

ALLAMAKEE COUNTY
Waukon, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2006

ALLAMAKEE COUNTY
Waukon, Iowa

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ALLAMAKEE COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathy Campbell	Board of Supervisors	Jan 2009
William Clark.....	Board of Supervisors	Jan 2007
Lennie Burke.....	Board of Supervisors	Jan 2009
Mary O’Neill.....	County Auditor.....	Jan 2007
Lori Hesse	County Treasurer	Jan 2009
Deb Winke	County Recorder.....	Jan 2009
Tim Heiderscheid.....	County Sheriff	Jan 2007
William Shafer	County Attorney.....	Jan 2009
Ann Burckart.....	County Assessor.....	Appointed



Independent Auditors' Report

To the Officials of Allamakee County
Waukon, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allamakee County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Allamakee County at June 30, 2006, 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 the *Government Auditing Standards*, we have also issued our report dated November 21, 2006 on our consideration of Allamakee County'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 4-9 and 33-35 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 Allamakee County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions for fiscal 2005 and fiscal 2004, and a qualified opinion for fiscal 2003, due to the lack of fixed asset records and material and supplies inventories pertaining to special revenue funds. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

November 21, 2006

Garthner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Allamakee County provides this Management Discussion and Analysis of the Allamakee County FY2005-2006 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped that this section will assist you in understanding the events that significantly affected the financial position of Allamakee County as a whole.

This is the third year that Allamakee County is required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. A comprehensive comparison to fiscal year 2004-2005 is included.

2006 FINANCIAL HIGHLIGHTS

- Allamakee County governmental funds revenue increased by \$927,808, or 10% compared to FY2005. Taxes levied on property and other County tax increased \$29,303, or less than 1%, from FY2005.
- Allamakee County program expenditures increased \$1,342,193, or 14%, compared to FY2005. Capital project expenditures were \$265,424 less than in FY2005.
- Allamakee County's net assets increased approximately \$3.3 million from 2005.

USING THIS REPORT

This report consists of four parts: management's discussion and analysis (this section), the basic financial statements and required and other supplementary information. The financial statements include two kinds of statements that present different views of Allamakee County.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about Allamakee County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Allamakee County, reporting Allamakee County's operations in more detail than the government-wide financial statements.
- The governmental funds statements explain how basic services, such as mental health and secondary road maintenance and construction, were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about financial relationships which Allamakee County acts solely as a trustee or agent to benefit others. Examples of these funds include the E911, Emergency Management Services, and other agency funds for collecting and distributing taxes to schools, cities, and other taxing authorities.

The financial statements also include notes to explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of Allamakee County's budget for FY2006. Other supplementary information provides detailed information about the non-major special revenue funds and agency funds.

REPORTING THE COUNTY AS A WHOLE

The government-wide financial statements report information about Allamakee County as a whole using accounting methods similar to those used in private-sector companies. The Statement of Net Assets includes all of Allamakee County's assets and liabilities. All the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when the cash was received or paid.

The two government-wide financial statements report Allamakee County's net assets and how they have changed. Net assets - the difference between Allamakee County's assets and liabilities - are one way to measure Allamakee County's financial health or position.

- Over time, increases or decreases in Allamakee County's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess Allamakee County's overall financial health, you need to consider Allamakee County's property tax base and the condition of its buildings and other facilities.

In the government-wide financial statements, Allamakee County's governmental activities are reported:

- Governmental activities: Allamakee County's basic services are included here, including public safety and legal services, physical health and social services, mental health, mental retardation, and developmental disabilities, county environment and education, roads and transportation, governmental services to residents, administration, and non-program activities.

Fund Financial Statements

The fund financial statements provide more detailed information about Allamakee County's funds, focusing on its most significant or "major" funds - not Allamakee County as a whole. Funds are accounting devices Allamakee County uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and bond covenants.
- Allamakee County establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues such as federal grants.

Allamakee County has three types of funds:

- 1) Governmental Funds: Most of Allamakee County's basic services are included in governmental funds, which generally focus on: 1) How cash and other financial assets can readily be converted to cash flow in and out. 2) The balances left over at year-end that are available to provide spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine if there are more or fewer financial resources that can be spent in the near future to finance Allamakee County's programs. Because this information does not encompass the additional long term focus of government-wide financial statements, additional information on Exhibit D and Exhibit F explain the relationship or differences between the two statements. Allamakee County's governmental funds include the General Fund and Special Revenue Funds.
- 2) Proprietary Funds: Proprietary Funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.
- 3) Fiduciary Funds: Allamakee County is the trustee, or fiduciary, for assets that belong to others, such as, Emergency Management Services, County Assessor, E911, and the agency funds necessary to collect and distribute property taxes to schools, cities, and all other taxing authorities. Allamakee County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Allamakee County excludes these activities from the government-wide financial statements because the County cannot use these assets to finance its operations. Fiduciary funds report a liability due to other governments and, therefore, the fiduciary funds do not report a fund balance.

ALLAMAKEE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Allamakee County's net assets for FY2006 totaled \$19,674,336. Net assets on June 30, 2005 were \$16,377,618. Net assets increased 20% as a result of FY2006 Allamakee County operations. \$3,996,586 of the increase is attributed to assets paid for from the state farm to market road fund which are not funds that flow through the County budget.

Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)		
	2006	2005
Current and Other Assets	\$9,003	\$9,243
Capital Assets	15,776	11,545
Total Assets	24,779	20,788
Long-term Debt (Compensated Absences)	335	143
Other Liabilities	4,770	4,267
Total Liabilities	5,105	4,410
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,776	11,545
Restricted	1,551	2,497
Unrestricted	2,347	2,336
Total Net Assets	\$19,674	\$16,378

Net assets increased by \$3.3 million compared to FY2005. The largest portion of Allamakee County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they may 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, legislation, or other legal requirements - is \$2.35 million.

Changes In Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)		
	2006	2005
Revenues:		
Program Revenues:		
Charges for Service	\$615	\$723
Operating Grants and Contributions	3,004	3,364
Capital Grants and Contributions	4,616	4,423
General Revenues:		
Property Tax	4,153	4,090
Penalty and Interest on Property Taxes	52	54
State Tax Credits	238	215
Local Option Sales Tax	220	253
Unrestricted Investment Earnings	215	146
Loss on Sale of Capital Assets	(43)	0
Miscellaneous	965	103
Total Revenues	\$14,035	\$13,371

	2006	2005
Program Expenses:		
Public Safety and Legal Services	\$1,179	\$1,097
Physical Health and Social Services	534	578
Mental Health	1,661	1,561
County Environment and Education	2,018	692
Roads and Transportation	4,125	3,887
Governmental Services to Residents	430	350
Administration	731	796
Nonprogram	60	79
Total Expenses	<u>10,738</u>	<u>9,040</u>
 Increase in Net Assets	 3,297	 4,331
 Net Assets July 1, 2005	 <u>16,377</u>	 <u>12,046</u>
 Net Assets June 30, 2006	 <u><u>\$19,674</u></u>	 <u><u>\$16,377</u></u>

Allamakee County increased property tax rates by \$.36965 per \$1,000 of valuation in the rural levy and increased property tax rates by .10 per \$1,000 of valuation in the county-wide levy.

Governmental Activities

As stated earlier, this is the 3rd year Allamakee County is required to prepare financial statements on a full accrual basis.

- Revenues for governmental activities were \$10,115,635 while expenses amounted to \$10,846,570. In a difficult budgeting year, Allamakee County was not able to keep expenses under available revenues.
- The local option tax sales tax revenue totaled \$220,325. Allamakee County uses 33% of the sales tax revenue to township financial responsibilities, 22% property tax relief (rural services), 25% E911 signs and equipment, and 20% construction and/or repair secondary roads.
- The cost of all governmental activities this year was \$10,738,231.
- The portion of the cost financed by users of Allamakee County programs was \$615,537.
- The federal and state government and private contributors subsidized certain programs with operating grants and contributions totaling \$3,004,466 and capital grants of \$4,615,292, which is farm to market funding that was used for road resurfacing projects whose expenditures were capitalized and depreciated. These funds did not flow through the county.
- The net cost portion of governmental activities was financed with property tax of \$4,151,580, \$220,325 of local option sales tax, and \$215,128 of unrestricted investment earnings. Miscellaneous revenue totaled \$965,737. Governmental activities revenues exceeded expenses by \$3,296,718.

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

As previously noted, Allamakee County uses fund accounting to ensure and demonstrate compliance with finance-related requirements

The financial performance of Allamakee County as a whole is reflected in its governmental funds as well. As Allamakee County completed the year, its governmental funds reported combined fund balances of \$4,229,503, 14% below last year's balance of \$4,965,179, having paid over \$694,131 for road construction.

General Fund

Total dollars from property tax revenue increased 1%. It is estimated the increase is due to the increased levy rates. Several state grants and other state funding were reduced, however Intergovernmental revenue was increased by 223% or \$559,337, primarily reimbursements for the TASC project.

Permits and charges for service revenue remained virtually the same. Interest revenue increases caused the increase in the Use of Money and Property.

Total expenditures and uses increased by 46%, or \$1,498,942, compared to FY2005. This increase was due primarily to the TASC project construction cost and administration.

Mental Health Fund

The Allamakee County Mental Health Fund balance was 22% of the FY2005 expenditures on June 30, 2006. During FY2006, revenues decreased 27% and expenditures increased by 6%. Allamakee County's ending fund balance for FY2006, expressed as a percent of total expenditures, is 21%. Allamakee County should qualify for 100% distribution of growth and community services allocation dollars by meeting the criteria of levying at 100% of maximum levy allowed.

Rural Services Fund

There was a 13% increase in revenues and no significant changes in expenditures or ending fund balance in the Rural Services Fund in fiscal 2006.

Secondary Roads Fund

Secondary Roads Fund revenue decreased by 8% or \$243,214. Transfers in stayed at \$1,000,000. Road use tax revenue decreased about \$232,043 or 8%.

Secondary Roads Fund expenditures decreased approximately \$215,189 or 4% overall. The decrease was in the general roadway expenses and capital projects.

Total ending fund balance compared to total uses decreased to 21% in FY2005 from 27% in FY2005.

BUDGETARY HIGHLIGHTS

A budget amendment on May 22, 2006 resulted in the following changes:

- Increased revenue by \$921,554.
- Major expenditure increases in the County Environment and Education Area (\$1,185,468).

CAPITAL ASSETS

Allamakee County concluded FY2005 with \$15,890,679 invested in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, and roads and bridges. GASB 34 required the addition of infrastructure assets and required depreciation of all capital assets.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)	2006	2005
Land	\$845	\$845
Buildings	1,647	1,566
Improvements Other Than Buildings	199	199
Machinery	4,025	4,051
Vehicles	1,881	1,957
Infrastructure	11,945	7,271
	<u>\$20,542</u>	<u>\$15,889</u>
This Year's Major Additions Include		
Capital Assets Contributed by the		
Iowa Department of Transportation	\$3,997	\$4,128
Secondary Road Machinery	370	130
County Vehicles	43	182
	<u>\$4,410</u>	<u>\$4,440</u>

The county had depreciation expense of \$881,440 in FY06 and total accumulated depreciation of \$4,766,442 at June 30, 2006.

The county's fiscal year 2006 capital budget included \$900,000 of which \$694,131 was used for county roads and bridges.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The county begins the 2007 fiscal year with a balance of 25% when compared to expected expenditures. This balance is possible because departments have been fiscally responsible. The budgeted ending cash balance for FY2007 is \$1.3 million less than the actual cash balance for FY2006. This is due to increased expenses FY2007 including CDBG grant and legislative mandated new election equipment.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the county's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 110 Allamakee St., Waukon, Iowa 52172.

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF NET ASSETS
June 30, 2006**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$4,235,431
Receivables:	
Property Tax:	
Delinquent	1,770
Succeeding Year	4,130,289
Interest & Penalty On Property Tax	152
Accounts	22,247
Accrued Interest	21,385
Due From Other Governments	229,233
Notes Receivable	126,576
Inventories	221,257
Prepaid Insurance	15,516
Capital Assets (Net of Accumulated Depreciation)	15,775,668
TOTAL ASSETS	24,779,524
LIABILITIES	
Accounts Payable	281,754
Salaries & Benefits Payable	36,130
Due to Other Governments	195,750
Deferred Revenue:	
Succeeding Year Property Tax	4,130,289
Other	126,576
Long Term Liabilities	
Portion Due Or Payable Within One Year:	
Compensated Absences	334,689
TOTAL LIABILITIES	5,105,188
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	15,775,668
Restricted For:	
Mental Health Purposes	352,408
Secondary Roads Purposes	679,236
Other Purposes	520,051
Unrestricted	2,346,973
TOTAL NET ASSETS	\$19,674,336

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes In Net Assets
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety & Legal Services	\$1,179,110	\$109,728	\$13,609	\$ 0	\$(1,055,773)
Physical Health & Social Services	533,858	35,736	25,994	0	(472,128)
Mental Health	1,661,246	141,869	558,957	0	(960,420)
County Environment & Education	2,017,124	54,691	5,064	618,706	(1,338,663)
Roads & Transportation	4,124,710	16,859	2,400,842	3,996,586	2,289,577
Governmental Services to Residents	430,065	224,259	0	0	(205,806)
Administration	731,988	11,933	0	0	(720,055)
Nonprogram	60,130	20,462	0	0	(39,668)
	<u>\$10,738,231</u>	<u>\$615,537</u>	<u>\$3,004,466</u>	<u>\$4,615,292</u>	<u>(2,502,936)</u>

GENERAL REVENUES:

Property and Other County Tax Levied For:	
General Purposes	4,151,580
Penalty & Interest on Property Tax	52,497
State Tax Credits	237,718
Local Option Sales Tax	220,325
Unrestricted Investment Earnings	215,128
Miscellaneous	965,737
Loss on Disposal of Capital Assets	(43,331)
TOTAL GENERAL REVENUES	<u>5,799,654</u>

CHANGE IN NET ASSETS 3,296,718

NET ASSETS BEGINNING OF YEAR 16,377,618

NET ASSETS END OF YEAR \$19,674,336

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$2,449,475	\$582,419	\$198,190
Receivables:			
Property Tax:			
Delinquent	1,139	313	318
Succeeding Year	2,402,320	661,795	1,066,174
Interest & Penalty on Property Tax	152	0	0
Accounts	20,935	990	0
Notes	9,879	0	0
Accrued Interest	21,009	0	0
Due From Other Funds	8,100	0	0
Due From Other Governments	9,735	2,384	10,791
Inventories	0	0	0
Prepaid Insurance	12,166	0	0
TOTAL ASSETS	\$4,934,910	\$1,247,901	\$1,275,473
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$22,237	\$40,497	\$10,902
Salaries & Benefits Payable	11,632	1,477	566
Due To Other Governments	3,663	191,723	0
Deferred Revenue:			
Succeeding Year Property Tax	2,402,320	661,795	1,066,174
Other	12,807	608	318
Total Liabilities	2,452,659	896,100	1,077,960
Fund Balances			
Reserved For:			
Inventories	0	0	0
Unreserved, Reported In:			
General Fund	2,482,251	0	0
Special Revenue Funds	0	351,801	197,513
Total Fund Balances	2,482,251	351,801	197,513
TOTAL LIABILITIES & FUND BALANCES	\$4,934,910	\$1,247,901	\$1,275,473

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u> Secondary Roads	Nonmajor Special Revenue	Total
\$682,448	\$314,799	\$4,227,331
0	0	1,770
0	0	4,130,289
0	0	152
0	322	22,247
0	116,697	126,576
0	376	21,385
0	0	8,100
198,532	7,791	229,233
221,257	0	221,257
3,350	0	15,516
<u>\$1,105,587</u>	<u>\$439,985</u>	<u>\$9,003,856</u>
\$207,412	\$706	\$281,754
22,455	0	36,130
320	44	195,750
0	0	4,130,289
0	116,697	130,430
<u>230,187</u>	<u>117,447</u>	<u>4,774,353</u>
221,257	0	221,257
0	0	2,482,251
654,143	322,538	1,525,995
<u>875,400</u>	<u>322,538</u>	<u>4,229,503</u>
<u>\$1,105,587</u>	<u>\$439,985</u>	<u>\$9,003,856</u>

**ALLAMAKEE COUNTY
Waukon, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2006**

Total Governmental Fund Balances (page 12-13 Exhibit C)	\$4,229,503
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$20,542,109 and the accumulated depreciation is \$4,766,441.	15,775,668
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,854
Long-term liabilities, including compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(334,689)</u>
Net Assets of Governmental Activities (page 11 Exhibit A)	<u><u>\$19,674,336</u></u>

See Notes to Financial Statements.

ALLAMAKEE COUNTY
Waukon, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$2,489,324	\$610,628	\$1,167,451
Interest & Penalty on Property Tax	52,497	0	0
Intergovernmental	809,814	709,048	61,160
Licenses & Permits	43,817	0	0
Charges for Services	311,371	26,574	10,737
Use of Money & Property	251,561	0	0
Miscellaneous	929,949	40	0
Total Revenues	<u>4,888,333</u>	<u>1,346,290</u>	<u>1,239,348</u>
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,142,122	0	0
Physical Health & Social Services	494,094	0	0
Mental Health	0	1,655,661	0
County Environment & Education	1,670,789	0	294,957
Roads & Transportation	147,349	0	0
Governmental Services to Residents	403,899	0	0
Administrative Services	816,188	0	0
Nonprogram	39,195	0	0
Capital Projects	0	0	0
Total Expenditures	<u>4,713,636</u>	<u>1,655,661</u>	<u>294,957</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>174,697</u>	<u>(309,371)</u>	<u>944,391</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	4,790	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(105,514)	0	(903,536)
Total Other Financing Sources (Uses)	<u>(100,724)</u>	<u>0</u>	<u>(903,536)</u>
Net Change in Fund Balances	73,973	(309,371)	40,855
Fund Balances – Beginning of Year	2,408,278	661,172	156,658
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	<u>\$2,482,251</u>	<u>\$351,801</u>	<u>\$197,513</u>

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u> Secondary Roads	Nonmajor Special Revenue	Total
\$104,917	\$ 0	\$4,372,320
0	0	52,497
2,400,842	21,123	4,001,987
455	0	44,272
480	27,515	376,677
16,010	35,640	303,211
21,081	13,601	964,671
<u>2,543,785</u>	<u>97,879</u>	<u>10,115,635</u>
0	0	1,142,122
0	18,518	512,612
0	0	1,655,661
0	42,168	2,007,914
3,396,999	0	3,544,348
0	15,436	419,335
0	174	816,362
0	14,890	54,085
694,131	0	694,131
<u>4,091,130</u>	<u>91,186</u>	<u>10,846,570</u>
<u>(1,547,345)</u>	<u>6,693</u>	<u>(730,935)</u>
16,815	0	21,605
1,000,000	9,050	1,009,050
0	0	(1,009,050)
<u>1,016,815</u>	<u>9,050</u>	<u>21,605</u>
(530,530)	15,743	(709,330)
1,432,276	306,795	4,965,179
<u>(26,346)</u>	<u>0</u>	<u>(26,346)</u>
<u>\$875,400</u>	<u>\$322,538</u>	<u>\$4,229,503</u>

**ALLAMAKEE COUNTY
Waukon, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds (page 15-16) \$(735,676)

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

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

Expenditures for Capital Assets	\$1,180,795	
Capital Assets Contributed by the Iowa Department of Transportation	3,996,586	
Depreciation Expense	<u>(881,440)</u>	4,295,941

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (64,936)

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

Property Tax	(415)	
Other	<u>(6,828)</u>	(7,243)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds as follows:

Compensated Absences	<u>(191,368)</u>	
----------------------	------------------	--

Change in Net Assets of Governmental Activities (page 11) \$3,296,718

See Notes to Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$ 0
Receivables	
Accrued Interest	0
TOTAL ASSETS	<u>\$ 0</u>
LIABILITIES	
Accounts Payable	<u>\$ 0</u>
NET ASSETS	
Unrestricted	<u>\$ 0</u>

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006**

	<u>Internal Service Employee Group Health</u>
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$429,286
Reimbursements From Employees	67,395
Insurance Reimbursements	<u>29,947</u>
Total Operating Revenues	<u>526,628</u>
OPERATING EXPENSES:	
Insurance Premiums	<u>526,628</u>
Operating Income	0
Net Assets Beginning of Year	<u>0</u>
Net Assets End of Year	<u>\$ 0</u>

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006**

	<u>Internal Service Employee Group Health</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$429,286
Cash Received From Employees & Others	97,342
Cash Payments To Suppliers For Services	<u>(526,628)</u>
Net Cash Used in Operating Activities	<u>0</u>
 Net Decrease in Cash & Cash Equivalents	 0
 Cash & Cash Equivalents at Beginning of Year	 <u>0</u>
 Cash & Cash Equivalents at End of Year	 <u><u>\$ 0</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
 Operating Income	 \$ 0
 Adjustments to Reconcile Operating Income to Net Cash Used In Operating Activities:	 <u>0</u>
 Net Cash Used In Operating Activities	 <u><u>\$ 0</u></u>

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006**

ASSETS

Cash & Pooled Investments	
County Treasurer	\$1,402,247
Other County Officials	26,112
Receivables:	
Property Tax:	
Delinquent	652
Succeeding Year	9,513,759
Accounts	9,876
Accrued Interest	72
Due from Other Governments	45,396
TOTAL ASSETS	<u>10,998,114</u>

LIABILITIES

Accounts Payable	1,701
Salaries & Benefits Payable	170
Due To Other Governments	10,970,975
Trusts Payable	18,576
Compensated Absences	6,692
TOTAL LIABILITIES	<u>10,998,114</u>

NET ASSETS \$ 0

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

A drainage district has 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 this district is legally separate from the County, it is controlled, managed and supervised by the Allamakee County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the individual drainage district can be obtained from the Allamakee 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: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission, and Allamakee 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.

Notes to Financial Statements (Continued)

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 present 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 that are 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Special Revenue

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

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

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

Additionally the County reports the following funds:

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

Fiduciary Funds – Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental united, 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 with 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, 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, these are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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 or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

E. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the financial statements:

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.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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, 2006, balances of interfund amounts receivable or payable has been recorded in the fund financial statements.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
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	40-50
Building Improvements	20-50
Infrastructure	30-65
Equipment	2-20
Vehicles	3-10

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation 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 or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

F. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded amounts budgeted in the County Environment and Education function and disbursements in certain departments exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Concentration of Credit Risk The County places no limit in the amount that may be invested in any one issuer.

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency: Auto License and Use Tax	\$8,100

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: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue	Special Revenue	
Secondary Roads	Rural Services	\$903,536
Secondary Roads	General	96,464
Emergency Medical Services	General	9,050
Agency Special Appraisers	Agency Assessor	<u>55,000</u>
		<u>\$1,064,050</u>

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

Notes to Financial Statements (Continued)

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities				
Capital Assets not being depreciated				
Land	\$845,228	\$ 0	\$ 0	\$845,228
Construction in Process	0	0	0	0
Total Capital Assets not being depreciated	845,228	0	0	845,228
Capital assets being depreciated				
Buildings	1,565,353	81,549	0	1,646,902
Improvements Other than Buildings	199,436	0	0	199,436
Machinery and Equipment	4,051,947	379,468	406,285	4,025,130
Vehicles	1,957,631	43,072	119,666	1,881,037
Infrastructure, Road Network	7,271,084	4,673,293	0	11,944,377
Total Capital Assets being Depreciated	15,045,451	5,177,382	525,951	19,696,882
Less Accumulated Depreciation for				
Buildings	794,525	26,284	0	820,809
Improvements Other than Buildings	49,859	9,972	0	59,831
Machinery and Equipment	2,070,208	246,394	361,342	1,955,260
Vehicles	1,204,785	206,719	99,673	1,311,831
Infrastructure, Road Network	226,639	392,071	0	618,710
Total Accumulated Depreciation	4,346,016	881,440	461,015	4,766,441
Total Capital Assets being Depreciated, Net	10,699,435	4,295,942	64,936	14,930,441
Governmental Activities Capital Assets, Net	\$11,544,663	\$4,295,942	\$64,936	\$15,775,669

Depreciation expense was charged to the following functions

Governmental Activities	
Public Safety and Legal Services	\$47,537
Physical Health and Social Services	13,370
Mental Health	1,441
County Environment and Education	18,761
Roads and Transportation	772,789
Governmental Services to Residents	2,801
Administration	18,696
Nonprogram	6,045
Total Depreciation Expense – Governmental Activities	<u>\$881,440</u>

Notes to Financial Statements (Continued)

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:

Fund	Description	Amount
General	Services	\$3,663
Special Revenue		
Mental Health	Services	191,723
Secondary Roads		320
Well Grant		44
Total for Governmental Funds		<u>\$195,750</u>
Agency		
Recorder		\$10,180
Agricultural Extension	Collections	111,615
Assessor		224,962
Schools		6,151,048
Community Colleges		298,556
Corporations		2,741,982
Auto License & Use Tax		243,151
All Others		1,189,481
Total for Agency Funds		<u>\$10,970,975</u>

Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Compensated Absence	Sick Leave Conversion	Total
Beginning Balance	\$143,066	\$4,325	\$147,391
Increases	198,314	0	198,314
Decreases	0	4,325	4,325
Ending Balance	<u>\$341,380</u>	<u>\$ 0</u>	<u>\$341,380</u>
Due Within One Year	<u>\$341,380</u>	<u>\$ 0</u>	<u>\$341,380</u>

Sick Leave Conversion

During the year ended June 30, 2004, the County established a plan to allow employees who were retiring to convert accumulated sick leave to insurance premiums. During fiscal 2006, no sick leave was converted to insurance premiums. \$4,325 had been used for insurance premiums at June 30, 2006.

Notes to Financial Statements (Continued)

Note 8: Loans Receivable

Loans receivable represent economic development loans from the County's Revolving Loan Fund made to qualifying businesses. These loans are to be paid back with interest over a period ranging from two to four years. Interest rates on the loans receivable range from 3.90% to 6.50%. The balance of the loans receivable at June 30, 2006 was \$116,697 and is recorded in the Special Revenue Funds.

On October 1, 1999, the County entered into an agreement with Waukon Economic Development Corporation, the Waukon Chamber of Commerce, and Allamakee County Economic Development. The County paid \$140,000 for improvements made to the building. The other three parties share in the use of the property and reimburse the County through the monthly payments. The Waukon Economic Development Corporation will reimburse the County for 35% of the initial cost of the improvements. The Waukon Chamber of Commerce will reimburse the County for 20% of the total improvements, and the Allamakee County Economic Development will reimburse the County for 45% of the initial cost of the improvements. Monthly payments of \$1,869 started on October 1, 1999 and will continue until the total amount due is paid in full. Interest accrues on the unpaid balance at 4%. The balance of the loan receivable at June 30, 2006 was \$9,879 and is recorded in the General Fund.

Note 9: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$174,867, \$163,632, and \$153,830, respectively, equal to the required contributions for each year.

Note 10: Risk Management

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance purchased from other insurers for coverage associated with these risks. During the year ended June 30, 2006, there were no significant changes in insurance coverage from prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11: Employee Health Insurance Plan

The Allamakee County Group Health Fund was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark Blue Cross.

Monthly payments of service fees and plan contributions to the Allamakee County Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross from the Allamakee County Group Health Fund. The County records the plan assets and related liabilities of the Allamakee County Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$429,286.

Notes to Financial Statements (Continued)

Note 12: Business Transactions

Business transactions between the County and County officials or employees were noted. Some of the transactions appear to represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year, in accordance with Chapter 331.342 of the Code of Iowa.

ALLAMAKEE COUNTY
Waukon, 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, 2006**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$4,370,769	\$ 0	\$4,370,769	\$4,427,780	\$4,427,780	\$(57,011)
Interest & Penalty on Property Tax	52,489	0	52,489	30,700	30,700	21,789
Intergovernmental	4,031,467	0	4,031,467	4,036,570	4,265,647	(234,180)
Licenses & Permits	44,272	0	44,272	46,236	46,236	(1,964)
Charges for Services	376,884	0	376,884	236,275	236,275	140,609
Use of Money & Property	298,019	11	298,008	165,475	171,085	126,923
Miscellaneous	969,246	12,513	956,733	61,024	747,891	208,842
Total Receipts	10,143,146	12,524	10,130,622	9,004,060	9,925,614	205,008
DISBURSEMENTS:						
Public Safety & Legal Services	1,142,001	0	1,142,001	1,167,396	1,173,790	31,789
Physical Health & Social Services	511,027	0	511,027	658,693	659,902	148,875
Mental Health	1,621,162	0	1,621,162	1,729,663	1,729,663	108,501
County Environment & Education	2,006,822	0	2,006,882	1,089,957	2,275,425	268,603
Roads & Transportation	3,557,333	0	3,557,333	3,497,974	3,675,774	118,441
Governmental Services to Residents	420,082	0	420,082	567,716	569,623	149,541
Administrative Services	812,801	0	812,801	854,869	856,445	43,644
Nonprogram	52,923	14,890	38,033	55,363	55,567	17,534
Capital Projects	694,131	0	694,131	900,000	730,000	35,869
Total Disbursements	10,818,282	14,890	10,803,392	10,521,631	11,726,189	922,797
Excess (Deficiency) of Receipts Under Disbursements	(675,136)	(2,366)	(672,770)	(1,517,571)	(1,800,575)	1,127,805
Other Financing Sources, Net	21,605	0	21,605	7,800	7,800	13,805
Excess (Deficiency) of Receipts & Other Financing Sources Under Disbursements & Other Financing Uses	(653,531)	(2,366)	(651,165)	(1,509,771)	(1,792,775)	1,141,610
Balance Beginning of Year	4,880,862	3,564	4,877,298	4,118,448	4,118,448	758,850
Balance End of Year	\$4,227,331	\$1,198	\$4,226,133	\$2,608,677	\$2,325,673	\$1,900,460

See Accompanying Independent Auditors' Report

ALLAMAKEE COUNTY
Waukon, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$10,143,146	\$(27,511)	\$10,115,635
Expenditures	10,818,282	28,288	10,846,570
Net	(675,136)	(55,799)	(730,935)
Other financing sources, net	21,605	0	21,605
Beginning Fund Balances	4,880,862	84,317	4,965,179
Increase (Decrease) in Reserve For: Inventories	0	(26,346)	(26,346)
Ending Fund Balances	\$4,227,331	\$2,172	\$4,229,503

See Accompanying Independent Auditors' Report

Allamakee County
Waukon, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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 comparison 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 prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, 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 at the fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$1,204,558. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the County Environment and Education function and disbursements in certain departments exceeded the amounts appropriated.

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Well Grant	Prisoner Room & Board	Recorder's Records Management	Resource Enhancement & Protection	Conservation Special Project	Recorder's Electronic Transaction	Attorney's Forfeiture
ASSETS							
Cash & Pooled Investments	\$32,797	\$71,781	\$11,684	\$100,736	\$2,434	\$ 0	\$1,424
Receivables:							
Accounts	0	0	322	0	0	0	0
Due from Other Governments	7,791	0	0	0	0	0	0
Notes	0	0	0	0	0	0	0
Accrued Interest	0	0	2	374	0	0	0
TOTAL ASSETS	\$40,588	\$71,781	\$12,008	\$101,110	\$2,434	\$ 0	\$1,424
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$706	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Salaries and Benefits Payable	0	0	0	0	0	0	0
Deferred Revenue	44	0	0	0	0	0	0
Total Liabilities	750	0	0	0	0	0	0
Fund Balances:							
Fund Balance Unreserved	39,838	71,781	12,008	101,110	2,434	0	1,424
TOTAL LIABILITIES AND FUND BALANCES	\$40,588	\$71,781	\$12,008	\$101,110	\$2,434	\$ 0	\$1,424

See Accompanying Independent Auditors' Report

Schedule 1

Drainage Districts	Revolving Loan Fund	Historic Preservation	Bankruptcy Tax Escrow	Emergency Medical Services	Conservation Reserve Trust	Clearing Fund	Total
\$1,198	\$85,241	\$2,545	\$106	\$8	\$4,845	\$ 0	\$314,799
0	0	0	0	0	0	0	322
0	0	0	0	0	0	0	7,791
0	116,697	0	0	0	0	0	116,697
0	0	0	0	0	0	0	376
\$1,198	\$201,938	\$2,545	\$106	\$8	\$4,845	\$ 0	\$439,985
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$706
0	0	0	0	0	0	0	44
0	116,697	0	0	0	0	0	116,697
0	116,697	0	0	0	0	0	117,447
1,198	85,241	2,545	106	8	4,845	0	322,538
\$1,198	\$201,938	\$2,545	\$106	\$8	\$4,845	\$ 0	\$439,985

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

	Well Grant	Prisoner Room & Board	Recorders Records Management	Resource Enhancement & Protection	Conservation Special Project	Recorders Electronic Transaction	Attorney's Forfeiture
Revenues:							
Intergovernmental	\$16,059	\$ 0	\$ 0	\$5,064	\$ 0	\$ 0	\$ 0
Charges for Services	0	23,770	3,745	0	0	0	0
Use of Money & Property	0	0	28	3,726	0	7	0
Miscellaneous	0	0	0	0	805	89	0
Total Revenues	16,059	23,770	3,773	8,790	805	96	0
Expenditures:							
Operating:							
Physical Health & Social Services	9,468	0	0	0	0	0	0
County Environment & Education	0	0	0	3,150	11,498	0	0
Governmental Services to Residents	0	0	4,221	0	0	11,215	0
Administration	0	0	0	0	0	0	0
Nonprogram	0	0	0	0	0	0	0
Total Expenditures	9,468	0	4,221	3,150	11,498	11,215	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,591	23,770	(448)	5,640	(10,693)	(11,119)	0
Other Financing Sources:							
Operating Transfers In	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	6,591	23,770	(448)	5,640	(10,693)	(11,119)	0
Fund Balances – Beginning of Year	33,247	48,011	12,456	95,470	13,127	11,119	1,424
Fund Balances – End of Year	\$39,838	\$71,781	\$12,008	\$101,110	\$2,434	\$ 0	\$1,424

See Accompanying Independent Auditors' Report

Schedule 2

Drainage Districts	Revolving Loan Fund	Historic Preservation	Bankruptcy Tax Escrow	Emergency Medical Services	Conservation Reserve Trust	Clearing Fund	Total
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$21,123
0	0	0	0	0	0	0	27,515
11	31,868	0	0	0	0	0	35,640
12,513	20	0	0	0	0	174	13,601
12,524	31,888	0	0	0	0	174	97,879
0	0	0	0	9,050	0	0	18,518
0	27,520	0	0	0	0	0	42,168
0	0	0	0	0	0	0	15,436
0	0	0	0	0	0	174	174
14,890	0	0	0	0	0	0	14,890
14,890	27,520	0	0	9,050	0	174	91,186
(2,366)	4,368	0	0	(9,050)	0	0	6,693
0	0	0	0	9,050	0	0	9,050
0	0	0	0	9,050	0	0	9,050
(2,366)	4,368	0	0	0	0	0	15,743
3,564	80,873	2,545	106	8	4,845	0	306,795
\$1,198	\$85,241	\$2,545	\$106	\$8	\$4,845	\$ 0	\$322,538

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$2,261	\$85,922	\$120,909
Other County Officials	26,112	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	6	8	322
Succeeding Year	0	109,348	146,450	6,029,817
Accounts	2,644	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$28,756	\$111,615	\$232,380	\$6,151,048
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$556	\$ 0
Salaries and Benefits Payable	0	0	170	0
Due to Other Governments	10,180	111,615	224,962	6,151,048
Trusts Payable	18,576	0	0	0
Compensated Absences	0	0	6,692	0
TOTAL LIABILITIES	\$28,756	\$111,615	\$232,380	\$6,151,048

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$6,017	\$68,327	\$17,650	\$8,137	\$243,151	\$849,873	\$1,402,247
0	0	0	0	0	0	26,112
16	290	0	0	0	10	652
292,523	2,673,365	75,311	0	0	186,945	9,513,759
0	0	0	0	0	7,232	9,876
0	0	0	0	0	72	72
0	0	16,187	0	0	29,209	45,396
<u>\$298,556</u>	<u>\$2,741,982</u>	<u>\$109,148</u>	<u>\$8,137</u>	<u>\$243,151</u>	<u>\$1,073,341</u>	<u>\$10,998,114</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,145	\$1,701
0	0	0	0	0	0	170
298,556	2,741,982	109,148	8,137	243,151	1,072,196	10,970,975
0	0	0	0	0	0	18,576
0	0	0	0	0	0	6,692
<u>\$298,556</u>	<u>\$2,741,982</u>	<u>\$109,148</u>	<u>\$8,137</u>	<u>\$243,151</u>	<u>\$1,073,341</u>	<u>\$10,998,114</u>

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS

Year Ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$17,868	\$109,736	\$271,067	\$5,820,861
Additions:				
Property & Other County Tax	0	123,754	165,889	6,766,689
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,000	9,447	370,763
Drivers License Fees	0	0	0	0
Office Fees & Collections	314,352	0	1,718	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	139,552	0	0	0
Miscellaneous	0	77	103	3,945
Total Additions	453,904	130,831	177,157	7,141,397
Deductions:				
Agency Remittances:				
To Other Funds	155,314	0	0	0
To Other Governments	156,579	128,952	270,844	6,811,210
Trusts Paid Out	131,123	0	0	0
Total Deductions	443,016	128,952	270,844	6,811,210
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	55,000	0
Balances End of Year	\$28,756	\$111,615	\$232,380	\$6,151,048

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$292,724	\$2,516,804	\$119,969	\$4,075	\$241,248	\$947,437	\$10,341,789
330,851	2,785,953	280,148	0	0	341,671	10,794,955
0	0	0	0	0	107,405	107,405
18,629	132,830	4,271	0	0	11,458	554,398
0	0	0	0	49,176	0	49,176
0	0	0	0	0	0	316,070
0	0	0	0	0	3,592	3,592
0	0	0	0	2,775,074	0	2,775,074
0	0	0	29,935	0	0	29,935
0	0	0	0	0	0	139,552
205	0	168	0	0	326,043	330,541
349,685	2,918,783	284,587	29,935	2,824,250	790,169	15,100,698
0	0	0	0	121,180	0	276,494
343,853	2,693,605	295,408	25,873	2,701,167	609,265	14,036,756
0	0	0	0	0	0	131,123
343,853	2,693,605	295,408	25,873	2,822,347	609,265	14,444,373
0	0	0	0	0	(55,000)	0
\$298,556	\$2,741,982	\$109,148	\$8,137	\$243,151	\$1,073,341	\$10,998,114

ALLAMAKEE COUNTY
Waukon, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property & Other County Tax	\$4,372,320	\$4,343,017	\$3,327,392	\$3,126,425
Interest & Penalty On Property Tax	52,497	54,286	28,902	30,227
Intergovernmental	4,001,987	4,051,657	2,788,622	2,664,971
Licenses & Permits	44,272	44,341	3,895	4,733
Charges For Service	376,677	357,358	356,000	314,652
Use of Money & Property	303,211	260,670	64,405	94,381
Miscellaneous	964,671	139,065	193,443	182,480
Total	<u>\$10,115,635</u>	<u>\$9,250,394</u>	<u>\$6,762,659</u>	<u>\$6,417,869</u>
Expenditures:				
Current				
Public Safety & Legal Services	\$1,142,122	\$1,088,415	\$879,651	\$887,697
Physical Health & Social Services	512,612	567,575	450,526	465,631
Mental Health	1,655,661	1,559,726	1,099,206	1,004,410
County Environment & Education Services	2,007,914	687,490	641,948	641,870
Roads and Transportation	3,544,348	3,496,989	2,655,035	2,382,111
Governmental Services To Residents	419,335	346,985	211,876	214,051
Administrative Services	816,362	728,677	696,011	579,142
Nonprogram	54,085	131,532	4,110	7,870
Debt Service	0	0	30,408	113,408
Capital Projects	694,131	959,555	29,817	124,409
Total	<u>\$10,846,570</u>	<u>\$9,566,944</u>	<u>\$6,698,588</u>	<u>\$6,420,599</u>

See Accompanying Independent Auditors' Report

ALLAMAKEE COUNTY
Waukon, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>\$2,251</u>
U.S. Department of Housing and Urban Development			
Iowa Department of Economic Development			
Community Development Block Grant	14.228	04-CF-0003-03	<u>542,390</u>
U.S. Elections Assistance Commission			
Iowa Secretary of State			
Help America Vote Act Requirements Payment	90.401	06-HAVA-03-100	<u>104,815</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>2,719</u>
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		<u>647</u>
Foster Care – Title IV-E	93.658		<u>1,400</u>
Adoption Assistance	93.659		<u>344</u>
Medical Assistance Program	93.778		<u>3,617</u>
Social Services Block Grant	93.667		<u>1,784</u>
Social Services Block Grant	93.667		<u>66,235</u>
			<u>68,019</u>
U.S. Department of Homeland Security			
Iowa Homeland Security and Emergency Management			
Division:			
Emergency Management Performance Grant	97.042		<u>2,433</u>
Total			<u><u>\$728,635</u></u>

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

See Accompanying Independent Auditor's Report.



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Officials of Allamakee County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated November 21, 2006. 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 Allamakee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Allamakee County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a 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 II-A-06 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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 Allamakee County and other parties to whom Allamakee County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

November 21, 2006

Gardiner Thomsen, P.C.



Independent Auditors' 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 Allamakee County:

Compliance

We have audited the compliance of Allamakee County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Allamakee County's major federal program is identified in Part I of the accompanying Schedule of Findings and questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Allamakee County's management. Our responsibility is to express an opinion on Allamakee County'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 Allamakee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Allamakee County's compliance with those requirements.

In our opinion, Allamakee County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006. The results of our auditing procedures disclosed no instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Allamakee County 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 Allamakee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 Allamakee County and other parties to whom Allamakee County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2006

Gardiner Thomsen, P.C.

ALLAMAKEE COUNTY
Waukon, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Part I: Summary of the Independent Auditors' Results

- (A) Unqualified opinions were issued on the financial statements.
- (B) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (C) The audit did not disclose any non-compliance which is material to the financial statements
- (D) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (E) The audit disclosed no audit findings which were required to be reported in compliance with Office of Management and Budget Circular A-133, Section .510(a).
- (F) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program.
- (G) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (H) Allamakee County did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs (Continued)

Part II: Findings Related to the Financial Statements

REPORTABLE CONDITIONS:

II-A-06 **Segregation of Duties** – During our review of the internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, County officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by each office will be separated and spread among the Official, Deputy and Clerk.

Conclusion – Response accepted.

II-B-06 **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password privacy and confidentiality.

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

Recommendation – The County should develop written policies addressing the preceding item in order to improve the County's control over computer based systems. A written disaster recovery plan should be developed.

Response – The written security policy and disaster recovery plan are in process.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

Schedule of Findings and Questioned Costs (Continued)

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-06 **Certified Budget** – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the County Environment and Education function. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(b) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

IV-B-06 **Questionable Expenditures** – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows :

Paid to	Purpose	Amount
Brick Oven Pizza & Eatery	Meals for Substance Abuse Prevention Meeting	\$93
Gus & Tony’s Steak House	Meals for Tobacco Grant Meeting	128
Wild Willy’s Pizza Saloon Room	Meals for Emergency Response Training Meetings	42

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – The public purpose served by these expenditures will be documented in the future before they are authorized.

Conclusion – Response accepted.

IV-C-06 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Schedule of Findings and Questioned Costs (Continued)

IV-D-06 **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

Name and Title	Description	Amount
Bill Clark – Supervisor Owner of Clark Tire Center	Repair of County Vehicles	\$8,215
Laurie Welch – Recorder’s Office Employee Husband owns Welch, Inc.	Propane and County Farm Supplies	2,268
Bob Schlitter – Secondary Roads Employee Owner of Waterville Store	Shop Materials and Saw Supplies	225
Mary Severson – Sheriff’s Office Employee Husband owns Severson Video	Video Tapes and Copying	70
Mary Severson – Sheriff’s Office Employee Son owns Severson Service Center	Service and Repair of County Vehicles	1,009

In accordance with chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Clark Tire Center and Welch Inc. appear to represent conflicts of interest since the total transactions were in excess of \$1,500 during the year and were not all obtained through public bid.

The transactions with Waterville Store, Severson Video and Severson Service Center do not appear to represent conflicts of interest since the amounts were not in excess of \$1,500 for the year.

Recommendation – The County should refrain from business transaction with County officials or employees whenever possible. If the County wishes to do business with official or employee, bids should be taken for the work to be done.

Response – We will comply with the Code of Iowa in the future.

Conclusion – Response accepted.

IV-E-06 **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

IV-F-06 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 **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.

Schedule of Findings and Questioned Costs (Continued)

IV-H-06 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-06 **County Extension Office** – The County Extension Office is operated under 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, 2006 for the County Extension Office did not exceed the amounts budgeted.

IV-J-06 **Economic Development** – During the year ended June 30, 2006, the County spent \$85,270 for economic development, which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditures before authorizing further payments and should require documentation of how the funds were used to accomplish economic developments activities.

Response – We will obtain the necessary documentation for past expenditures and will consider these requirements in the future.

Conclusion – Response accepted.

IV-K-06 **Disbursements** – Not all invoices were canceled to prevent reuse. In addition, not all invoices submitted to the Auditor's office for payment were supported by an invoice, including gas card charges.

Recommendation – Claims should be accompanied by an invoice, showing the basis of the claim and whether for property sold or furnished for services rendered or for another purpose according to Chapter 331.504 of the Code of Iowa. All invoices should be stamped "paid" to prevent reuse. Credit and gas card statements should be accompanied by detailed receipts.

Response – The departments will supply supporting documentation for each claim submitted. We cancel the invoices as they are being scanned. The departments will comply with the requirements for credit card statements.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs (Continued)

IV-L-06 **Separately Maintained Accounts** – The Sheriff’s Office maintains a forfeiture account within the office. The receipts and disbursements of this account were not reflected in the County’s accounting system and were not included in the County’s annual budget or financial report.

Recommendation – In accordance with the Code of Iowa, a Special Revenue Fund should be established for this account. All collections should be remitted to the County Treasurer and all expenditures should be approved by the Board of Supervisors and reflected in the County’s accounting system, annual budget and financial report.

Response – We will consider this recommendation.

Conclusion – Response acknowledged.

News Release

Gardiner Thomsen, P.C. today released an audit report on Allamakee County, Iowa.

The County has local tax revenue of \$14,894,657 for the year ended June 30, 2006, which included \$792,116 in tax credits from the state. The County forwarded \$10,573,151 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,321,506 of the local tax revenue to finance County operations, a 3% increase from the prior year. Other revenues included charges for service of \$615,537, operating grants, contributions and restricted interest of \$7,619,758, unrestricted investment earnings of \$215,128 and other general revenues of \$1,186,062.

Expenses for County operations totaled \$10,738,231, an 18% increase from the prior year. Expenses included \$4,124,710 for Roads and Transportation, \$2,017,124 for County Environment and Education and \$1,661,246 for Mental Health.

The significant decrease/increase in revenues and expenses is due primarily to property tax revenue and Roads and Transportation expenses, respectively.

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

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