382</u>	\$ <u>384,959</u>	\$ <u>907,039</u>	\$ <u>1,309,380</u>

WAPELLO COUNTY, IOWA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>Rural Services</u>	<u>County Recorder's Management</u>	<u>Local Option Tax</u>	<u>REAP Fund</u>
Cash and pooled investments	\$ 74,949	\$ 49,265	\$ 45,025	\$ 110,409
Receivables:				
Property tax:				
Delinquent	4,338	-	-	-
Succeeding year	665,358	-	-	-
Accounts	2,801	2,023	-	220
Due from other governments	<u>50,138</u>	<u>-</u>	<u>50,138</u>	<u>-</u>
TOTAL ASSETS	\$ <u>797,584</u>	\$ <u>51,288</u>	\$ <u>95,163</u>	\$ <u>110,629</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	2,462	\$ 2,296	\$ 18,000	\$ -
Salaries and benefits payable	7,425	-	-	-
Compensated absences	1,265	-	-	-
Due to other funds	1,363	-	-	-
Deferred revenue:				
Succeeding year property tax	665,358	-	-	-
Other	<u>4,113</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>681,986</u>	<u>2,296</u>	<u>18,000</u>	<u>-</u>
 <u>FUND EQUITY:</u>				
Fund balances:				
Reserved for drainage warrants/ Drainage improvement certificates	-	-	-	-
Unreserved	<u>115,598</u>	<u>48,992</u>	<u>77,163</u>	<u>110,629</u>
Total fund equity	<u>115,598</u>	<u>48,992</u>	<u>77,163</u>	<u>110,629</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>797,584</u>	\$ <u>51,288</u>	\$ <u>95,163</u>	\$ <u>110,629</u>

Jail Commissary Fund	Wellness Fund	Drainage Districts	Total
\$ 23,905	\$ 3,257	\$ 4,190	\$ 311,000
-	-	-	4,338
-	-	-	665,358
1,520	-	-	6,564
<u>-</u>	<u>-</u>	<u>-</u>	<u>100,276</u>
\$ <u>25,425</u>	\$ <u>3,257</u>	\$ <u>4,190</u>	\$ <u>1,087,536</u>
\$ 295	\$ -	\$ -	\$ 23,053
-	-	-	7,425
-	-	-	1,265
-	-	-	1,365
-	-	-	665,358
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,113</u>
<u>295</u>	<u>-</u>	<u>-</u>	<u>702,577</u>
-	-	4,190	4,190
<u>25,130</u>	<u>3,257</u>	<u>-</u>	<u>380,769</u>
<u>25,130</u>	<u>3,257</u>	<u>4,190</u>	<u>384,959</u>
\$ <u>25,425</u>	\$ <u>3,257</u>	\$ <u>4,190</u>	\$ <u>1,087,536</u>

Anderson Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

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

	<u>Rural Services</u>	<u>County Recorder's Records Management</u>	<u>Local Option Tax</u>	<u>REAP Fund</u>	<u>Jail Commissary Fund</u>
REVENUES:					
Property and other County tax	\$ 968,471	\$ -	\$ 268,175	\$ -	\$ -
Intergovernmental	46,095	-	-	15,321	-
Licenses and permits	60,203	-	-	-	-
Charges for service	501	21,158	-	-	-
Use of money and property	-	1,290	-	1,702	24,137
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,075,270</u>	<u>22,448</u>	<u>268,175</u>	<u>17,023</u>	<u>24,137</u>
EXPENDITURES:					
Operating:					
Public safety and legal services	64,778	-	-	-	13,724
County environment and education	195,370	-	100,000	-	-
Roads and transportation	229,119	-	-	-	-
Governmental services to residents	2,393	-	-	-	-
Administration	2,594	53,392	-	-	-
Capital projects	2,840	-	154,417	4,171	-
Total expenditures	<u>197,024</u>	<u>53,392</u>	<u>254,417</u>	<u>4,171</u>	<u>13,724</u>
Excess (deficiency) of revenues over (under) expenditures	578,176	(30,944)	13,758	12,852	10,413
Other financing uses:					
Operating transfers out	<u>(625,000)</u>	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(46,824)	(30,944)	13,758	12,852	10,413
FUND BALANCES - Beginning of year	<u>162,422</u>	<u>79,936</u>	<u>63,405</u>	<u>97,777</u>	<u>14,717</u>
FUND BALANCES - End of year	\$ <u>115,598</u>	\$ <u>48,992</u>	\$ <u>77,163</u>	\$ <u>110,629</u>	\$ <u>25,130</u>

Wellness Fund	Drainage Districts	Total
\$ -	\$ -	\$ 1,236,646
-	-	61,416
-	-	60,203
-	-	21,659
-	-	27,129
<u>5,000</u>	<u>-</u>	<u>5,000</u>
<u>5,000</u>	<u>-</u>	<u>1,412,053</u>
-	-	78,502
-	600	295,970
-	-	229,119
-	-	2,393
4,606	-	60,592
-	-	<u>161,428</u>
<u>4,606</u>	<u>600</u>	<u>828,004</u>
394	(600)	(84,049)
<u>-</u>	<u>-</u>	<u>(625,000)</u>
394	(600)	(40,951)
<u>2,863</u>	<u>4,790</u>	<u>425,910</u>
\$ <u>3,257</u>	\$ <u>4,190</u>	\$ <u>384,959</u>

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2005

	<u>South Iowa</u> <u>Area Detention</u>	<u>Bridges</u> <u>and Culverts</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and pooled investments	\$ -	\$ 791,765	\$ 791,765
Cash in escrow	15,000	-	15,000
Due from other governments	<u>-</u>	<u>100,274</u>	<u>100,274</u>
TOTAL ASSETS	\$ <u>15,000</u>	\$ <u>892,039</u>	\$ <u>907,039</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES:</u>			
None			
<u>FUND EQUITY:</u>			
Reserved for:			
Capital projects	\$ <u>15,000</u>	\$ <u>892,039</u>	\$ <u>907,039</u>
Total fund equity	<u>15,000</u>	<u>892,039</u>	<u>907,039</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>15,000</u>	\$ <u>892,039</u>	\$ <u>907,039</u>

WAPELLO COUNTY, IOWA

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

	South Iowa Area Detention Service Agency	Bridges and Culverts	<u>Total</u>
<u>REVENUES:</u>			
Property and other County tax	\$ -	\$ 536,346	\$ 536,346
<u>EXPENDITURES:</u>			
Capital projects	<u>-</u>	<u>121,116</u>	<u>121,116</u>
Excess of revenues over expenditures	-	415,230	415,230
<u>FUND BALANCES</u> - Beginning of year	<u>15,000</u>	<u>476,809</u>	<u>491,809</u>
<u>FUND BALANCES</u> - End of year	\$ <u>15,000</u>	\$ <u>892,039</u>	\$ <u>907,039</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2005

	County Offices	
	County Recorder	County Sheriff
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ -	\$ -
Other County officials	74,531	22,398
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	-
Succeeding year	-	-
Due from other governments	-	-
TOTAL ASSETS	\$ <u>74,531</u>	\$ <u>22,398</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Due to other governments	74,531	-
Trusts payable	-	22,398
Compensated absences	-	-
TOTAL LIABILITIES	\$ <u>74,531</u>	\$ <u>22,398</u>

<u>E911</u>	<u>Empowerment Board</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>
\$ 245,318	\$ 465,880	\$ 6,268	\$ 71	\$ 237,886	\$ 3,557	\$ 244,545
-	-	-	-	-	-	-
42,688	-	-	-	-	-	-
-	-	-	19	66,143	1,246	70,916
-	-	-	2,935	10,984,493	191,154	10,876,062
<u>2,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>290,351</u>	\$ <u>465,880</u>	\$ <u>6,268</u>	\$ <u>3,025</u>	\$ <u>11,288,522</u>	\$ <u>195,957</u>	\$ <u>11,191,523</u>
\$ 5,732	\$ 78,214	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
284,619	387,666	6,268	3,025	11,288,522	195,957	11,191,523
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>290,351</u>	\$ <u>465,880</u>	\$ <u>6,268</u>	\$ <u>3,025</u>	\$ <u>11,288,522</u>	\$ <u>195,957</u>	\$ <u>11,191,523</u>

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

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

<u>ASSETS</u>	<u>Area Schools</u>	<u>County Conservation Trust</u>
Cash and pooled investments:		
County Treasurer	\$ 12,489	\$ 1,045
Other County officials	-	-
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	3,538	-
Succeeding year	54,187	-
Due from other governments	-	-
	<u>658,234</u>	<u>1,045</u>
TOTAL ASSETS	\$ <u>658,234</u>	\$ <u>1,045</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Due to other governments	658,234	-
Trusts payable	-	1,045
Compensated absences	-	-
	<u>658,234</u>	<u>1,045</u>
TOTAL LIABILITIES	\$ <u>658,234</u>	\$ <u>1,045</u>

Anderson, Larkin & Co. P.C.

<u>County Assessor</u>	<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Redemption</u>	<u>Total</u>
\$ 106,344	\$ 3,353	\$ 597,547	\$ 3,567	\$ 51,669	\$ 736	\$ 1,980,275
-	-	-	-	-	-	96,929
-	-	-	-	-	-	42,688
1,654	954	-	-	-	-	144,490
253,737	146,254	-	-	-	-	23,096,822
-	-	-	-	-	-	2,345
<u>\$ 361,735</u>	<u>\$ 150,561</u>	<u>\$ 597,547</u>	<u>\$ 3,567</u>	<u>\$ 51,669</u>	<u>\$ 736</u>	<u>\$ 25,363,549</u>
\$ 29	\$ -	\$ -	\$ -	\$ -	-	\$ 83,975
3,622	-	-	-	-	-	3,622
354,042	150,561	597,547	3,567	51,669	736	25,248,467
-	-	-	-	-	-	23,443
4,042	-	-	-	-	-	4,042
<u>\$ 361,735</u>	<u>\$ 150,561</u>	<u>\$ 597,547</u>	<u>\$ 3,567</u>	<u>\$ 51,669</u>	<u>\$ 736</u>	<u>\$ 25,363,549</u>

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

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

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
<u>ASSETS AND LIABILITIES</u>		
Balances beginning of year	\$ <u>67,637</u>	\$ <u>25,838</u>
Additions:		
Property and other County tax	-	-
E911 surcharge	-	-
State tax credits	-	-
Reimbursements	-	-
Office fees and collections	362,859	-
Auto licenses, use tax and postage	46,345	-
Assessments	-	-
Trusts	-	757,133
Miscellaneous	292	45
Total additions	<u>409,496</u>	<u>757,178</u>
Deductions:		
Agency remittances:		
To other funds	209,353	-
To other governments	193,249	-
Trusts paid out	-	760,618
Total deductions	<u>402,602</u>	<u>760,618</u>
Balances end of year	\$ <u>74,531</u>	\$ <u>22,398</u>

Anderson, Larkin & Co. P.C.

<u>E911</u>	<u>Empowerment Board</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>
\$ <u>219,381</u>	\$ <u>395,400</u>	\$ <u>15,064</u>	\$ <u>3,002</u>	\$ <u>10,171,625</u>	\$ <u>168,946</u>	\$ <u>11,039,081</u>
-	-	-	2,910	11,266,685	199,486	10,653,669
172,391	-	-	-	-	-	-
-	-	-	210	718,497	11,350	761,165
7,604	554,808	26,908	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,555	-	-	-	-	-	-
<u>182,550</u>	<u>554,808</u>	<u>26,908</u>	<u>3,120</u>	<u>11,985,182</u>	<u>210,816</u>	<u>11,414,834</u>
-	-	-	-	-	-	-
111,580	484,328	35,704	3,097	10,868,285	183,805	11,262,392
-	-	-	-	-	-	-
<u>111,580</u>	<u>484,328</u>	<u>35,704</u>	<u>3,097</u>	<u>10,868,285</u>	<u>183,805</u>	<u>11,262,392</u>
\$ <u>290,351</u>	\$ <u>465,880</u>	\$ <u>6,268</u>	\$ <u>3,025</u>	\$ <u>11,288,522</u>	\$ <u>195,957</u>	\$ <u>11,191,523</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2005

<u>ASSETS AND LIABILITIES</u>	<u>Area Schools</u>	<u>County Conservation Trust</u>	<u>County Assessor</u>
Balances beginning of year	\$ <u>565,873</u>	\$ <u>1,045</u>	\$ <u>276,379</u>
Additions:			
Property and other County tax	705,231	-	253,485
E911 surcharge	-	-	-
State tax credits	38,837	-	12,618
Reimbursements	-	-	-
Office fees and collections	-	-	2,590
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	334
Total additions	<u>744,068</u>	<u>-</u>	<u>269,027</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	651,707	-	183,671
Trusts paid out	-	-	-
Total deductions	<u>651,707</u>	<u>-</u>	<u>183,671</u>
Balances end of year	\$ <u>658,234</u>	\$ <u>1,045</u>	\$ <u>361,735</u>

Anderson, Larkin & Co. P.C.

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Special Assess- ments</u>	<u>Advance Tax</u>	<u>Tax Redemption</u>	<u>Partial Payment Fund</u>	<u>Total</u>
\$ <u>151,774</u>	\$ <u>610,315</u>	\$ <u>8,291</u>	\$ <u>49,093</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>23,768,744</u>
145,640	-	-	51,501	-	-	23,278,607
-	-	-	-	-	-	172,391
10,426	-	-	-	-	-	1,553,083
-	-	-	-	-	-	589,320
-	-	-	-	-	-	365,449
-	7,032,910	-	-	-	-	7,079,255
-	-	48,330	-	-	-	48,330
-	-	-	-	-	-	757,133
-	-	-	-	644,255	6,010	653,491
<u>156,066</u>	<u>7,032,910</u>	<u>48,330</u>	<u>51,501</u>	<u>644,255</u>	<u>6,010</u>	<u>34,497,059</u>
-	244,030	-	-	-	-	453,383
157,279	6,801,648	53,054	48,925	643,519	6,010	31,688,253
-	-	-	-	-	-	760,618
<u>157,279</u>	<u>7,045,678</u>	<u>53,054</u>	<u>48,925</u>	<u>643,519</u>	<u>6,010</u>	<u>32,902,254</u>
\$ <u>150,561</u>	\$ <u>597,547</u>	\$ <u>3,567</u>	\$ <u>51,669</u>	\$ <u>736</u>	\$ <u>-</u>	\$ <u>25,363,549</u>

WAPELLO 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>
<u>REVENUES:</u>				
Property and other County tax	\$ 7,889,357	\$ 7,412,239	\$ 10,199,466	\$ 9,150,343
Interest and penalty on property tax	118,907	123,785	157,709	120,098
Intergovernmental	6,022,435	6,373,929	6,000,077	7,580,798
Licenses and permits	74,018	66,950	39,421	30,678
Charges for service	973,789	905,309	793,614	776,478
Use of money and property	253,939	156,225	230,871	419,412
Miscellaneous	259,546	1,088,472	736,661	108,768
Total	\$ <u>15,591,991</u>	\$ <u>16,126,909</u>	\$ <u>18,157,819</u>	\$ <u>18,186,575</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	\$ 3,092,384	\$ 3,160,480	\$ 2,931,276	\$ 2,763,191
Physical health and social services	1,511,227	1,411,784	773,088	1,323,502
Mental health	4,051,923	3,648,067	4,104,385	4,261,011
County environment and education	626,551	513,364	953,145	352,849
Roads and transportation	3,461,473	3,475,049	3,502,397	3,295,433
Governmental services to residents	482,318	537,526	494,685	508,092
Administration	2,221,108	2,022,641	2,053,950	1,901,496
Non-program	96,247	83,210	80,668	82,499
Debt service	198,258	751,945	720,396	4,736,743
Capital projects	1,149,229	1,171,399	742,740	2,785,533
Total	\$ <u>16,895,718</u>	\$ <u>16,775,465</u>	\$ <u>16,356,730</u>	\$ <u>22,010,349</u>

WAPELLO COUNTY, IOWASCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<u>GRANTOR/PROGRAM:</u>	<u>CFDA</u> <u>Number</u>	<u>Agency or Pass-</u> <u>Through Number</u>	<u>Program</u> <u>Expenditures</u>
<u>INDIRECT:</u>			
<u>United States Department of Justice :</u>			
Iowa Department of Justice:			
Crime Victim Assistance	16 575	VA-05-64	\$ <u>24,200</u> ✓
Iowa Department of Public Safety:			
Governor's Alliance on Substance Abuse:			
Violence Against Women Formula Grants	16 588	VW-05-04	<u>24,522</u> ✓
<u>United States Department of Agriculture :</u>			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administration Matching Grants for			
Food Stamp Program	10 561		<u>20,840</u> ✓
<u>United States Department of Education :</u>			
Iowa Department of Education:			
Vocational Rehabilitation Services Division:			
Rehabilitation Services - Vocational			
Rehabilitation Grants to States	84 126	04-CPSE-18	<u>3,707</u> ✓
<u>United States Department of Health and Human Services :</u>			
Iowa Department of Public Health:			
Immunization Grants	93 268	58851460	<u>4,229</u> ✓
Preparedness and Response for Bioterrorism	93 283		<u>37,050</u> ✓
Iowa Department of Human Services:			
Child Support Enforcement	93 563		<u>321,885</u> ✓
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93 558		<u>28,420</u> ✓
Refugee and Entrant Assistance - State			
Administered Programs	93 566		<u>56</u> ✓
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93 596		<u>5,295</u> ✓
Foster Care - Title IV - E	93 658		<u>14,398</u> ✓

WAPELLO COUNTY, IOWA

Schedule 10
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<u>GRANTOR/PROGRAM:</u>	<u>CFDA</u> <u>Number</u>	<u>Agency or Pass-</u> <u>Through Number</u>	<u>Program</u> <u>Expenditures</u>
<u>INDIRECT: (Continued)</u>			
<u>United States Department of Health and Human Services:</u>			
(Continued)			
Iowa Department of Human Services: (Continued)			
Human Services Administrative Reimbursements:			
(Continued)			
Adoption Assistance	93 659		\$ <u>3,355</u>
Medical Assistance Program	93 778		<u>30,318</u>
Social Services Block Grant	93 667		<u>246,464</u>
<u>Federal Emergency Management Agency:</u>			
Public Assistance Grants	83 544		<u>15,611</u>
Total			\$ <u>780,350</u>

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

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

To the Officials of Wapello County, Iowa:

We have audited the accompanying financial statements of the government activities, each major fund, and the remaining aggregate fund information of Wapello 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 21, 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 Wapello 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 Wapello 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 05-II-A is a material weakness. Prior year reportable conditions have been resolved except for item 05-II-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello 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 statements 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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 Wapello County, Iowa and other parties to whom Wapello County, Iowa 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 Wapello 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 21, 2005

Anderson, Larkin & Co. P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Officials of Wapello County, Iowa:

Compliance

We have audited the compliance of Wapello County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Wapello County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Wapello County, Iowa's management. Our responsibility is to express an opinion on Wapello County, Iowa's compliance based on our audit.

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

In our opinion, Wapello County, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 non-compliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wapello County, Iowa and other parties to whom Wapello County, Iowa 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

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
October 21, 2005

Anderson, Larkin & Co. P.C.

WAPELLO COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- a. An unqualified opinion was issued on the financial statements
- b. Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major program was as follows:
 - CFDA Number 93.563 – Child Support Enforcement
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Wapello County, Iowa qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS

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

There are no requirements that passwords be changed periodically.

There are no requirements that only licensed software is installed on County computers.

Recommendation – The County should address the above items to improve its control over computer based systems.

Response – We continue to address this area and additional changes are forthcoming.

Conclusion – Response accepted.

WAPELLO COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

REPORTABLE CONDITIONS: (Continued)

05-II-B Capital Asset Deletions – During our review of capital assets, it was determined that the County does not have a written policy regarding the deletion of capital assets.

Recommendation – The County should adopt a policy that includes who has authority to delete an asset, when this can be done and what documentation should be maintained relating to the deletion

Response – We will consider adopting a policy for capital asset deletions

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

No findings under this section.

Part IV: Other Findings Related to Required Statutory Reporting

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

05-IV-B Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

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

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

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

05-IV-F Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

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

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

05-IV-I 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).

WAPELLO COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

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

05-IV-J 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

05-IV-K Financial Condition – The MH-DD Fund had a deficit balance at June 30, 2005 of \$75,440

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We are aware of the deficit and will take steps to correct it, if possible

Conclusion – Response accepted

Anderson, Larkin & Co. P.C.