

BLACK HAWK COUNTY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

Prepared by:

James W. Bronner, Finance Director
Board of Supervisors Office

Grant Veeder
Auditor and Staff

Barbara Freet
Treasurer and Staff

Contents

Introductory Section

Table of contents	i – ii
County officials	iii
Organizational chart	iv
GFOA Certificate of Achievement	v
Transmittal letter	vi - ix

Financial Section

Independent auditor's report	1 – 2
Management's discussion and analysis	3 – 12
Basic financial statements:	
Government-wide financial statements:	
Statement of net assets	13 – 14
Statement of activities	15 – 16
Fund financial statements:	
Balance sheet – governmental funds	17 – 18
Reconciliation of total governmental fund balances to net assets of governmental activities	19
Statement of revenues, expenditures and changes in fund balances	20 – 21
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	22
Statement of net assets – proprietary funds	23
Statement of revenues, expenses and changes in net assets - proprietary funds	24
Statement of cash flows – proprietary funds	25
Statement of assets and liabilities – agency funds	26
Notes to basic financial statements	27 – 47
Required supplementary information:	
Budgetary comparison schedule – all governmental funds	48
Note to required supplementary information	49
Supplementary information:	
Nonmajor governmental funds:	
Combining balance sheet	50 – 51
Combining statement of revenues, expenditures and changes in fund balances	52 – 53
Internal service funds:	
Combining statement of net assets	54
Combining statement of revenues, expenses and changes in net assets	55
Combining statement of cash flows	56
Agency funds, combining statement of changes in assets and liabilities, all agency funds	57 – 59

Contents

Statistical Section

Statistical section contents	60
Net assets by component	61
Changes in net assets	62 – 63
Fund balances, governmental funds	64 – 65
Changes in fund balances, governmental funds	66 – 67
Program revenues by function/program	68
Tax revenues by source, governmental funds	69
Assessed value and actual value of taxable property	70
Principal property taxpayers	71
Property tax levies and collections	72
Direct and overlapping property tax rates	73 – 76
Ratios of outstanding debt by type	77
Ratios of general bonded debt outstanding	78
Direct and overlapping governmental activities debt	79
Legal debt margin information	80 – 81
Demographic and economic statistics	82
Principal employers	83
Full-time equivalent county government employees by function/program	84 – 85
Operating indicators by function/program	86 – 87
Capital asset statistics by function/program	88 – 89

Compliance Section

Schedule of expenditures of federal awards	90 – 92
Notes to schedule of expenditures of federal awards	93
Summary schedule of prior audit findings	94
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	95 – 96
Independent auditor's report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133	97 – 98
Schedule of findings and questioned costs	99 – 110
Corrective action plan	111 – 112

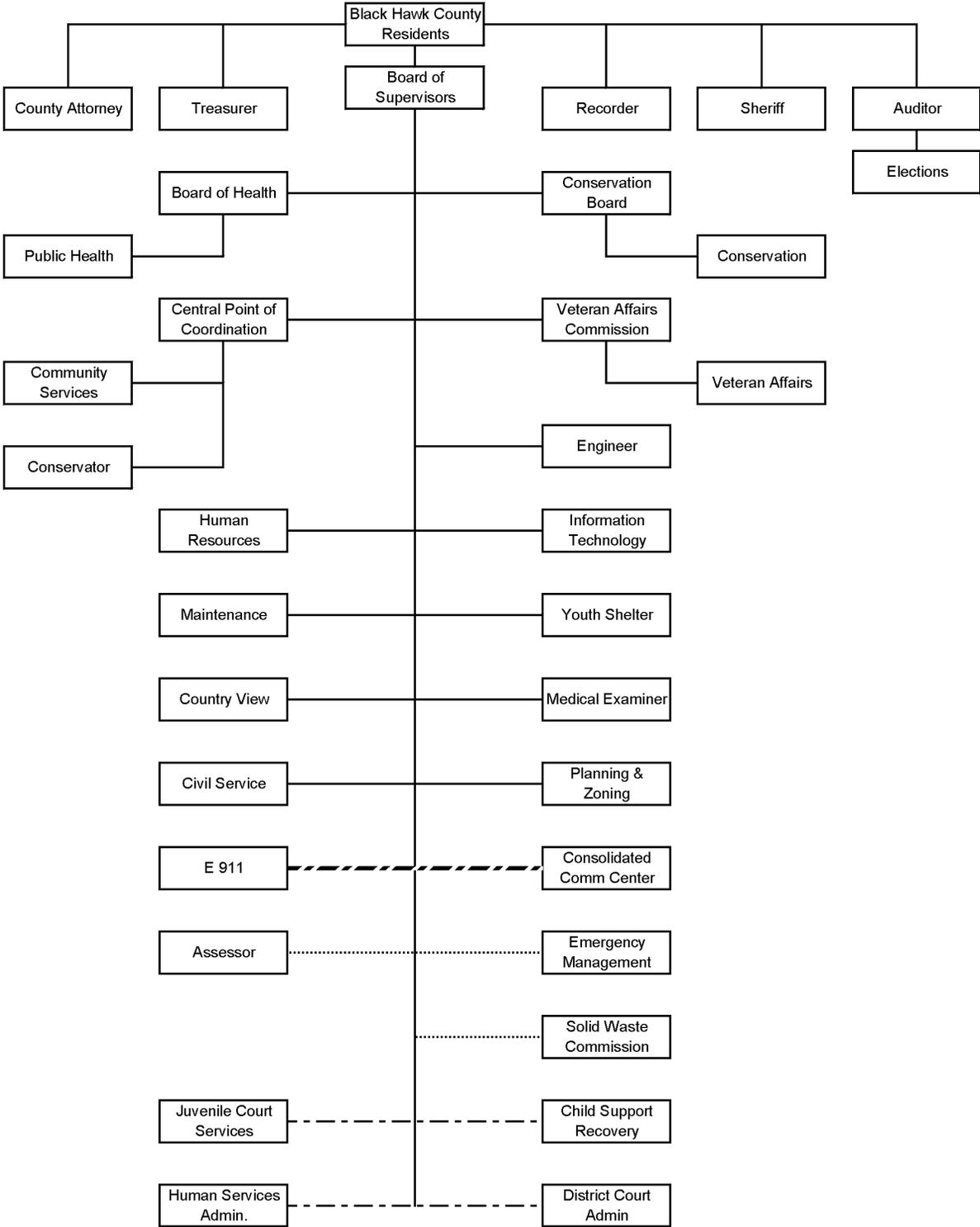
Black Hawk County, Iowa

County Officials

Official Title	Official	Term Expiration Date of Elected Officials
Elected Officials		
Supervisor, Chairperson	Scott Jordan	2009
Supervisor	Tom Little	2009
Supervisor	John Miller	2009
Supervisor	Leon V. Mosley	2007
Supervisor	Robert L. Smith, Jr.	2007
County Attorney	Thomas Ferguson	2007
County Auditor	Grant Veeder	2009
County Recorder	Particia S. Sass	2007
County Sheriff	Michael Kubik	2009
County Treasurer	Barbara A. Freet	2007
Associate Officials		
County Assessor	Vicki S. Atkins	2010
Department Heads and Administration		
Central Point of Coordination Administrator/ Community Services Director	Robert Lincoln	
Conservation Executive Director	Vern Fish	
Country View Administrator*	Sherri Niles	
County Buildings Superintendent	Louis Cutwright	
County Engineer	Richard King	
County Finance Director	James W. Bronner	
Human Resources Director	June Watkins	
Information Technology Interim Director	Kim Veeder	
Public Health Director	Thomas O'Rourke	
Veteran Affairs Director	Bennie Spain	
Youth Shelter Director	Tim Staley	

* The Country View Administrator is not an employee of Black Hawk County, Iowa.

FY2006 Organization Chart - Black Hawk County, IA



Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Black Hawk County
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

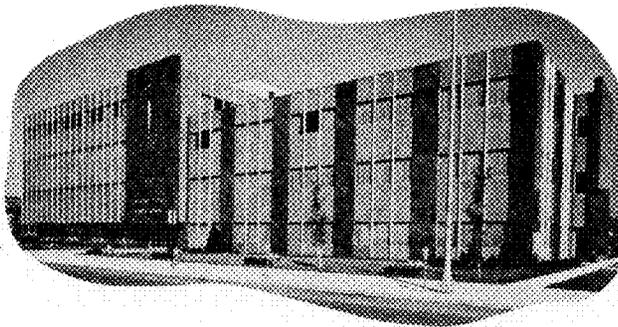


Carla E. Perry

President

Jeffrey R. Emmer

Executive Director



BOARD OF SUPERVISORS

SCOTT JORDAN 833-3076
TOM LITTLE 833-3075
JOHN MILLER 833-3074
LEON V. MOSLEY 833-3077
ROBERT L. SMITH, JR. 833-3078

BLACK HAWK COUNTY
316 EAST FIFTH STREET
WATERLOO, IOWA 50703

Web site: www.co.black-hawk.ia.us E-mail: supervisors@co.black-hawk.ia.us

OFFICE SUITES

Courthouse, Room 203
Telephone (319) 833-3003
FAX (319) 833-3070
Julie Johnson
Administrative Assistant
Monica Smith
Administrative Aide

December 7, 2006

Board of Supervisors and Citizens
Black Hawk County, Iowa

The Comprehensive Annual Financial Report (CAFR) for Black Hawk County, Iowa for the fiscal year ended June 30, 2006 is hereby submitted.

Each year the County publishes a complete set of audited financial statements as part of an annual single audit to conform to the provisions of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. The County assumes full responsibility for the completeness and reliability of the information contained in this report. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Black Hawk County financial statements for the year ended June 30, 2006. This independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Black Hawk County

The first government of Black Hawk County, Iowa was organized August 17, 1853. It is located in the northeast part of the state. The county currently occupies 576 square miles and is the 4th most populous county in the state. The 2000 census population of 128,012 is up 3.4 percent from the 1990 census figure of 123,798. Black Hawk County is empowered to levy a property tax on both real and personal property located within its boundaries.

Black Hawk County currently operates under a five-member Board of Supervisors. Each member is elected at large to a four-year term. The Board of Supervisors is the legislative authority over Black Hawk County. Annually, the Board adopts a budget and establishes tax rates to support County programs. Also elected to four-year terms at large are the following officials: Attorney, Auditor, Recorder, Sheriff and Treasurer. These officials, along with department heads appointed by the Board, are responsible to administer the programs and policies adopted by the Board of Supervisors as well as the budget amount allocated to their department by the Board.

Black Hawk County provides a full range of services. These services include public safety and legal services, physical health and social services, mental health and developmental disabilities services, county environment and education, construction and maintenance of secondary roads, general administrative services and planning and zoning.

Black Hawk County is required by the State of Iowa to adopt an annual budget for the total operating expenditures of the County by function area. This is the foundation of financial planning and control for the County. The budget is prepared by fund (e.g., general, special revenue, debt), function (e.g. public safety), and department (e.g. Sheriff, Conservation). Departments can transfer resources within a department as they see fit. Transfers between departments, however, need special approval for the Board of Supervisors in the form of an amendment to the budget.

Local Economy

Black Hawk County is the fourth largest county in population in the State of Iowa. The cities of Cedar Falls and Waterloo make up just over 80 percent of the population with the remainder living in smaller towns, each are under 2,500 in population, and on farms.

Population since the 2000 Census figure of 128,012 has been declining slightly with the 2005-2006 estimate being closer to 126,000. The unemployment rate had recently climbed from 2.9 percent in 2000 to a rate of 5.0 percent in 2004-2005. That rate has lowered slightly for 2005-2006 to 4.7 percent.

The major industries located within the County's boundaries and the primary employers from each are as follows: Farm tractor and component manufacturing – John Deere, Health care – Covenant Medical Center and Allen Memorial Hospital, Pork processing – Tyson Foods, Bath and kitchen cabinet manufacturing – Omega Cabinets Limited and Bertch Cabinets, and various retail and financial service providers – Hy-Vee, Target distribution, Wal-Mart and GMAC mortgage.

Recently, several businesses have announced plans for expansion, record earnings or the construction of new business in the County. This should help overall employment increase and provide additional capital investment into the County.

LS Power, a New Jersey based company has proposed an estimated \$1.3 billion, 750-megawatt, coal-fired power plant in Black Hawk County. The plant will sell power to municipal and investor-owned electric utilities and cooperatives. Construction is expected to begin in 2007 and continue into 2011. Approximately 1,200 construction workers will be employed by the plant over the four-year construction period. Once completed, the plant will staff approximately 100 permanent professional staff.

The Isle of Capri Casino originally had announced in May of 2005 that it would build a \$135 million casino, hotel and restaurant complex in Black Hawk County. Due to added amenities such as a full-service spa, resort pool, night club, etc..., the estimate recently has grown to an estimated \$175 million. As construction continues, the target date for opening is still the spring of 2007. The complex will employ approximately 800 people when finished.

Allen Hospital announced a plan for a \$47 million expansion to include an emergency room and cardiac care building. In May or June of 2007, construction will begin on the three-story, 70,000 square-foot building. The emergency department is expected to open in late 2008 with the cardiac center opening slated for late 2009.

The supermarket industry continues to expand in Black Hawk County. The Hy-Vee supermarket chain recently completed an \$11 million dollar expansion of their Cedar Falls store, which increased the store size 20,000 square feet to 80,000 square feet in total. This expansion followed the recent relocation and construction of the Logan Avenue store at a cost of \$3.5 million. The Fareway supermarket chain likewise has completed construction of a new 24,000 square-foot store in Evansdale for an estimated cost of \$1.5 million.

The medical supply company, Van G. Miller and Associates continues construction on their 60,000 sq. ft. expansion. The completion date is scheduled for the spring of 2007. The new expansion of their existing facilities will generate approximate 140 new jobs within a year or two of completion with a total estimated cost of \$9 million dollars. The new facility will house the Homelink division of the company.

Deere & Company, the world's premier producer of agricultural equipment, and top employer in Black Hawk County, for the third consecutive year recently posted record earnings. The \$1.694 billion in fiscal year earnings equates to \$7.18 per share up from last years previous record earnings total of \$1.447 billion, or \$5.87 per share. New products such as the 8030 tractor produced in Black Hawk County were key contributors to this year's record earnings. This is the company's best five year span of performance since 1993-1998.

ConAgra Foods, Inc. recently confirmed that they will expand their existing pudding plant an additional \$46 million dollars by adding 200,000 square feet of space. The expansion will add an approximately 50 jobs to the plant as it will double in size. Construction is underway with a production startup date of July 1, 2007 planned.

During the past ten years, the County's expenses including debt and capital projects have increased 23.5 percent overall. The largest percentage increase was in the public safety and legal services area as well as the county environment and education. They increased over the ten year period 47.9 percent and 73.2 percent respectively. The largest dollar increase was in the Mental Health service area. It increased just over \$5.7 million dollars over the ten year period, or 40 percent. The mental health increase is primarily due to the rising costs of providing these services to the public along with an overall increased public demand for the services. The increases for the other areas are primarily driven by wage and insurance increases.

For the same ten year period, the County's total revenue has increased by 20 percent. Some areas have had very significant percentage increases such as the Licenses and Permits and the Interest and Penalty on Property Tax areas at just over 63 percent and 67 percent respectively. While that percentage change is very significant, the dollar totals of those increases were \$139,000 and \$138,000. The majority of the actual dollar increase, which accounts for over 80 percent of the almost \$10.3 million increase, comes from tax increases at \$6.34 million and intergovernmental revenues such as federal and state grants at just under \$2.47 million.

Long-Term Financial Planning

The unreserved, undesignated, general basic fund combined with the general supplemental fund balance for Black Hawk County is at 15.9 percent of total general fund expenditures. This is the highest percentage of fund balance since FY2000. The FY2006 percentage figure is within the range of 15 – 20 percent, which is the preferred range for Black Hawk County. The total combined general fund balance (unreserved, reserved, designated, etc...) is at 18.95 percent of total general fund expenditures. This is very close to the 20-25 percent range, which is the overall goal for the County. Black Hawk County will continue to progress towards the combined general fund balance figure of 20 – 25 percent of expenditures and also work very diligently to keep the current unreserved plus supplemental fund balance within the preferred range of 15-20 percent of expenditures.

Health care costs also continue to rise. The County actively looks at various plans to continue to provide the scope of services that employees have received in the past, but for less of an overall cost. A Request for Proposal (RFP) for the County's health plan consultant was executed in FY2006 with the current consultant being retained for one additional year. Also, as a result of the RFP, a committee was formed to look at the possibility of not continuing to use a consultant past FY2007, and to instead bring the process in house by hiring an individual to assume these duties. That committee's recommendation will be considered by the Board of Supervisors in the coming months.

The County's secondary road system is also being continually reviewed. The County Engineer has identified a downward trend in the overall quality of numerous County roads and bridges. A long range plan considering how much additional funding will be required to reduce the decline and eventually reverse this trend on the aging road system is being developed. The Board will be contemplating this plan and the various funding options in the coming months, as well.

Relevant Financial Policies

Black Hawk County has designated a portion of its fund balance for tax stabilization and to offset termination of benefit payments. The County has chosen to use part of this balance to offset increases in the debt service tax rate if it hits the pre-determined threshold. The balance is also used to offset any unanticipated, unbudgeted retirement payout that occurs throughout the year and can not be offset through the normal budget amendment process.

Major Initiatives

There are four large bridges throughout Black Hawk County. One of these bridges was replaced a few years ago. Another bridge is currently closed and being prepared for replacement starting in the spring of 2007. The cost estimate for that bridge replacement is approximately \$2.6 million, of which the State of Iowa awarded the County \$2 million for the project. The third bridge replacement is scheduled to occur in fiscal year 2010 or 2011 with an estimated price of \$4 – 4.5 million pending available funding. The final of these four bridges will need to be replaced in the next five to ten years. It will also be a multi-million dollar project.

Additionally, there are two bridges that are part of the Cedar Valley Nature Trail within Black Hawk County that are also in need of replacement in the coming years. These two bridges will have estimated project costs similar to the other bridges already listed. One of these two bridges is in need of replacement as soon as funding is available. The other will need similar attention in the next few years. The overall challenge of these projects will be funding them with the least amount of interruption for the surrounding areas.

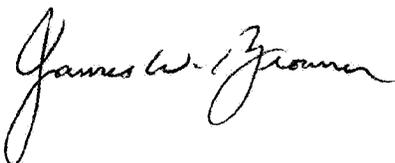
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Black Hawk County, IA for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to thank all of the County employees and other individuals that assisted in the preparation of the Comprehensive Annual Financial Report. Most notably, I would like to thank the entire staffs of both the Auditor's Office and Treasurer's Office. The completion of this report could not have been accomplished without their efficient and dedicated service. The excellent service provided by the County's independent auditors, McGladrey & Pullen, LLP is also greatly appreciated. Finally, I would like to thank the Board of Supervisors for their leadership and support without which preparation of this report would not have been possible.

Respectfully submitted,



James W. Bronner
Finance Director

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Supervisors
Black Hawk County, Iowa
Waterloo, Iowa

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that our audit provides a reasonable basis for our opinions.

As explained in Note 16 to the basic financial statements, the County changed its method of accounting for net assets restricted by enabling legislation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Black Hawk County, Iowa as of June 30, 2006, and the respective changes in financial position and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006, on our consideration of Black Hawk County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 and budgetary comparison information on pages 48 and 49 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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. However, 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 Black Hawk County, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other statements listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
November 20, 2006

Black Hawk County, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

As management of Black Hawk County, Iowa, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Black Hawk County, Iowa (the "County") for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which is located in the Introductory Section at the front of this report.

Financial Highlights

- The assets of the County exceeded liabilities at the close of the fiscal year ended June 30, 2006 by \$56,563,137 (net assets). Of this amount, \$4,892,698 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. For the fiscal year ended June 30, 2005, assets exceeded liabilities by \$51,796,466. Of this amount, \$3,563,097 was unrestricted.
- The County's total net assets increased by \$4,766,671 during the fiscal year ended June 30, 2006. Governmental activities increased \$4,832,516 and business-type activities decreased by \$65,845. For fiscal year ended June 30, 2005, total net assets increased \$4,092,477. Governmental activities increased \$4,182,339 and business-type activities decreased \$89,862.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$14,520,293, an increase of \$1,650,177 in comparison with the prior year. Approximately 58 percent of this is unreserved and undesignated fund balance which is available for spending at the County's discretion. As of the close of fiscal year June 30, 2005, governmental funds reported combined ending fund balances of \$12,870,116, of which 72 percent was unreserved and undesignated.
- At the end of the current fiscal year, the County's unreserved, undesignated fund balance for the General Fund was \$2,723,894 or 8.4 percent of the total General Fund expenditures. These funds will be needed to meet expenditures until the next semi-annual property tax revenue is received. The unreserved, undesignated fund balance for the General Fund as of June 30, 2005 was \$2,609,144 or 8.4 percent of total General Fund expenditures.
- The County's total debt increased by \$620,545 (4 percent) during the current fiscal year. Total debt for the fiscal year June 30, 2005, decreased by \$2,098,655 (11.7 percent).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Black Hawk County, Iowa's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector business.

The *statement of net assets* presents information on all of Black Hawk County, Iowa's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

Black Hawk County, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include public safety and legal services, physical health and social services, mental health, County environment and education, road and transportation, governmental services to residents, administration and interest on long-term debt. The business-type activities of the County include the Washburn rural sewer and Washburn rural water operations.

The government-wide financial statements include Black Hawk County, Iowa (known as the *primary government*) and two blended component units: Drainage Districts and the Friends of Hartman Reserve, Inc.

The government-wide financial statements can be found on pages 13 through 16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Black Hawk County, Iowa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements, and is typically the basis used in developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

Black Hawk County, Iowa, maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Mental Health Fund, Rural Services Fund, Secondary Roads Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. The County has elected to treat the Rural Services Fund, Secondary Roads Fund, Debt Service Fund and Capital Projects Fund as major for public interest purposes. Data from the other eight governmental funds are combined into a single, aggregated presentation under the column heading "Nonmajor Governmental Funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Black Hawk County, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

The County presents budgetary information as allowed by GASB Statement No. 41. The County adopts an annual appropriated budget for all governmental funds. Formal and legal budgetary control as required by state statute is based upon nine major classes of expenditures known as functions, not by fund or fund type.

The basic governmental fund financial statements can be found on pages 17 through 22 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Washburn rural sewer system and the Washburn rural water system. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Black Hawk County, Iowa utilizes three internal service funds to account for its health insurance, self-insurance and office equipment programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the rural sewer major fund and the nonmajor fund – rural water operations. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund's financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund's financial statements can be found on pages 23 through 25 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Black Hawk County, Iowa's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund's financial statements can be found on page 26 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 27 through 47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also provides certain *required supplementary information* concerning Black Hawk County, Iowa's budgeted amounts for fiscal year 2006. Required supplementary information can be found on pages 48 and 49 of this report.

The combining statements referred to earlier in connection with nonmajor special revenue funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 50 through 59 of this report.

Black Hawk County, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of Black Hawk County, Iowa, assets exceeded liabilities by \$56,563,137 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (78.1 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements other than buildings, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to cover the liabilities.

	Net Assets of Governmental and Business-Type Activities					
	Governmental Activities		Business-Type Activities		Total County	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 49,259,053	\$ 45,880,758	\$ 435,770	\$ 421,257	\$ 49,694,823	\$ 46,302,015
Capital assets	51,848,292	49,011,275	3,989,044	4,184,512	55,837,336	53,195,787
Total assets	101,107,345	94,892,033	4,424,814	4,605,769	105,532,159	99,497,802
Long-term liabilities	11,449,835	10,687,245	1,395,000	1,527,238	12,844,835	12,214,483
Other liabilities	35,964,296	35,344,090	159,891	142,763	36,124,187	35,486,853
Total liabilities	47,414,131	46,031,335	1,554,891	1,670,001	48,969,022	47,701,336
Net assets:						
Invested in capital assets, net of related debt	41,703,511	37,693,275	2,449,044	2,522,274	44,152,555	40,215,549
Restricted	7,517,884	1,798,441	-	-	7,517,884	1,798,441
Unrestricted	4,471,819	9,368,982	420,879	413,494	4,892,698	9,782,476
Total net assets	\$ 53,693,214	\$ 48,860,698	\$ 2,869,923	\$ 2,935,768	\$ 56,563,137	\$ 51,796,466

An additional portion of the County's net assets (13.3 percent or \$7,517,884) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (8.6 percent or \$4,892,698) may be used to meet the County's ongoing obligations to citizens and creditors.

The County implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, during 2006. The purpose of Statement No. 46 is to help the governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in the financial statements when there are changes in the circumstances surrounding such legislation. Net assets restricted through enabling legislation consists of \$490,758 for debt service, \$1,373,802 for mental health, \$3,274,588 for secondary roads and \$2,378,736 for supplemental levy purposes as of June 30, 2006. The County has also reported restricted net assets for capital projects; these assets are restricted by third parties. The effect of adopting this statement was to reclassify \$6,219,379 of the 2005 ending net assets previously reported as unrestricted to restricted net assets.

At the end of the current fiscal year, Black Hawk County, Iowa is able to report positive balances in all three categories of net assets, both the government as a whole, as well as for its separate governmental and business-type activities.

Black Hawk County, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

Governmental activities: Governmental activities increased the County's net assets by \$4,832,516 as shown on the chart that follows. The 9.9 percent increase in net assets of governmental activities is primarily a result of a capital contribution of infrastructure of approximately \$3 million.

Changes in Net Assets of Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 6,834,464	\$ 6,233,145	\$ 253,604	\$ 229,898	\$ 7,088,068	\$ 6,463,043
Operating grants, contributions and restricted interest	23,594,453	22,089,424	-	-	23,594,453	22,089,424
Capital grants, contributions and restricted interest	3,213,418	1,914,812	-	-	3,213,418	1,914,812
General revenues:						
Taxes:						
Property	24,984,891	23,836,898	-	-	24,984,891	23,836,898
Penalty and interest	345,844	322,842	-	-	345,844	322,842
State tax credits	1,179,717	1,151,699	-	-	1,179,717	1,151,699
Local option sales	2,605,674	2,411,109	-	-	2,605,674	2,411,109
Other taxes	996,293	1,033,350	-	-	996,293	1,033,350
Investment earnings	1,069,135	681,081	3,369	2,129	1,072,504	683,210
Miscellaneous	1,202,771	1,443,425	-	-	1,202,771	1,443,425
Gain on the sale of capital assets	18,803	-	-	-	18,803	-
Total revenues	66,045,463	61,117,785	256,973	232,027	66,302,436	61,349,812
Expenses:						
Public safety and legal services	15,997,089	14,902,387	-	-	15,997,089	14,902,387
Physical health and social services	10,331,387	9,340,367	-	-	10,331,387	9,340,367
Mental health	20,128,555	19,594,365	-	-	20,128,555	19,594,365
County environment and education	2,315,684	2,253,945	-	-	2,315,684	2,253,945
Roads and transportation	5,731,706	4,172,656	-	-	5,731,706	4,172,656
Government services to residents	1,501,746	1,459,390	-	-	1,501,746	1,459,390
Administration	4,773,716	4,764,053	-	-	4,773,716	4,764,053
Interest on long-term debt	433,064	448,283	-	-	433,064	448,283
Washburn water and sewer	-	-	322,818	321,889	322,818	321,889
Total expenses	61,212,947	56,935,446	322,818	321,889	61,535,765	57,257,335
Increase in net assets	4,832,516	4,182,339	(65,845)	(89,862)	4,766,671	4,092,477
Net assets, beginning	48,860,698	44,678,359	2,935,768	3,025,630	51,796,466	47,703,989
Net assets, ending	\$53,693,214	\$48,860,698	\$ 2,869,923	\$ 2,935,768	\$56,563,137	\$51,796,466

Black Hawk County, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

The County enjoyed increases in various revenue sources: property tax revenue increased approximately \$1,100,000 due the combination of an increase in taxable assessed valuation and an increase in property tax rates; operating grants and supplies increased due to additional funding coupled with the receipt of approximately \$600,000 in donated supplies and materials through a homeland security grant and the County's cash and investment balances increased by approximately \$3,000,000 due to unspent bond proceeds related to debt issues during 2006 and a 1 percent increase in the average rate of return as compared to 2005.

Miscellaneous revenues represent items that are not large enough to have an individual classification such as donations, various property rentals and other miscellaneous revenue items. This amount will fluctuate year to year given the nature of the revenues.

Public safety and legal services increased approximately \$1,000,000. 60 percent of this increase related to recognition of donated supplies and materials which were offset by additional operating grant revenues. The remaining increase related to various capital items and increases in personnel costs.

Physical health and social services increased \$991,020 or 11 percent due to a number of factors. Personnel costs for multiple departments contributed to approximately \$350,000 of the increase, with additional capital projects adding another \$85,000. The remaining balance was a result of an increase of \$175,000 in Community Service dollars primarily for shelter assistance, along with just over \$340,000 of increased costs associated with Juvenile Court Services.

Roads and transportation functional expenses increased by \$1,559,050 or 37 percent; primarily due to an increase in the number of road and bridge projects being completed in fiscal year 2006 compared to fiscal year 2005. As the road and bridge construction season encompasses two fiscal years, the timing of certain projects can result in large variances when compared to prior year figures.

Business-type activities: Business-type activities decreased the County's net assets by \$65,845.

Financial Analysis of the Government's Fund Financial Statements

As noted earlier, Black Hawk County, Iowa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The financial reporting focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balances* serve as a useful measure of a government's net resources available at the end of the fiscal year.

The County's governmental funds reported combined fund balances of \$14,520,293 as of June 30, 2006. This was an increase of \$1,650,177, or 12.8 percent, over the prior year. \$1,544,366 of this increase relates to the issuance of general obligation bonds and general obligation capital notes during 2006. Approximately half of the proceeds were expended during 2006. Of this total amount, \$8,428,840 constitutes *unreserved and undesignated fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for purposes of the supplemental tax levy, 2) to fund various debt service payments and 3) for assets that will not be liquidated in the near term.

Black Hawk County, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,723,894, while total fund balance reached \$6,163,485. As a measure of the General Fund's liquidity, it is generally useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 8.4 percent of total General Fund expenditures, while total fund balance represents 19 percent of that same amount. These funds will be needed as working capital during the initial months of the new fiscal year as property tax revenue is only collected semi-annually, in September and March.

The fund balance for Black Hawk County, Iowa's General Fund increased by \$815,205 during the current fiscal year. The key factor in this increase in fund balance was an increase in property taxes of just over \$640,000 for the General Fund. The salaries and benefits for multiple departments were also less than originally budgeted, which is attributed to the remaining balance of the overall increase.

The Mental Health Fund had a fund balance of \$1,373,802, all of which is to be used for mental health functional expenditures. The fund balance decreased by \$633,683 as planned in order to allow the County to arrive at a fund balance percentage that would maximize the full potential funding available from the state.

The Rural Services Fund had a fund balance of \$608,883, which increased \$338,312 from the prior year. The majority of the fund increase is due to higher than anticipated Local Option Sales Tax revenue combined with expenditures less than originally budgeted in the Sheriff's salaries and benefits and consultant services being less than anticipated with Planning and Zoning.

The Secondary Roads Fund had a fund balance of \$3,274,588, which decreased \$467,669 from the prior year. The primary reason for the decline in fund balance is directly related to the 37 percent increase in roads and transportation functional expenses. The fund balance will fluctuate in this fund due to timing of planned maintenance and capital projects.

The Debt Service Fund had a fund balance of \$490,758 all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

The Capital Projects Fund had a total fund balance of \$1,781,111. This fund balance increased \$1,544,366 due to the issuance of general obligation bonds and general obligation capital notes. Approximately one half of the debt proceeds were expended during 2006.

Proprietary Funds. The Black Hawk County, Iowa's proprietary funds provide the same type of information found in the government-wide financial statements, except in more detail.

Total net assets of the Rural Sewer Fund at the end of the year amounted to \$1,892,909. This is comprised of: \$1,827,748 invested in capital assets, net of related debt and \$65,161 in unrestricted net assets.

Budgetary Highlights

The County presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type.

Over the course of the year, Black Hawk County, Iowa amended its budget two times. The budgetary comparison schedules on pages 48 and 49 provide more information.

Black Hawk County, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

Key changes in the budget amendments are as follows:

Expenditures increased \$4,929,241, which included:

- Approximately \$711,000 for the purchase of HAVA election machines and other election related expenses along with an additional \$819,000 in County projects in progress that will be finished in fiscal year 2007.
- Approximately \$350,000 for the jail computer system along with \$160,000 in additional fuel charges due to the large increases in gas prices.
- Approximately \$1,800,000 increase for mental health services through the County CPC office, as well as an additional \$142,000 for shelter and other services through the Community Services budget along with \$200,000 in juvenile detention charges through the Juvenile Court Services budget.
- Approximately \$300,000 in operating and clerical/temporary services at Country View, along with \$84,000 in unanticipated retirement payouts.

Revenues increased \$1,373,512 which included:

- Approximately \$300,000 for additional Medicaid revenue for the Mental Health Fund.
- Approximately \$673,000 in state grants and other revenues for the purchase of HAVA election machines and other election related expenses.
- Approximately \$142,500 in additional grants and BROS reimbursements in the Secondary Roads Fund.
- Approximately \$190,000 in additional grants and other revenues for the Health Department.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$55,837,336 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, vehicles and equipment, construction-in-progress and infrastructure. The total increase in Black Hawk County, Iowa's capital assets for the current fiscal year was 5 percent.

Capital Assets, Net of Applicable Depreciation
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,330,113	\$ 3,234,567	\$ -	\$ -	\$ 3,330,113	\$ 3,234,567
Construction-in-progress	1,850,097	2,351,942	-	-	1,850,097	2,351,942
Buildings	25,735,058	25,443,404	-	-	25,735,058	25,443,404
Improvements other than buildings	1,124,335	1,124,335	-	-	1,124,335	1,124,335
Equipment and vehicles	9,821,063	10,302,554	-	-	9,821,063	10,302,554
Infrastructure	38,546,066	34,272,689	5,420,639	5,420,639	43,966,705	39,693,328
Accumulated depreciation	(28,558,440)	(27,718,216)	(1,431,595)	(1,236,127)	(29,990,035)	(28,954,343)
Total capital assets	\$ 51,848,292	\$ 49,011,275	\$ 3,989,044	\$ 4,184,512	\$ 55,837,336	\$ 53,195,787

Black Hawk County, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Major capital asset events during the current fiscal year included the following:

- Multiple secondary road projects including the replacement of bridges on Miller Creek Road, Spring Creek Road, Hess Road, North Elk Run Road, and West Eagle Road.
- The purchase of a parking lot for employees from the City of Waterloo.
- The office expansion and remodeling of the Conservation Headquarters at Black Hawk Park, along with the replacement or new construction of three large Conservation shelters and three all season cabins at various County parks.

Additional information concerning the County's capital assets can be found in Note 5 of the *Notes to Basic Financial Statements* on pages 40 and 41.

Long-term debt. At the close of the fiscal year ended June 30, 2005, the County had total long-term debt outstanding of \$16,441,726. Of this amount, \$13,310,000 comprises debt backed by the full faith and credit of the government and the remaining \$3,131,726 represents capital lease obligations and accrued compensated absences for the County's employees.

**Table of Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 10,405,000	\$ 9,725,000	\$ 565,000	\$ 647,542	\$ 10,970,000	\$ 10,372,542
General obligation capital notes	1,365,000	1,260,000	975,000	1,014,696	2,340,000	2,274,696
Capital leases	210,818	333,000	-	-	210,818	333,000
Compensated absences	2,920,908	2,828,181	-	-	2,920,908	2,828,181
Total	\$ 14,901,726	\$ 14,146,181	\$ 1,540,000	\$ 1,662,238	\$ 16,441,726	\$ 15,808,419

Additional information concerning the County's long-term debt can be found in Note 6 of the *Notes to Basic Financial Statements* on pages 41 through 43.

Economic Factors and Next Year's Budget and Rates

Black Hawk County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget and the tax rates charged for various County activities. County officials are sensitive to economic factors such as the unemployment rate, which grew from 4.8 percent in January 2004 to 5.4 percent in January 2005 before starting to decline back to 4.8 percent in January 2006. This compares with the statewide rates of 4.6 percent, 5.1 percent and 4.1 percent over the same three-year period. Current reports show the unemployment rate decreased to 3.7 percent at the end of fiscal year 2006, close to the state average of 3.6 percent at the same point in time.

Black Hawk County, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

In an ongoing effort to maintain County services with minimal increases in tax levies, the Black Hawk County Board of Supervisors has sought efficiencies, including the outsourcing of duties, and reduced fund balances. From 1997 through 2003, the year-end Combined General Fund balance (General Basic and General Supplemental) fell from \$10,028,578 or 40 percent of expenditures, to \$2,990,472 or 9.38 percent of expenditures. Since then, while maintaining minimal increases in tax levies, the Combined General Fund balance has increased to a fiscal year 2006 figure of \$6,163,485 or 18.95 percent of expenditures and the Combined Unreserved General Basic plus Supplemental Fund balance is now 15.9 percent of expenditures which is within the preferred range of 15-20 percent for Black Hawk County. For fiscal year 2007, amounts available for appropriation are \$68.8 million. Budgeted expenditures are expected to rise by approximately \$4.3 million. Increased wages due to cost-of-living adjustments, rising health insurance costs, capital investment and debt issuance represent a significant portion of the increase. If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2007.

In comparing 2006 data for all counties, it is seen that Black Hawk County's levy rates are relatively high. However, this is partly a result of a relatively low valuation. While Black Hawk County is fourth in the state in population and fifth in overall taxable valuation, it is 89th in per capita valuation. The County's economy in spending is demonstrated by the fact it is 96th among the 99 counties in per capita tax askings and 8th among the ten most populous counties.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Black Hawk County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Black Hawk County Finance Director, James W. Bronner, by mail at 316 E. 5th Street, Waterloo, Iowa 50703, by telephone at 319.833.3003, fax 319.833.3070 or by e-mail at jbronner@co.black-hawk.ia.us.

Black Hawk County, Iowa

**Statement of Net Assets
June 30, 2006**

Assets	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Cash and investments	\$ 16,724,259	\$ 378,311	\$ 17,102,570
Restricted cash and investments	1,776,240	-	1,776,240
Receivables:			
Property tax:			
Delinquent	183,754	-	183,754
Succeeding year	26,370,403	-	26,370,403
Interest and penalty on property tax, net	203,164	-	203,164
Accounts	470,857	45,599	516,456
Accrued interest	110,371	241	110,612
Note	63,850	-	63,850
Lease	300,000	-	300,000
Due from other governments	2,293,853	-	2,293,853
Inventories	340,132	-	340,132
Prepaid expenses	119,994	-	119,994
Total current assets	48,956,877	424,151	49,381,028
Noncurrent assets:			
Receivables:			
Note	214,085	-	214,085
Lease	28,294	-	28,294
Discounts on long-term debt	13,341	11,619	24,960
Debt issuance costs	46,456	-	46,456
Capital assets:			
Not depreciated:			
Land	3,330,113	-	3,330,113
Construction-in-progress	1,850,097	-	1,850,097
Depreciated:			
Buildings	25,735,058	-	25,735,058
Improvements other than buildings	1,124,335	-	1,124,335
Infrastructure	38,546,066	5,420,639	43,966,705
Equipment and vehicles	9,821,063	-	9,821,063
Less accumulated depreciation	(28,558,440)	(1,431,595)	(29,990,035)
Total capital assets	51,848,292	3,989,044	55,837,336
Total noncurrent assets	52,150,468	4,000,663	56,151,131
Total assets	\$ 101,107,345	\$ 4,424,814	\$ 105,532,159

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Liabilities:			
Accounts payable	\$ 1,407,688	\$ 9,021	\$ 1,416,709
Claims payable	770,370	-	770,370
Accrued interest payable	58,662	5,870	64,532
Accrued salaries and benefits	931,390	-	931,390
Due to other governments	2,973,892	-	2,973,892
Unearned revenue	26,370,403	-	26,370,403
Current portion of general obligation bonds	1,760,000	90,000	1,850,000
Current portion of general obligation capital loan notes	240,000	55,000	295,000
Current portion of capital leases	103,093	-	103,093
Compensated absences	1,348,798	-	1,348,798
Total current liabilities	35,964,296	159,891	36,124,187
Noncurrent liabilities:			
General obligation bonds	8,645,000	475,000	9,120,000
General obligation capital loan notes	1,125,000	920,000	2,045,000
Capital leases	107,725	-	107,725
Compensated absences	1,572,110	-	1,572,110
Total noncurrent liabilities	11,449,835	1,395,000	12,844,835
Total liabilities	47,414,131	1,554,891	48,969,022
Net assets:			
Invested in capital assets, net of related debt	41,703,511	2,449,044	44,152,555
Restricted for:			
Supplemental levy purposes	2,378,736	-	2,378,736
Debt service	490,758	-	490,758
Mental health	1,373,802	-	1,373,802
Secondary roads	3,274,588	-	3,274,588
Unrestricted	4,471,819	420,879	4,892,698
Total net assets	53,693,214	2,869,923	56,563,137
Total liabilities and net assets	\$ 101,107,345	\$ 4,424,814	\$ 105,532,159

Black Hawk County, Iowa

**Statement of Activities
Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety and legal services	\$ 15,997,089	\$ 872,871	\$ 2,722,845	\$ -
Physical health and social services	10,331,387	1,419,539	4,161,274	-
Mental health	20,128,555	1,453,995	12,639,448	-
County environment and education	2,315,684	412,542	214,223	-
Roads and transportation	5,731,706	3,957	3,126,781	3,213,418
Governmental services to residents	1,501,746	1,813,549	243,585	-
Administration	4,773,716	858,011	486,297	-
Interest on long-term debt	433,064	-	-	-
Total governmental activities	61,212,947	6,834,464	23,594,453	3,213,418
Business-type activities:				
Rural sewer	229,229	179,670	-	-
Rural water	93,589	73,934	-	-
Total business-type activities	322,818	253,604	-	-
Total	\$ 61,535,765	\$ 7,088,068	\$ 23,594,453	\$ 3,213,418

General Revenues

Taxes:

- Property taxes
- Local option sales tax
- Other taxes
- State tax replacement credits

Investment earnings

Miscellaneous

Gain on the sale of capital assets

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (12,401,373)	\$ -	\$ (12,401,373)
(4,750,574)	-	(4,750,574)
(6,035,112)	-	(6,035,112)
(1,688,919)	-	(1,688,919)
612,450	-	612,450
555,388	-	555,388
(3,429,408)	-	(3,429,408)
(433,064)	-	(433,064)
<u>(27,570,612)</u>	<u>-</u>	<u>(27,570,612)</u>
-	(49,559)	(49,559)
-	(19,655)	(19,655)
-	(69,214)	(69,214)
<u>(27,570,612)</u>	<u>(69,214)</u>	<u>(27,639,826)</u>
25,330,735	-	25,330,735
2,605,674	-	2,605,674
996,293	-	996,293
1,179,717	-	1,179,717
1,069,135	3,369	1,072,504
1,202,771	-	1,202,771
18,803	-	18,803
<u>32,403,128</u>	<u>3,369</u>	<u>32,406,497</u>
4,832,516	(65,845)	4,766,671
48,860,698	2,935,768	51,796,466
<u>\$ 53,693,214</u>	<u>\$ 2,869,923</u>	<u>\$ 56,563,137</u>

Black Hawk County, Iowa

**Balance Sheet
Governmental Funds
June 30, 2006**

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and investments	\$ 6,023,538	\$ 4,279,481	\$ 241,149	\$ 2,857,798
Restricted cash and investments	70,468	-	-	-
Receivables:				
Property tax:				
Delinquent	129,346	1,373	38,728	-
Succeeding year	18,552,649	5,554,951	145,540	-
Interest and penalty on property tax, net	203,164	-	-	-
Accounts	372,432	44,746	7,805	20,755
Accrued interest	102,337	-	-	-
Note	-	-	-	-
Lease	328,294	-	-	-
Due from other funds	253,917	380	84	272
Due from other governments	858,746	653,037	403,804	378,266
Inventories	-	-	-	340,132
Prepaid expenses	4,794	-	-	-
Total assets	\$ 26,899,685	\$ 10,533,968	\$ 837,110	\$ 3,597,223
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 593,096	\$ 422,921	\$ 118	\$ 221,138
Accrued salaries and benefits	586,922	223,642	38,131	77,540
Due to other funds	10,434	239,198	984	3,864
Due to other governments	242,897	2,703,597	4,737	20,093
Deferred revenue:				
Succeeding year property tax	18,552,649	5,554,951	145,540	-
Other	750,202	15,857	38,717	-
Total liabilities	20,736,200	9,160,166	228,227	322,635
Fund balances:				
Reserved for:				
Supplemental levy purposes	2,378,736	-	-	-
Debt service	-	-	-	-
Advance to other government	50,000	-	-	-
Prepays and inventories	4,794	-	-	340,132
Capital projects	70,468	-	-	-
Unreserved:				
Designated for tax stabilization and termination benefit payments	935,593	-	-	-
Undesignated, reported in:				
General Fund	2,723,894	-	-	-
Special revenue funds	-	1,373,802	608,883	2,934,456
Capital Projects Fund	-	-	-	-
Total fund balances	6,163,485	1,373,802	608,883	3,274,588
Total liabilities and fund balances	\$ 26,899,685	\$ 10,533,968	\$ 837,110	\$ 3,597,223

See Notes to Basic Financial Statements.

		Nonmajor Governmental			
Debt Service	Capital Projects	Funds	Total		
\$ 483,928	\$ 28,633	\$ 896,988	\$ 14,811,515		
-	1,705,772	-	1,776,240		
14,307	-	-	183,754		
2,117,263	-	-	26,370,403		
-	-	-	203,164		
-	-	11,846	457,584		
6,713	-	94	109,144		
277,935	-	-	277,935		
-	-	-	328,294		
-	3	-	254,656		
-	-	-	2,293,853		
-	-	-	340,132		
-	115,200	-	119,994		
<u>\$ 2,900,146</u>	<u>\$ 1,849,608</u>	<u>\$ 908,928</u>	<u>\$ 47,526,668</u>		
\$ -	\$ 62,382	\$ 79,478	\$ 1,379,133		
-	5,155	-	931,390		
-	176	-	254,656		
-	784	1,784	2,973,892		
2,117,263	-	-	26,370,403		
292,125	-	-	1,096,901		
<u>2,409,388</u>	<u>68,497</u>	<u>81,262</u>	<u>33,006,375</u>		
-	-	-	2,378,736		
490,758	-	-	490,758		
-	-	-	50,000		
-	115,200	-	460,126		
-	1,705,772	-	1,776,240		
-	-	-	935,593		
-	-	-	2,723,894		
-	-	827,666	5,744,807		
-	(39,861)	-	(39,861)		
<u>490,758</u>	<u>1,781,111</u>	<u>827,666</u>	<u>14,520,293</u>		
<u>\$ 2,900,146</u>	<u>\$ 1,849,608</u>	<u>\$ 908,928</u>	<u>\$ 47,526,668</u>		

Black Hawk County, Iowa

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006**

Total governmental fund balances \$ 14,520,293

Amounts reported for governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	3,330,113	
Construction-in-progress	1,850,097	
Buildings	25,735,058	
Improvements other than buildings	1,124,335	
Equipment and vehicles	9,821,063	
Infrastructure	38,546,066	
Accumulated depreciation	<u>(28,558,440)</u>	51,848,292

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

Deferred revenues 1,096,901

Long-term liabilities including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(58,662)	
Discounts on long-term debt	13,341	
Debt issuance costs	46,456	
General obligation bonds payable	(10,405,000)	
General obligation capital notes	(1,365,000)	
Capital leases	(210,818)	
Compensated absences	<u>(2,920,908)</u>	(14,900,591)

The internal service funds are used by management to charge the costs of partial self-funding of the County's health insurance benefit plan and other goods and services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,128,319

Net assets of governmental activities

\$ 53,693,214

See Notes to Basic Financial Statements.

Black Hawk County, Iowa

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006**

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 18,213,627	\$ 5,567,907	\$ 2,765,255	\$ -
Interest and penalty on property tax	345,844	-	-	-
Intergovernmental	8,469,524	12,509,570	14,856	3,478,357
Licenses and permits	298,748	-	56,698	3,715
Charges for service	4,252,863	1,451,595	12,946	242
Use of money and property	1,039,297	-	-	-
Miscellaneous	911,074	62,989	153	25,815
Total revenues	33,530,977	19,592,061	2,849,908	3,508,129
Expenditures:				
Current:				
Public safety and legal services	13,693,549	-	1,313,690	-
Physical health and social services	10,346,704	-	-	-
Mental health	-	20,225,744	-	-
County environment and education	1,797,346	-	161,820	-
Roads and transportation	-	-	-	4,130,546
Governmental services to residents	1,459,855	-	1,667	-
Administration	4,597,900	-	-	-
Debt service:				
Principal	464,882	-	-	17,300
Interest	34,331	-	-	907
Debt issuance costs	9,041	-	-	-
Capital outlay	400	-	-	1,456,948
Total expenditures	32,404,008	20,225,744	1,477,177	5,605,701
Excess (deficiency) of revenues over expenditures	1,126,969	(633,683)	1,372,731	(2,097,572)
Other financing sources (uses):				
Issuance of debt	335,000	-	-	-
Discounts on issuance of long-term debt	(3,031)	-	-	-
Proceeds from the sale of capital assets	70,930	-	-	5,821
Transfers in	-	-	-	1,624,082
Transfers out	(714,663)	-	(1,034,419)	-
Total other financing sources (uses)	(311,764)	-	(1,034,419)	1,629,903
Net change in fund balances	815,205	(633,683)	338,312	(467,669)
Fund balances, beginning of year	5,348,280	2,007,485	270,571	3,742,257
Fund balances, end of year	\$ 6,163,485	\$ 1,373,802	\$ 608,883	\$ 3,274,588

See Notes to Basic Financial Statements.

		Nonmajor Governmental			
Debt Service		Capital Projects	Funds	Total	
\$	2,001,382	\$ -	-	\$	28,548,171
	-	-	-		345,844
	158,982	144,000	119,996		24,895,285
	-	-	-		359,161
	-	-	195,074		5,912,720
	90,706	1	55,639		1,185,643
	-	-	74,516		1,074,547
	2,251,070	144,001	445,225		62,321,371
	-	-	116,197		15,123,436
	-	-	-		10,346,704
	-	-	-		20,225,744
	-	-	269,922		2,229,088
	-	-	-		4,130,546
	-	-	26,581		1,488,103
	-	-	-		4,597,900
	1,835,000	-	-		2,317,182
	394,949	-	-		430,187
	-	42,200	-		51,241
	-	1,190,420	-		2,647,768
	2,229,949	1,232,620	412,700		63,587,899
	21,121	(1,088,619)	32,525		(1,266,528)
	-	2,645,000	-		2,980,000
	-	(12,015)	-		(15,046)
	-	-	-		76,751
	-	-	-		1,624,082
	-	-	-		(1,749,082)
	-	2,632,985	-		2,916,705
	21,121	1,544,366	32,525		1,650,177
	469,637	236,745	795,141		12,870,116
\$	490,758	\$ 1,781,111	\$ 827,666	\$	14,520,293

Black Hawk County, Iowa

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2006**

Net change in fund balances - governmental funds \$ 1,650,177

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the detail of the amount by which capital outlays exceeded depreciation in the current year:

Capital outlay	\$ 2,367,104	
Depreciation expense	(2,333,981)	33,123

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase (decrease) net assets:

Capital contributions	2,861,842	
Proceeds from the sale of capital assets	(76,751)	
Gain on the sale of capital assets	18,803	2,803,894

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. 672,683

The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Repayment of debt principle		2,317,182
Interest		(2,372)
Debt issuance costs		51,241
Proceeds from the issuance of long-term debt		(2,980,000)
Discount on issuance of long-term debt		15,046
Amortization of debt issuance costs and discounts on long-term debt		(6,490)

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:

Change in compensated absences		(92,727)
Contributions of materials and supplies to subrecipients of a federal program		(595,119)

The internal service funds are used by management to charge the costs of partial self-funding of the County's health insurance benefit plan and other goods and services to individual funds. The change in net assets of the internal service funds is reported with governmental activities.

		965,878
Change in net assets of governmental activities		\$ 4,832,516

See Notes to Basic Financial Statements.

Black Hawk County, Iowa

Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business-Type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Rural Sewer	Nonmajor		
		Rural Water	Total	
Assets				
Current assets:				
Cash and investments	\$ 30,951	\$ 347,360	\$ 378,311	\$ 1,912,744
Receivables:				
Accounts	31,623	13,976	45,599	13,273
Accrued interest	23	218	241	1,227
Total current assets	<u>62,597</u>	<u>361,554</u>	<u>424,151</u>	<u>1,927,244</u>
Noncurrent assets:				
Discounts on long-term debt	9,512	2,107	11,619	-
Capital assets; infrastructure (net of accumulated depreciation)	2,802,748	1,186,296	3,989,044	-
Total noncurrent assets	<u>2,812,260</u>	<u>1,188,403</u>	<u>4,000,663</u>	<u>-</u>
Total assets	<u>\$ 2,874,857</u>	<u>\$ 1,549,957</u>	<u>\$ 4,424,814</u>	<u>\$ 1,927,244</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 2,424	\$ 6,597	\$ 9,021	\$ 28,555
Claims payable	-	-	-	770,370
Accrued interest payable	4,524	1,346	5,870	-
Current portion of general obligation bonds	-	90,000	90,000	-
Current portion of general obligation capital loan notes	55,000	-	55,000	-
Total current liabilities	<u>61,948</u>	<u>97,943</u>	<u>159,891</u>	<u>798,925</u>
Long-term liabilities:				
General obligation bonds	-	475,000	475,000	-
General obligation capital loan notes	920,000	-	920,000	-
Total noncurrent liabilities	<u>920,000</u>	<u>475,000</u>	<u>1,395,000</u>	<u>-</u>
Total liabilities	<u>981,948</u>	<u>572,943</u>	<u>1,554,891</u>	<u>798,925</u>
Net assets:				
Invested in capital assets, net of related debt	1,827,748	621,296	2,449,044	-
Unrestricted	65,161	355,718	420,879	1,128,319
Total net assets	<u>1,892,909</u>	<u>977,014</u>	<u>2,869,923</u>	<u>1,128,319</u>
Total liabilities and net assets	<u>\$ 2,874,857</u>	<u>\$ 1,549,957</u>	<u>\$ 4,424,814</u>	<u>\$ 1,927,244</u>

See Notes to Basic Financial Statements.

Black Hawk County, Iowa

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 Year Ended June 30, 2006

	Business-Type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Rural Sewer	Nonmajor Rural Water	Total	
Operating revenues, charges for services	\$ 179,670	\$ 73,934	\$ 253,604	\$ 5,942,955
Operating expenses:				
Costs of sales and services	42,976	8,801	51,777	5,113,793
Depreciation	128,739	66,729	195,468	-
Total operating expenses	171,715	75,530	247,245	5,113,793
Operating income (loss)	7,955	(1,596)	6,359	829,162
Nonoperating revenues (expenses):				
Interest income	399	2,970	3,369	11,716
Interest expense	(57,514)	(18,059)	(75,573)	-
Total nonoperating revenues (expenses)	(57,115)	(15,089)	(72,204)	11,716
Change in net assets	(49,160)	(16,685)	(65,845)	840,878
Other financing sources, transfers in	-	-	-	125,000
Net change in net assets	(49,160)	(16,685)	(65,845)	965,878
Net assets, beginning of year	1,942,069	993,699	2,935,768	162,441
Net assets, end of year	\$ 1,892,909	\$ 977,014	\$ 2,869,923	\$ 1,128,319

See Notes to Basic Financial Statements.

Black Hawk County, Iowa

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006**

	Business-Type Activities-Enterprise Funds			Governmental Activities- Internal Service Funds
	Rural Sewer	Nonmajor Rural Water	Total	
Cash flows from operating activities:				
Cash received from customers and users	\$ 172,370	\$ 71,421	\$ 243,791	\$ 5,971,196
Cash paid to suppliers for services	(42,073)	(2,214)	(44,287)	(21,151)
Cash paid for claims and to administrative provider	-	-	-	(5,103,120)
Net cash provided by operating activities	130,297	69,207	199,504	846,925
Cash flows from noncapital financing activities, transfers in	-	-	-	125,000
Cash flows from capital and related financing activities:				
Payments on capital loan notes and bonds	(50,000)	(85,000)	(135,000)	-
Interest paid on capital loan bonds and notes	(56,943)	(17,849)	(74,792)	-
Net cash (used in) capital and related financing activities	(106,943)	(102,849)	(209,792)	-
Cash flows from investing activities, interest on investments	380	2,987	3,367	11,101
Net increase (decrease) in cash and cash equivalents	23,734	(30,655)	(6,921)	983,026
Cash and cash equivalents, beginning	7,217	378,015	385,232	929,718
Cash and cash equivalents, ending	<u>\$ 30,951</u>	<u>\$ 347,360</u>	<u>\$ 378,311</u>	<u>\$ 1,912,744</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 7,955	\$ (1,596)	\$ 6,359	\$ 829,162
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	128,739	66,729	195,468	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(7,300)	(2,513)	(9,813)	28,241
Increase (decrease) in accounts and claims payable	903	6,587	7,490	(10,478)
Net cash provided by operating activities	\$ 130,297	\$ 69,207	\$ 199,504	\$ 846,925

See Notes to Basic Financial Statements.

Black Hawk County, Iowa

Statement of Assets and Liabilities

Agency Funds

June 30, 2006

Assets

Cash and investments	\$	6,103,500
Receivables, property taxes and other		118,222,940
Total assets	\$	124,326,440

Liabilities

Accounts payable and accrued liabilities	\$	79,392
Due to other governmental agencies		123,405,066
Trusts payable		841,982
Total liabilities	\$	124,326,440

See Notes to Basic Financial Statements.

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Nature of operations:

Black Hawk County, Iowa (the "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.

Reporting entity:

In accordance with the Codification of Government Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions and authorities for which the County is financially accountable. The County has also considered all other potential organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's government body, and (1) the ability of the County to impose its will on that organization or (2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the County. Based on these criteria, the County is presented as a primary government and includes the component units listed below because of their operational significance and relationship with the County. All of the component units have a June 30 year-end and are considered blended component units. Blended component units 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.

Blended component units:

Drainage Districts: Certain drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Black Hawk County, Iowa's Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Black Hawk County, Iowa Auditor's Office at 316 East 5th Street, Waterloo, Iowa 50703.

The Friends of Hartman Reserve, Inc.: The Friends of Hartman Reserve, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of providing volunteer resources, including personnel and financial resources, for the Hartman Reserve Nature Center and its governing organization, the Black Hawk County, Iowa Conservation Board. The Center is reported as a special revenue fund. Financial information can be obtained from the Black Hawk County, Iowa's Auditor's Office at 316 East 5th Street, Waterloo, Iowa 50703.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

In addition, the GASB issued Statement No. 39, in May 2002, which sets forth additional criteria to determine whether certain organizations for which the County is not financially accountable should be reported as component units based on the nature and significance of their relationship with the County. These criteria include (1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the County, its component units, or its constituents, (2) the County being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the County and (3) the economic resources received or held by an individual organization, that the County is entitled to, or has the ability to otherwise access, are significant to the County. Based on these additional criteria there are no other organizations which should be included in these financial statements.

Jointly governed organizations:

The County 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 Black Hawk County, Iowa's Board of Supervisors are members of or appoint representatives to the following boards and commissions: Black Hawk County, Iowa's Assessor's Conference Board, County Emergency Management Commission and Black Hawk County, Iowa's Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Black Hawk County Criminal Justice Information System, Black Hawk County Solid Waste Management Commission, Multi-County Drug Prosecution Unit, Tri-County Drug Task Force, Northeast Iowa Response Group, Iowa Northland Regional Housing Council, Iowa County Engineers Association Service Bureau, Consolidated Public Safety Communication Center and North Iowa Juvenile Detention Services Commission.

Basis of presentation:

The County's basic financial statements consist of government-wide statements including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements: The government-wide financial statements (i.e., 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, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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 that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

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. The focus of the fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund accounting: The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves and fund balance/net assets, revenues and expenditures or expenses, as appropriate. The County has the following fund types:

Governmental fund types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The County has elected to report Rural Services, Secondary Roads, Debt Service and Capital Projects as major funds for public interest purposes. The following are the County's major governmental funds:

General Fund: The General Fund is the primary 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.

Special Revenue Funds:

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

Rural Services Fund: To account taxes levied to benefit the rural residents of the County.

Secondary Roads Fund: To account for state revenue allocated to the County to be used to maintain and improve the County's roads.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Debt Service Fund: To account for the payment of interest and principal on the County's general long-term debt.

Capital Projects Fund: To account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the County are considered nonmajor and are as follow:

Special Revenue Funds:

Resource Enhancement and Protection Fund: To account for state revenues received for enhancement and protection.

County Recorder's Records Management Fund: To account for the fee collected for each recorded transaction to be used for the purpose of preserving and maintaining public records.

County Recorder's Electronic Transaction Fee Fund: To account for the fee collected for each electronic transaction to be used for the purpose of maintaining the system.

Sheriff's Federal Forfeiture Fund: To account for forfeiture funds.

Sheriff's Commissary Fund: To account for monies to be used for the commissary.

Drainage Districts Fund: The Drainage Districts Fund is a blended component unit of the County and used to account for that organization's activities.

Conservation Land Acquisition Fund: The Conservation Land Acquisition Fund is used to account for conservation activities.

Friends of Hartman Reserve Fund: The Friends of Hartman Reserve Fund is a blended component unit of the County and used to account for that organization's activities.

Proprietary fund types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector.

Enterprise Funds: To account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. In accordance with Governmental Accounting Standard's Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncement, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

The following is the County's major enterprise fund:

Rural Sewer Fund: To account for the operations of the rural sewer system.

The other enterprise fund of the County is considered nonmajor and is as follows:

Rural Water Fund: To account for the operations of the rural water system.

Additionally, the County reports the following funds:

Internal Service Funds: Internal service funds are proprietary funds that are 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. The County reports the following internal service funds:

Health Insurance Fund: This fund is used to account for the County's self-insured health plan.

Self-Insurance Fund: This fund is used to account for the County's partially self-insured property and liability insurance.

Office Equipment: This fund is used to account for the costs associated with maintaining various pieces of office equipment.

Fiduciary Funds: Fiduciary fund types are used to account for net assets and changes in net assets. The fiduciary funds of the County are considered agency funds. Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency funds do not involve measurement of results of operations. The County reports the following agency funds:

County Offices Fund: This fund is used to account for the cash held by various officers of the County.

Agricultural Extension Education Fund: To account for the property taxes collected and owed to other governments for agricultural extension education.

County Assessor Fund: This fund is used to account for the activities of the County Assessor's Office.

Schools Taxing District Fund: To account for the property taxes collected and owed to school districts located within Black Hawk County, Iowa.

Community College Taxing District Fund: To account for the property taxes collected and owed to community colleges located within Black Hawk County, Iowa.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Corporations Taxing District Fund: To account for the property taxes collected and owed to city and other corporate taxing districts located within Black Hawk County, Iowa.

City Special Assessments Fund: To account for monies collected on behalf of other taxing districts for special assessments.

Auto License and Use Tax Fund: To account for monies collected for auto licenses and use tax funds that are due to other governments.

Other Funds: To account for various other agency activities of the County.

Measurement focus and basis of accounting:

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

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

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

Licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable and available.

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the budget is certified and approved by the state of Iowa. The current tax levy recognized in revenue was certified in March 2005, based on the 2004 assessed valuations. These taxes are due in two installments, on September 30 and March 31, with a 1.5 percent per month penalty for delinquent payment.

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

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than program revenues; therefore, taxes are reported as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Summary of significant accounting policies:

The significant accounting policies followed by the County include the following:

Cash, cash equivalents and certificates of deposit: Separate bank accounts are not maintained for all County funds, as certain funds maintain their deposits in a pooled account. Accounting records are maintained to show the portion of the pooled account attributable to each participating fund. Interest earned on these accounts is recorded in the General Fund, unless otherwise provided by law.

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.

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

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.

Interfund transactions: Transactions from County funds that would be treated as revenues and expenditures or expenses if they involved organizations external to the County government are accounted for as revenues and expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which revenues are to be expected, are separately reported in the respective funds' operating statements.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Activity between funds that are representative of the lending/borrowing arrangement at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Due from other governments: Due from other governments represents amounts due from the state of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Capital assets: Capital assets, including land, construction-in-progress, buildings, improvements other than buildings, equipment and vehicles and infrastructure (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets net any related interest income is included as part of the capitalized value of the assets constructed for business-type activities. No interest was capitalized during the current fiscal period.

All reported capital assets except land and construction-in-progress are depreciated. Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for capital assets are as follows:

Buildings	10 to 50 years
Improvements other than buildings	10 to 25 years
Equipment and vehicles	5 to 20 years
Infrastructure	15 to 65 years

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.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

Deferred/unearned revenue: Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations have been recorded as deferred/unearned revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Compensated absences: County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. The governmental fund types report the amount of accumulated unpaid vacation and sick leave, when due, as a result of employee retirements and resignations. The amount of liability not considered due is not reported in the fund financial statements. However, the entire compensated absence liability is reported in the government-wide financial statements.

Fund equity: Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represents tentative management plans that are subject to change.

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Unspent debt proceeds for the General and Capital Projects funds were \$70,468 and \$1,705,772, respectively. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted through enabling legislation consists of \$490,758 for debt service, \$1,373,802 for mental health, \$3,274,588 for secondary roads and \$2,378,736 for supplemental levy purposes. In the current year, the County adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. The effect of the adoption of this Statement was to reclassify \$6,219,379 that was previously classified as unrestricted to restricted net assets.

The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Discounts, premiums and issuance costs on long-term debt: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Discounts and premiums on the issuance of long-term debt as well as issuance costs, are deferred and amortized over the life of the debt using the effective interest method.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize discounts and premiums on long-term debt as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts and premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budgets and budgetary accounting: Budgets are prepared using the same accounting basis and practices as are used to account for and prepare financial reports for the funds; thus the budgetary comparison schedule presented in this report for comparison to actual amounts is presented in accordance with accounting principles generally accepted in the United States of America.

The County uses the following procedures when establishing their operational budget:

- On or before November 1, a budget request for the next fiscal year is sent to all elected officials and department heads. Three years of history are provided as well as year-to-date figures for the current fiscal year. Any goals or direction from the Board of Supervisors are also provided. The completed requests are due in early December and include proposed expenditures, projected program revenues and an updated capital improvement project (CIP) list. Once the information is received and entered into the financial system, all of the budget requests are then compiled. Copies of all salary projections, a budget summary and a capital request summary for each department are prepared and assembled for the Board. A tax asking form with a comparison to the current fiscal year's budget by fund is prepared by the end of December. The budget documents are then reviewed by the Board of Supervisors with additional input from various departments as requested by the Board during the months of January and February.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to March 15, the budget is legally adopted by resolution of the County Board.
- The budget may be amended by majority approval of the County Board prior to May 31 after public notice has been published.
- Encumbrances are not recognized in the budget and appropriations lapse at year-end.

The legal level of control is at the program expenditure level. These nine classes are: public safety and legal services, physical health and social services, mental health, County environment and education, roads and transportation, governmental services to residents, administration, debt service and capital projects.

In addition, the County Board must appropriate, by resolution, the budgets for each of the different County offices and departments. Emphasis is placed on monitoring budgets at the department level by major class of expenditures, rather than by line item expenditure. County management can approve budget shifts within the major classes but not between major classes. During the year, there were two budget amendments adopted in November 2005 and May 2006.

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Cash and Investments

As of June 30, 2006, the City's cash and investments were as follows:

Cash statement of net assets	\$ 15,236,201
Cash fiduciary funds	6,103,500
Investments	3,642,609
	<u>\$ 24,982,310</u>

The County maintains cash and investment pools for certain funds where the resources have been pooled in order to maximize investment opportunities. Income from investments is recorded in the General Fund unless otherwise provided by law.

Authorized investments: The County is authorized by statute and policy to invest public funds in interest-bearing savings accounts, money market accounts and checking accounts, 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 County and State of Iowa Statute, Chapter 12C; perfected repurchase agreements, pooled funds including but not limited to mutual funds, trusts and third party management arrangement or improvement certificates of a drainage district. However, the County's investment policy additionally limits investments stating that any bank must be on the most recent State of Iowa Approved Bank List. Additionally, investments in (1) reverse repurchase agreements and (2) securities derived from interest-only cash flows from an underlying collateral debt instrument where there is risk of loss due to early redemption of the collateral are prohibited.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the County's investment policy, the County minimizes the market value risk of investments in the portfolio by separating operating funds from other funds available for investment. Operating funds may not be invested in investments with maturity dates in excess of 397 days. Non-operating funds may be invested in investments with maturities no greater than 30 months. This ensures that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

Investment Type	Maturities	Fair Value
IPAIT Diversified - Money Market Mutual Fund	90 days	\$ 3,366,252
Agency security - Federal Farm Credit Bank	04/20/2009	14,664
Mutual funds - equity income - Vanguard Advantage	N/A	254,312
Money market mutual fund - Vanguard Advantage	N/A	7,381
		<u>\$ 3,642,609</u>

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2006, the County's investments were rated as follows:

Investment Type	Moody's Investors Services	Standard & Poor's
IPAIT Diversified - Money Market Mutual Fund	*	*
Agency security - Federal Farm Credit Bank	AAA	Not rated
Mutual funds - equity income - Vanguard Advantage	Not rated	Not rated
Money market mutual fund - Vanguard Advantage	Not rated	Not rated

* The IPAIT Diversified security credit ratings were 25.2 percent AAA, 7.6 percent not rated and 67.2 percent not applicable.

Concentration of credit risk: The County's investment policy is to apply the prudent-person rule: Investments shall be made utilizing the judgment and care, under the circumstances then present, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investments, considering probable safety of their capital as well as the probable income to be derived. The County did not have any investments in any one issuer that represent 5 percent or more of total County investments: money market mutual funds and mutual funds are excluded from this consideration given the County doesn't "hold" the underlying investments.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2006, the County's investments were not subject to custodial credit risk. Time deposits in excess of FDIC insurable limits are secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Chapter 12C of the Code of Iowa requires all County funds to be deposited into an approved depository and be either insured or collateralized. As of June 30, 2006, the County's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 3. Interfund Receivables and Payables

The detail of due to/due from other funds as of June 30, 2006 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 253,917	\$ 10,434
Special revenue funds:		
Mental health	380	239,198
Rural services	84	984
Secondary roads	272	3,864
Capital projects	3	176
Total	\$ 254,656	\$ 254,656

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

Note 4. Interfund Transfers

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

	Transfers In	Transfers Out
General Fund	\$ -	\$ 714,663
Special revenue funds:		
Rural services	-	1,034,419
Secondary roads	1,624,082	-
Governmental activities; internal service funds self insurance	125,000	-
Total	\$ 1,749,082	\$ 1,749,082

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

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 5. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,234,567	\$ 95,546	\$ -	\$ 3,330,113
Construction-in-progress	2,351,942	1,767,174	(2,269,019)	1,850,097
Total capital assets not being depreciated	5,586,509	1,862,720	(2,269,019)	5,180,210
Capital assets being depreciated:				
Buildings	25,443,404	363,756	(72,102)	25,735,058
Improvements other than buildings	1,124,335	-	-	1,124,335
Equipment and vehicles	10,302,554	998,112	(1,479,603)	9,821,063
Infrastructure	34,272,689	4,273,377	-	38,546,066
Total capital assets being depreciated	71,142,982	5,635,245	(1,551,705)	75,226,522
Less accumulated depreciation for:				
Buildings	8,533,723	523,792	(62,729)	8,994,786
Improvements other than buildings	703,662	28,704	-	732,366
Equipment and vehicles	7,513,520	588,370	(1,431,028)	6,670,862
Infrastructure	10,967,311	1,193,115	-	12,160,426
Total accumulated depreciation	27,718,216	2,333,981	(1,493,757)	28,558,440
Total capital assets being depreciated, net	43,424,766	3,301,264	(57,948)	46,668,082
Governmental activities capital assets, net	\$ 49,011,275	\$ 5,163,984	\$ (2,326,967)	\$ 51,848,292
Business-type activities:				
Capital assets being depreciated, infrastructure	\$ 5,420,639	\$ -	\$ -	\$ 5,420,639
Less accumulated depreciation for infrastructure	1,236,127	195,468	-	1,431,595
Business-type activities capital assets, net	\$ 4,184,512	\$ (195,468)	\$ -	\$ 3,989,044

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

Depreciation expense was charged to the functions of the primary government as follows:

Governmental activities:

Public safety and legal services	\$ 456,462
Physical health and social services	27,454
Mental health	87,976
County environment and education	109,389
Roads and transportation	1,470,018
Governmental services to residents	5,630
Administration	177,052
Total depreciation expense - governmental activities	<u>\$ 2,333,981</u>

Business-type activities:

Rural sewer	\$ 128,739
Rural water	66,729
Total depreciation expense - business-type activities	<u>\$ 195,468</u>

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Retirements/ Deletions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,725,000	\$ 2,645,000	\$ 1,965,000	\$ 10,405,000	\$ 1,760,000
General obligation capital notes	1,260,000	335,000	230,000	1,365,000	240,000
Capital leases	333,000	-	122,182	210,818	103,093
Compensated absences	2,828,181	1,829,174	1,736,447	2,920,908	1,348,798
	<u>\$ 14,146,181</u>	<u>\$ 4,809,174</u>	<u>\$ 4,053,629</u>	<u>\$ 14,901,726</u>	<u>\$ 3,451,891</u>
Business-type activities:					
General obligation bonds	\$ 650,000	\$ -	\$ 85,000	\$ 565,000	\$ 90,000
General obligation capital notes	1,025,000	-	50,000	975,000	55,000
	<u>\$ 1,675,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 1,540,000</u>	<u>\$ 145,000</u>

Note 6. Long-Term Liabilities (Continued)

General obligation bonds: General obligation bonds have been issued for both governmental and business-type activities. The portion of unmatured general obligation bonds reported in the governmental activities column in the statement of net assets to be paid from the Debt Service Fund totaled \$10,405,000 as of June 30, 2006. These bonds bear interest with rates ranging from 2.10 percent to 5.30 percent and mature in varying annual amounts ranging from \$40,000 to \$1,250,000 through June 1, 2016.

The portion of unmatured general obligation bonds reported in the business-type activities column in the statement of net assets to be paid from proprietary revenues totaled \$565,000 as of June 30, 2006. These bonds bear interest with rates ranging from 2.3 percent to 3.30 percent and mature in varying annual amounts ranging from \$90,000 to \$105,000 through June 1, 2012.

General obligation capital loan notes: General obligation capital loan notes have been issued for both governmental and business-type activities. The portion of unmatured general obligation capital loan notes reported in the governmental activities column in the statement of net assets and to be paid from the Debt Service Fund totaled \$1,365,000 as of June 30, 2006. These notes bear interest with rates ranging from 2.10 percent to 4.20 percent and mature in varying annual amounts ranging from \$25,000 to \$200,000 through June 1, 2015.

The portion of unmatured general obligation capital loan notes reported in the business-type activities column in the statement of net assets to be paid from proprietary revenues totaled \$975,000 as of June 30, 2006. These notes bear interest with rates ranging from 5.30 percent to 5.75 percent and mature in varying annual amounts ranging from \$55,000 to \$100,000 through June 1, 2019.

Capital lease obligations: The County has entered into lease purchase agreements for eleven patrol cars for the Sheriff's Department and a wet blade mower. The agreements require annual payments ranging from \$103,093 to \$107,725, including interest of 4.43 percent through June 1, 2008. The balance due as of June 30, 2006 was \$210,818. The net book value of these capital assets was \$248,016 as of June 30, 2006.

Compensated absences: Compensated absences attributable to governmental activities are generally liquidated by the General Fund.

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 6. Long-Term Liabilities (Continued)

Summary of principal and interest maturities: Annual debt service requirements to service all outstanding indebtedness as of June 30, 2006 are as follows:

Governmental Activities	General Obligation Bonds		General Obligation Capital Notes	
	Principal	Interest	Principal	Interest
<u>Year ending June 30,</u>				
2007	\$ 1,760,000	\$ 376,749	\$ 240,000	\$ 40,868
2008	1,825,000	318,306	250,000	35,233
2009	1,890,000	253,976	255,000	28,723
2010	1,970,000	184,594	265,000	21,515
2011	740,000	109,336	65,000	13,440
2012 - 2016	2,220,000	199,640	290,000	28,580
Total	\$ 10,405,000	\$ 1,442,601	\$ 1,365,000	\$ 168,359
<u>Capital Lease Payable</u>				
	Principal	Interest		
<u>Year ending June 30,</u>				
2007	\$ 103,093	\$ 9,472		
2008	107,725	4,840		
Total	\$ 210,818	\$ 14,312		
Business-Type Activities	General Obligation Bonds		General Obligation Capital Notes	
	Principal	Interest	Principal	Interest
<u>Year ending June 30,</u>				
2007	\$ 90,000	\$ 16,150	\$ 55,000	\$ 54,293
2008	90,000	14,080	60,000	51,378
2009	90,000	11,830	60,000	48,197
2010	95,000	9,355	65,000	45,017
2011	95,000	6,505	65,000	41,507
2012 - 2016	105,000	3,465	385,000	149,018
2017 - 2020	-	-	285,000	33,350
Total	\$ 565,000	\$ 61,385	\$ 975,000	\$ 422,760

The computation of the County's legal margin as of June 30, 2006 is as follows:

January 2004 assessed valuation	\$ 3,727,226,225
Less military exemption	15,990,507
Total assessed value	\$ 3,711,235,718
Debt limit, 5% of assessed valuation (Iowa statutory limitation)	\$ 185,561,786
Total amount of debt applicable to debt margin	13,520,818
Legal debt margin	\$ 172,040,968

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 7. Note Receivable

On August 1, 1995, the County issued \$2,130,000 of general obligation capital loan notes, a portion of which was to partially fund juvenile detention center renovations. On August 24, 1995, the County entered into an agreement to loan \$800,000 of the capital loan note proceeds to the North Iowa Juvenile Detention Service Commission. The North Iowa Juvenile Detention Service Commission issued a note to the County that requires annual principal payments ranging from \$37,559 to \$75,117 and semiannual interest payments at rates ranging from 5.10 percent to 5.20 percent per annum, with the final payment due June 1, 2010. During the year ended June 30, 2006, the County received \$60,094 of principal and \$17,380 of interest from the North Iowa Juvenile Detention Service Commission. The balance owed to the County on the note as of June 30, 2006 was \$277,935. This amount has been deferred under the modified accrual basis of accounting as the amount does not represent current financial resources. The County considers the note fully collectible as of June 30, 2006 and, therefore, an allowance for uncollectible amounts is not considered necessary.

Note 8. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to any employee who, with the consent of Black Hawk County, elects to reduce a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, inservice distribution or unforeseeable emergency. The Plan was amended to comply with IRC Section 457(b) which allowed for the Plan to hold its assets in trust. Under these new requirements, the assets of the Plan are no longer subject to the general creditors of the County. The assets are maintained in trust by the employer in connection with the Plan. The Plan is maintained for the exclusive benefit of the employee or his/her beneficiary and, therefore, the liability and corresponding investment are not reflected in the financial statements.

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 the state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the County is required to contribute 5.75 percent of annual covered payroll. In the case of law enforcement employees, the percentage for the year ended June 30, 2006 was 8.20 percent for the employees and the County. The contribution percentage for conservation employees was 6.16 percent for the employees and 9.23 percent for the County. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$1,494,167, \$1,497,180 and \$1,425,126, respectively, equal to the required contributions for each year.

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 10. Employee Health Insurance Plan

The County is self-insured for its employee medical coverage. The internal service, Health Insurance Fund, was established to account for revenues and expenses of the County's health insurance benefit plan. The benefit plan is funded by both employee and County contributions and is administered by a third party administrator, First Administrators, Inc., a stop-loss insurance policy, has been obtained for the health plan to limit the amount of payments by the County on an individual basis to \$100,000 per year. The annual maximum coverage limit for the employee medical plan is \$1,000,000. In addition to the individual stop loss coverage, the County has purchased aggregate excess loss coverage of 125 percent of expected claims during the plan year, approximately \$5,392,500.

Monthly payments of service fees and plan contributions to the internal service, Health Insurance Fund, are recorded as expenditures from the operating funds

Amounts payable from the internal service, Health Insurance Fund, as of June 30, 2006 totaled \$669,637 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses.

Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the claims payable in fiscal years 2006 and 2005 are as follows:

	2006	2005
Claims payable, beginning of year	\$ 550,353	\$ 663,673
Claims recognized	4,583,531	4,624,847
Claim payments	(4,464,247)	(4,738,167)
Claims payable, end of year	<u>\$ 669,637</u>	<u>\$ 550,353</u>

Note 11. Risk Management

Black Hawk County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County has purchased commercial insurance to protect against errors and omissions and injuries to employees. Effective July 1, 2005 the County joined the Iowa Communities Assurance Pool (ICAP) to protect against loss related to torts, theft, damage to and destruction of assets and natural disasters. ICAP is a risk sharing pool where the liability of each member is limited to their financial contribution; no member is responsible for the liabilities of any other member. The County contributed \$288,774 to the pool for fiscal year ended June 30, 2006. Prior to joining ICAP the County self-insured for various risks of loss, \$100,733 has been reserved for run-off claims.

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Health Care Facility and Industrial Development Revenue Bonds

The County has issued a total of \$12,541,320 of health care facility and industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$10,642,796 is outstanding as of June 30, 2006. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the County.

Black Hawk County, Iowa

Notes to Basic Financial Statements

Note 13. Lease Receivable

The County entered into a lease agreement with the E911 Service Board for a telecommunications system. Under the agreement, the E911 Service Board is to make monthly payments of \$25,000 to the County. The payments from the E911 Service Board are credited to the General Fund. The following is a schedule of the future minimum lease payments to be received by the County, including interest at rates ranging from 1.55 percent to 1.90 percent per annum, and the present value of net minimum lease payments under the agreement in effect as of June 30, 2006.

Year Ending June 30:

2007	\$	300,000
2008		32,209
Total minimum lease payments		<u>332,209</u>
Less amount representing interest		(3,915)
Present value of net minimum lease payments	\$	<u><u>328,294</u></u>

Note 14. Litigation

The County is a defendant in several claims and lawsuits. In the opinion of the County Attorney and management, the resolution of these matters will not have a material adverse effect on the future financial statements of the County.

Note 15. Commitments and Contingency

The County has entered into financial commitments totaling approximately \$997,300 which relate to various road and bridge construction, engineering and maintenance projects. As of June 30, 2006, the County had approximately \$511,200 remaining on the contracts.

Note 16. Governmental Accounting Standards Board (GASB) Statements

The County adopted the following Governmental Accounting Standards Board (GASB) statements during the year ended June 30, 2006:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement required governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner. This Statement had no effect on the County in the current year.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No 34. The purpose of Statement No. 46 is to help the governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in the financial statements when there are changes in the circumstances surrounding such legislation. The effect of adopting this Statement was to reclassify \$6,219,379 previously reported as unrestricted to restricted net assets.

Note 16. Governmental Accounting Standards Board (GASB) Statements (Continued)

GASB Statement No. 47, *Accounting for Termination Benefit*. This Statement established accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. This Statement had no effect on the County in the current year.

The GASB has issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, was issued April 2004. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective for the County beginning with its year ending June 30, 2008.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the County beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

The County's management has not yet determined the effect these Statements will have on the County's financial statements.

Black Hawk County, Iowa

Required Supplementary Information
 Budgetary Comparison Schedule
 All Governmental Funds
 Year Ended June 30, 2006

	Budgeted Amounts		Governmental Fund Types Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Property and other County tax	\$ 28,159,738	\$ 28,155,180	\$ 28,548,171	\$ 392,991
Interest and penalty on property tax	307,500	307,500	345,844	38,344
Intergovernmental	24,937,502	26,215,158	24,895,285	(1,319,873)
Licenses and permits	361,836	359,837	359,161	(676)
Charges for services	4,790,606	4,890,594	5,912,720	1,022,126
Use of money and property	988,927	988,927	1,185,643	196,716
Miscellaneous	929,177	931,602	1,074,547	142,945
Total revenues	60,475,286	61,848,798	62,321,371	472,573
Expenditures:				
Public safety and legal services	15,439,040	15,830,234	15,123,436	706,798
Physical health and social services	10,133,567	10,844,926	10,346,704	498,222
Mental health	18,715,043	20,697,891	20,225,744	472,147
County environment and education	2,345,579	2,397,610	2,229,088	168,522
Roads and transportation	4,440,773	4,831,670	4,130,546	701,124
Governmental services to residents	1,638,168	1,690,476	1,488,103	202,373
Administration	4,970,113	4,992,932	4,597,900	395,032
Debt service	2,662,215	2,792,989	2,798,610	(5,621)
Capital projects	2,616,909	3,811,920	2,647,768	1,164,152
Total expenditures	62,961,407	67,890,648	63,587,899	4,302,749
Excess (deficiency) of revenues over (under) expenditures	(2,486,121)	(6,041,850)	(1,266,528)	4,775,322
Other financing sources, net	1,682,500	1,682,500	2,916,705	1,234,205
Net change in fund balances	\$ (803,621)	\$ (4,359,350)	\$ 1,650,177	\$ 6,009,527

See Note to Required Supplementary Information.

Black Hawk County, Iowa

Note to Required Supplementary Information

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget following required public notice and hearing for all governmental funds. The budget basis of accounting is in accordance with accounting principles generally accepted in the United States of America. The annual budget may be amended during the year utilizing similar statutory prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety and legal services, physical health and social services, mental health, County environment and education, roads and transportation, governmental services to residents, administration, debt service and capital projects. Function expenditures required to be budgeted include expenditures for the General Fund, the special revenue funds, the Debt Service Fund and the Capital Projects Fund. The legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments increased budgeted expenditures by \$4,929,241. The amendments were primarily due to changes in capital projects and mental health services.

During the year ended June 30, 2006, expenditures exceeded the amount budgeted in the debt service function.

Black Hawk County, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

	Special Revenue		
	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Assets			
Cash and investments	\$ 139,122	\$ 27,914	\$ 27,382
Receivables:			
Accounts	-	-	-
Accrued interest	64	13	17
Total assets	\$ 139,186	\$ 27,927	\$ 27,399
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 3,775	\$ -
Due to other governments	-	-	-
Total liabilities	-	3,775	-
Fund Balances , unreserved, undesignated, special revenue funds	139,186	24,152	27,399
Total liabilities and fund balances	\$ 139,186	\$ 27,927	\$ 27,399

Special Revenue

Sheriff's Federal Forfeiture	Sheriff's Commissary	Drainage Districts	Conservation Land Acquisition	Friends of Hartman Reserve	Total
\$ 2,582	\$ 85,153	\$ 26,727	\$ 1,690	\$ 586,418	\$ 896,988
-	11,846	-	-	-	11,846
-	-	-	-	-	94
<u>\$ 2,582</u>	<u>\$ 96,999</u>	<u>\$ 26,727</u>	<u>\$ 1,690</u>	<u>\$ 586,418</u>	<u>\$ 908,928</u>
\$ -	\$ 1,194	\$ -	\$ -	\$ 74,509	\$ 79,478
-	1,603	181	-	-	1,784
-	2,797	181	-	74,509	81,262
2,582	94,202	26,546	1,690	511,909	827,666
<u>\$ 2,582</u>	<u>\$ 96,999</u>	<u>\$ 26,727</u>	<u>\$ 1,690</u>	<u>\$ 586,418</u>	<u>\$ 908,928</u>

Black Hawk County, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2006

	Special Revenue		
	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:			
Intergovernmental	\$ 60,733	\$ -	\$ -
Charges for service	-	30,984	-
Use of money and property	747	140	214
Miscellaneous, primarily contributions	-	-	-
Total revenues	61,480	31,124	214
Expenditures:			
Current:			
Public safety and legal services	-	-	-
County environment and education	42,744	-	-
Governmental services to residents	-	24,690	1,891
Total expenditures	42,744	24,690	1,891
Net change in fund balances	18,736	6,434	(1,677)
Fund balances, beginning of year	120,450	17,718	29,076
Fund balances, end of year	\$ 139,186	\$ 24,152	\$ 27,399

Special Revenue

Sheriff's Federal Forfeiture	Sheriff's Commissary	Drainage Districts	Conservation Land Acquisition	Friends of Hartman Reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ 59,263	\$ 119,996
-	128,629	-	-	35,461	195,074
-	-	-	-	54,538	55,639
-	-	-	-	74,516	74,516
-	128,629	-	-	223,778	445,225
-	116,197	-	-	-	116,197
-	-	181	9,025	217,972	269,922
-	-	-	-	-	26,581
-	116,197	181	9,025	217,972	412,700
-	12,432	(181)	(9,025)	5,806	32,525
2,582	81,770	26,727	10,715	506,103	795,141
\$ 2,582	\$ 94,202	\$ 26,546	\$ 1,690	\$ 511,909	\$ 827,666

Black Hawk County, Iowa

Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	Health Insurance	Self-Insurance	Office Equipment	Total
Assets				
Current assets:				
Cash and investments	\$ 1,684,059	\$ 215,013	\$ 13,672	\$ 1,912,744
Receivables:				
Accounts	12,773	500	-	13,273
Accrued interest	1,112	106	9	1,227
Total assets	\$ 1,697,944	\$ 215,619	\$ 13,681	\$ 1,927,244
Liabilities				
Current liabilities:				
Accounts payable	\$ 18,135	\$ 10,041	\$ 379	\$ 28,555
Claims payable	669,637	100,733	-	770,370
Total liabilities	687,772	110,774	379	798,925
Net Assets, unrestricted	1,010,172	104,845	13,302	1,128,319
Total liabilities and net assets	\$ 1,697,944	\$ 215,619	\$ 13,681	\$ 1,927,244

Black Hawk County, Iowa

Combining Statement of Revenues, Expenses and Changes in Net Assets
 Internal Service Funds
 Year Ended June 30, 2006

	Health Insurance	Self-Insurance	Office Equipment	Total
Operating revenues, charges for services	\$ 5,918,498	\$ 24,457	\$ -	\$ 5,942,955
Operating expenses, costs of sales and services	5,080,909	12,223	20,661	5,113,793
Operating income (loss)	837,589	12,234	(20,661)	829,162
Nonoperating revenues, interest income	10,447	1,096	173	11,716
Change in net assets	848,036	13,330	(20,488)	840,878
Other financing sources, transfers in	-	125,000	-	125,000
Change in net assets	848,036	138,330	(20,488)	965,878
Net assets, beginning of year	162,136	(33,485)	33,790	162,441
Net assets, end of year	\$ 1,010,172	\$ 104,845	\$ 13,302	\$ 1,128,319

Black Hawk County, Iowa

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2006

	Health Insurance	Self-Insurance	Office Equipment	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 5,947,239	\$ 23,957	\$ -	\$ 5,971,196
Cash paid for claims and administrative provider	(4,996,871)	(106,249)	-	(5,103,120)
Cash paid to suppliers for services	-	-	(21,151)	(21,151)
Net cash provided by (used in) operating activities	950,368	(82,292)	(21,151)	846,925
Cash flows from investing activities, interest on investments				
	9,817	1,097	187	11,101
Cash flows from noncapital financing activities, operating transfers in				
	-	125,000	-	125,000
Net increase (decrease) in cash and cash equivalents	960,185	43,805	(20,964)	983,026
Cash and cash equivalents, beginning of year	723,874	171,208	34,636	929,718
Cash and cash equivalents, end of year	<u>\$ 1,684,059</u>	<u>\$ 215,013</u>	<u>\$ 13,672</u>	<u>\$ 1,912,744</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 837,589	\$ 12,234	\$ (20,661)	\$ 829,162
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	28,741	(500)	-	28,241
Increase (decrease) in accounts and claims payable	84,038	(94,026)	(490)	(10,478)
Net cash provided by (used in) operating activities	\$ 950,368	\$ (82,292)	\$ (21,151)	\$ 846,925

Black Hawk County, Iowa

Combining Statement of Changes in Assets and Liabilities
 All Agency Funds
 Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
County Offices Fund				
Assets				
Cash and investments	\$ 718,135	\$ 426,454	\$ 718,135	\$ 426,454
Receivables, property taxes and other	125	710	125	710
Total assets	\$ 718,260	\$ 427,164	\$ 718,260	\$ 427,164
Liabilities				
Trust payable	\$ 594,174	\$ 337,095	\$ 594,174	\$ 337,095
Due to other governmental agencies	124,086	90,069	124,086	90,069
Total liabilities	\$ 718,260	\$ 427,164	\$ 718,260	\$ 427,164
Agricultural Extension Education Fund				
Assets				
Cash and investments	\$ 1,792	\$ 150,645	\$ 150,677	\$ 1,760
Receivables, property taxes and other	145,245	145,153	145,245	145,153
Total assets	\$ 147,037	\$ 295,798	\$ 295,922	\$ 146,913
Liabilities, due to other governmental agencies	\$ 147,037	\$ 150,553	\$ 150,677	\$ 146,913
County Assessor Fund				
Assets				
Cash and investments	\$ 1,003,761	\$ 1,094,765	\$ 903,278	\$ 1,195,248
Receivables, property taxes and other	1,044,208	937,250	1,044,207	937,251
Total assets	\$ 2,047,969	\$ 2,032,015	\$ 1,947,485	\$ 2,132,499
Liabilities				
Accounts payable and accrued liabilities	\$ 60,625	\$ -	\$ -	\$ 60,625
Due to other government agencies	1,987,344	987,808	903,278	2,071,874
Total liabilities	\$ 2,047,969	\$ 987,808	\$ 903,278	\$ 2,132,499
Schools Taxing District Fund				
Assets				
Cash and investments	\$ 617,212	\$ 52,052,073	\$ 52,053,646	\$ 615,639
Receivables, property taxes and other	50,181,167	53,423,192	50,181,167	53,423,192
Total assets	\$ 50,798,379	\$ 105,475,265	\$ 102,234,813	\$ 54,038,831
Liabilities, due to other governmental agencies	\$ 50,798,379	\$ 55,294,098	\$ 52,053,646	\$ 54,038,831

(Continued)

Black Hawk County, Iowa

Combining Statement of Changes in Assets and Liabilities (Continued)
 All Agency Funds
 Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Community College Taxing District Fund				
Assets				
Cash and investments	\$ 42,344	\$ 3,819,873	\$ 3,818,067	\$ 44,150
Receivables, property taxes	3,683,446	3,787,695	3,683,446	3,787,695
Total assets	\$ 3,725,790	\$ 7,607,568	\$ 7,501,513	\$ 3,831,845
Liabilities, due to other governmental agencies	\$ 3,725,790	\$ 3,924,122	\$ 3,818,067	\$ 3,831,845
Corporations Taxing District Fund				
Assets				
Cash and investments	\$ 678,801	\$ 57,051,761	\$ 57,094,958	\$ 635,604
Receivables, property taxes and other	55,262,988	59,231,507	55,262,988	59,231,507
Total assets	\$ 55,941,789	\$ 116,283,268	\$ 112,357,946	\$ 59,867,111
Liabilities, due to other governmental agencies	\$ 55,941,789	\$ 61,020,280	\$ 57,094,958	\$ 59,867,111
City Special Assessments Fund				
Assets				
Cash and investments	\$ 12,975	\$ 103,858	\$ 100,159	\$ 16,674
Receivables, property taxes and other	389,269	82,098	84,046	387,321
Total assets	\$ 402,244	\$ 185,956	\$ 184,205	\$ 403,995
Liabilities, due to other governmental agencies	\$ 402,244	\$ 101,910	\$ 100,159	\$ 403,995
Auto License and Use Tax Fund				
Assets				
Cash and investments	\$ 2,034,275	\$ 24,362,944	\$ 24,285,651	\$ 2,111,568
Receivables, property taxes and other	116,089	98,712	116,089	98,712
Total assets	\$ 2,150,364	\$ 24,461,656	\$ 24,401,740	\$ 2,210,280
Liabilities, due to other governmental agencies	\$ 2,150,364	\$ 24,345,567	\$ 24,285,651	\$ 2,210,280

(Continued)

Black Hawk County, Iowa

Combining Statement of Changes in Assets and Liabilities (Continued)

All Agency Funds

Year Ended June 30, 2006

Other Funds	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Assets				
Cash and investments	\$ 1,245,561	\$ 4,503,616	\$ 4,692,774	\$ 1,056,403
Receivables, property taxes and other	163,340	511,022	462,963	211,399
Total assets	\$ 1,408,901	\$ 5,014,638	\$ 5,155,737	\$ 1,267,802
Liabilities				
Trust payable	\$ 389,269	\$ 3,145,047	\$ 3,029,429	\$ 504,887
Accounts payable and accrued liabilities	71,366	-	52,599	18,767
Due to other governmental agencies	948,266	1,458,929	1,663,047	744,148
Total liabilities	\$ 1,408,901	\$ 4,603,976	\$ 4,745,075	\$ 1,267,802
Total				
Assets				
Cash and investments	\$ 6,354,856	\$ 143,565,989	\$ 143,817,345	\$ 6,103,500
Receivables, property taxes and other	110,985,877	118,217,339	110,980,276	118,222,940
Total assets	\$ 117,340,733	\$ 261,783,328	\$ 254,797,621	\$ 124,326,440
Liabilities				
Accounts payable and accrued liabilities	\$ 131,991	\$ -	\$ 52,599	\$ 79,392
Due to other governmental agencies	116,225,299	147,373,336	140,193,569	123,405,066
Trusts payable	983,443	3,482,142	3,623,603	841,982
Total liabilities	\$ 117,340,733	\$ 150,855,478	\$ 143,869,771	\$ 124,326,440

Black Hawk County, Iowa

Statistical Section Contents

The statistical section of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the County's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the County's financial performance and well being have changed over time.	61
Revenue Capacity	
These schedules contain information to help the reader assess the County's most significant local revenue sources, the property tax (or sales tax).	69
Debt Capacity	
These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.	77
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	82
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	86

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual report for the relevant year. The County implemented GASB 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

Black Hawk County, Iowa

**Net Assets by Component
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 32,483,621	\$ 35,228,458	\$ 37,693,275	\$ 41,703,511
Restricted	12,221,319	9,612,277	1,798,441	7,517,884
Unrestricted	(739,318)	(162,376)	9,368,982	4,471,819
Total governmental activities net assets	\$ 43,965,622	\$ 44,678,359	\$ 48,860,698	\$ 53,693,214
Business-type activities:				
Invested in capital assets, net of related debt	\$ 2,714,369	\$ 2,583,887	\$ 2,522,274	\$ 2,449,044
Unrestricted	323,911	441,743	413,494	420,879
Total business-type activities net assets	\$ 3,038,280	\$ 3,025,630	\$ 2,935,768	\$ 2,869,923
Primary government:				
Invested in capital assets, net of related debt	\$ 35,197,990	\$ 37,812,345	\$ 40,215,549	\$ 44,152,555
Restricted	12,221,319	9,612,277	1,798,441	7,517,884
Unrestricted	(415,407)	279,367	9,782,476	4,892,698
Total primary government net assets	\$ 47,003,902	\$ 47,703,989	\$ 51,796,466	\$ 56,563,137

* Black Hawk County, Iowa implemented GASB 34 in FY2003

Source: County records

Black Hawk County, Iowa

**Changes in Net Assets
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Public safety and legal services	\$ 14,701,804	\$ 15,086,366	\$ 14,902,387	\$ 15,997,089
Physical health and social services	9,815,672	9,612,529	9,340,367	10,331,387
Mental health	18,136,480	19,056,283	19,594,365	20,128,555
County environment and education	2,113,189	3,236,159	2,253,945	2,315,684
Roads and transportation	4,838,006	5,006,474	4,172,656	5,731,706
Governmental services to residents	1,487,293	1,402,273	1,459,390	1,501,746
Administration	5,210,707	5,033,561	4,764,053	4,773,716
Nonprogram	285,192	343,994	-	-
Interest on long-term debt	608,305	506,881	448,283	433,064
Total governmental activities expenses	57,196,648	59,284,520	56,935,446	61,212,947
Business-type activities:				
Rural sewer	223,164	229,922	237,628	229,229
Rural water	109,192	143,930	84,261	93,589
Total business-type activities expenses	332,356	373,852	321,889	322,818
Total government expenses	\$ 57,529,004	\$ 59,658,372	\$ 57,257,335	\$ 61,535,765
Program revenues:				
Governmental activities:				
Charges for services:				
Public safety and legal services	\$ 1,007,559	\$ 1,280,802	\$ 713,135	\$ 872,871
Physical health and social services	2,196,194	3,420,811	1,178,374	1,419,539
Mental health	7,597,191	6,324,842	1,404,823	1,453,995
County environment and education	425,747	550,967	424,511	412,542
Roads and transportation	48,954	201,955	4,096	3,957
Governmental services to residents	1,917,368	1,915,475	1,786,679	1,813,549
Administration	1,334,891	756,928	721,527	858,011
Nonprogram	323,150	340,916	-	-
Operating grants and contributions	13,781,743	15,022,972	22,089,424	23,594,453
Capital grants and contributions	3,363,223	1,889,661	1,914,812	3,213,418
Total governmental activities program revenues	31,996,020	31,705,329	30,237,381	33,642,335
Business-type activities:				
Charges for services:				
Rural sewer	160,827	161,924	141,156	179,670
Rural water	116,586	98,438	88,742	73,934
Total business-type activities program revenues	277,413	260,362	229,898	253,604
Total government program revenues	\$ 32,273,433	\$ 31,965,691	\$ 30,467,279	\$ 33,895,939

(Continued)

Black Hawk County, Iowa

Changes in Net Assets (Continued)
 Last Four Fiscal Years*
 (accrual basis of accounting)
 (Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense)/revenue:				
Governmental activities	\$ (25,626,983)	\$ (27,931,804)	\$ (26,698,065)	\$ (27,570,612)
Business-type activities	(54,943)	(113,490)	(91,991)	(69,214)
Total government net expense	\$ (25,681,926)	\$ (28,045,294)	\$ (26,790,056)	\$ (27,639,826)
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	\$ 23,363,148	\$ 24,184,410	\$ 24,159,740	\$ 25,330,735
Other taxes	2,177,355	2,333,081	3,444,459	3,601,967
State tax replacement credits	1,755,456	1,212,641	1,151,699	1,179,717
Unrestricted grants and contributions	-	38,850	-	-
Investment earnings	714,133	467,567	681,081	1,069,135
Gain on disposal of capital assets	2,867	16,443	-	18,803
Miscellaneous	80,467	38,936	1,443,425	1,202,771
Total governmental activities	28,093,426	28,291,928	30,880,404	32,403,128
Business-type activities:				
Unrestricted grants and contributions	-	95,000	-	-
Investment earnings	3,872	5,840	2,129	3,369
Miscellaneous	3,775	-	-	-
Total business-type activities	7,647	100,840	2,129	3,369
Total government	\$ 28,101,073	\$ 28,392,768	\$ 30,882,533	\$ 32,406,497
Change in net assets:				
Governmental activities	\$ 2,892,798	\$ 712,737	\$ 4,182,339	\$ 4,832,516
Business-type activities	(47,296)	(12,650)	(89,862)	(65,845)
Total primary government	\$ 2,845,502	\$ 700,087	\$ 4,092,477	\$ 4,766,671

* Black Hawk County, Iowa implemented GASB 34 in FY2003

Source: County records

Black Hawk County, Iowa

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	1997	1998	1999*	2000
General Fund:				
Reserved:				
Supplemental levy purposes	\$ 3,251,077	\$ 3,231,479	\$ 3,564,528	\$ 3,167,637
Prepays, inventory and other	750,739	1,949,608	1,921,837	819,306
Advance to other government	-	-	-	-
Capital projects	-	-	-	-
Unreserved:				
Designated	-	-	1,188,192	1,188,191
Undesignated	6,026,762	3,490,678	2,290,390	1,259,049
Total general fund	\$ 10,028,578	\$ 8,671,765	\$ 8,964,947	\$ 6,434,183
All other governmental funds:				
Reserved for:				
Debt service	\$ 10,574,174	\$ 10,650,865	\$ 10,691,573	\$ 927,175
Prepays, inventory and other	11,098	11,601	295,950	367,789
Capital projects	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	4,436,366	5,601,027	6,836,319	7,232,361
Capital Projects Fund	692,672	2,276,237	1,299,409	1,794,914
Total all other governmental funds	\$ 15,714,310	\$ 18,539,730	\$ 19,123,251	\$ 10,322,239

* Jail bonds were called 5/1/00 and \$9.72 million of these bonds were retired.

Source: County records

		Fiscal Year									
		2001	2002	2003	2004	2005	2006				
\$	2,625,905	\$	2,584,873	\$	1,642,371	\$	1,475,833	\$	1,798,441	\$	2,378,736
	814,508		845,630		201,391		34,481		5,132		4,794
	-		-		-		-		-		50,000
	-		-		-		-		-		70,468
	1,188,191		1,124,166		1,124,166		918,057		935,593		935,593
	1,359,499		232,283		1,398,102		1,834,385		2,609,114		2,723,894
\$	5,988,103	\$	4,786,952	\$	4,366,030	\$	4,262,756	\$	5,348,280	\$	6,163,485
\$	944,865	\$	766,550	\$	787,454	\$	684,890	\$	469,637	\$	490,758
	321,487		341,475		1,125		419		400,325		455,332
	-		-		-		-		-		1,705,772
	6,667,851		7,242,782		6,884,985		6,595,798		6,415,129		5,744,807
	1,090,613		587,467		1,731,486		963,285		236,745		(39,861)
\$	9,024,816	\$	8,938,274	\$	9,405,050	\$	8,244,392	\$	7,521,836	\$	8,356,808

Black Hawk County, Iowa

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	1997	1998	1999*	2000
Revenues:				
Property and other County tax	\$ 22,210,688	\$ 22,046,271	\$ 21,756,943	\$ 21,535,321
Interest and penalty on property tax	207,044	263,204	313,191	249,076
Intergovernmental	22,526,153	22,488,396	22,891,001	24,440,095
Licenses and permits	220,186	229,036	280,200	333,573
Charges for service	4,110,315	4,456,497	4,403,268	3,623,166
Use of money and property	1,963,164	2,090,695	2,142,338	2,335,800
Fines, forfeits and defaults	-	-	-	174,722
Miscellaneous	694,379	996,709	852,294	1,352,154
Total revenues	51,931,929	52,570,808	52,639,235	54,043,907
Expenditures:				
Public safety and legal services	10,252,204	10,745,804	11,416,608	12,278,021
Physical health and social services	8,640,760	9,341,036	9,667,168	10,244,458
Mental health	14,470,655	14,916,949	15,198,656	16,204,385
County environment and education	1,293,464	1,792,342	1,571,105	1,875,236
Roads and transportation	3,165,252	3,452,522	3,697,702	4,431,820
Governmental services to residents	1,181,860	1,159,222	1,275,602	1,263,535
Administration	5,220,708	6,219,550	4,474,341	5,139,958
Debt service:				
Interest	2,080,894	1,835,840	1,754,826	1,675,494
Principal	3,864,144	1,426,572	1,364,690	11,163,534
Debt issuance costs	-	-	-	-
Capital projects	1,323,763	1,438,662	1,655,245	2,257,166
Total expenditures	51,493,704	52,328,499	52,075,943	66,533,607
Excess of revenues over (under) expenditures	438,225	242,309	563,292	(12,489,700)
Other financing sources (uses):				
Proceeds from the sale of capital assets	49,827	26,926	56,833	110,766
Transfers in	2,119,817	4,399,705	1,920,065	2,511,966
Transfers out	(2,119,817)	(4,399,705)	(1,920,065)	(2,511,966)
Deferred payment contract	-	-	-	-
Repayments of advances from other funds	-	-	-	-
General obligation bonds and notes issued	-	-	-	997,000
Discount on general obligation bonds and notes	-	-	-	-
Capital lease	-	-	-	-
Capital lease purchase refunding	-	-	-	-
Total other financing sources (uses)	49,827	26,926	56,833	1,107,766
Net change in fund balances	\$ 488,052	\$ 269,235	\$ 620,125	\$ (11,381,934)
Debt service as % of noncapital expenditures	11.55%	6.32%	6.25%	20.43%

* 1990-Jail bonds were called 5/1/00 and \$9.72 million of these bonds were retired.

Source: County records

		Fiscal Year									
		2001	2002	2003	2004	2005	2006				
\$	22,848,198	\$	24,419,228	\$	25,555,766	\$	26,515,030	\$	27,604,199	\$	28,548,171
	305,557		337,709		339,343		311,147		322,842		345,844
	23,710,890		24,215,608		24,073,274		23,937,462		25,455,131		24,895,285
	312,803		344,623		342,815		355,781		366,377		359,161
	3,930,837		4,288,126		4,624,478		4,843,972		5,430,239		5,912,720
	1,561,485		1,025,169		905,556		774,126		892,949		1,185,643
	204,715		273,914		-		-		-		-
	825,347		776,112		1,126,149		1,103,945		1,226,929		1,074,547
	53,699,832		55,680,489		56,967,381		57,841,463		61,298,666		62,321,371
	12,744,201		13,759,118		14,250,874		14,477,334		14,915,737		15,123,436
	9,175,627		9,964,422		9,742,599		9,430,765		9,325,786		10,346,704
	17,855,463		17,645,336		18,218,133		18,883,439		19,720,045		20,225,744
	1,869,824		1,932,905		1,979,881		1,890,308		2,381,472		2,229,088
	3,843,090		4,069,017		3,937,977		3,757,121		4,387,687		4,130,546
	1,313,347		1,436,204		1,493,129		1,383,953		1,512,553		1,488,103
	4,696,934		4,830,170		5,028,006		4,914,851		4,541,497		4,597,900
	939,961		873,914		615,149		493,750		449,919		430,187
	1,663,147		10,508,569		3,084,847		2,427,027		2,370,000		2,317,182
	-		-		-		-		-		51,241
	1,450,891		971,109		1,308,079		4,214,097		1,667,820		2,647,768
	55,552,485		65,990,764		59,658,674		61,872,645		61,272,516		63,587,899
	(1,852,653)		(10,310,275)		(2,691,293)		(4,031,182)		26,150		(1,266,528)
	16,351		5,577		307		1,470		3,818		76,751
	1,919,943		2,110,341		1,838,002		1,807,392		1,635,204		1,624,082
	(1,919,943)		(2,110,341)		(1,838,002)		(1,807,392)		(1,635,204)		(1,749,082)
	145,000		-		-		-		-		-
	-		-		600,005		-		-		-
	-		8,775,068		2,665,000		3,035,000		-		2,980,000
	-		-		(13,653)		(17,810)		-		(15,046)
	-		-		-		-		333,000		-
	-		-		-		(524,853)		-		-
	161,351		8,780,645		3,251,659		2,493,807		336,818		2,916,705
\$	(1,691,302)	\$	(1,529,630)	\$	560,366	\$	(1,537,375)	\$	362,968	\$	1,650,177
	4.80%		17.67%		6.49%		4.88%		4.90%		4.51%

Black Hawk County, Iowa

Program Revenues by Function/Program
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)

Function / Program	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Public safety and legal services	\$ 3,251,994	\$ 3,526,059	\$ 3,215,931	\$ 3,595,716
Physical health and social services	4,062,996	5,748,433	4,980,027	5,580,813
Mental health	13,585,874	12,686,421	13,204,719	14,093,443
County environment and education	731,487	826,226	725,917	626,765
Roads and transportation	6,317,988	4,838,983	5,063,526	6,344,156
Governmental services to residents	1,917,368	1,937,386	1,829,095	2,057,134
Administration	1,720,139	1,494,806	1,218,166	1,344,308
Nonprogram	323,150	340,916	-	-
Interest on long-term debt	85,024	306,099	-	-
Total governmental activities	31,996,020	31,705,329	30,237,381	33,642,335
Business-type activities:				
Rural sewer	160,827	161,924	141,156	179,670
Rural water	116,586	98,438	88,742	73,934
Total business-type activities	277,413	260,362	229,898	253,604
Total government	\$ 32,273,433	\$ 31,965,691	\$ 30,467,279	\$ 33,895,939

* Black Hawk County, Iowa implemented GASB 34 in FY2003

Source: County records

Black Hawk County, Iowa

Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Fiscal Year	Property	Local Option Sales Tax	Utility Replacement Excise Tax	Other Tax	Total
1997	\$ 19,929,100	\$ 2,250,074	\$ -	\$ 31,514	\$ 22,210,688
1998	19,919,697	2,111,767	-	14,807	22,046,271
1999	19,542,430	2,128,049	-	86,464	21,756,943
2000	19,450,266	1,999,899	-	85,156	21,535,321
2001	19,790,822	2,098,833	870,154	88,389	22,848,198
2002	21,291,219	2,127,468	911,011	89,530	24,419,228
2003	22,393,437	2,177,356	896,232	88,741	25,555,766
2004	23,113,925	2,333,080	976,088	91,937	26,515,030
2005	24,159,740	2,411,109	921,881	111,469	27,604,199
2006	24,942,457	2,605,674	904,326	95,714	28,548,171
Change 1997-2006	25.16%	15.80%	5.94%	64.38%	19.47%

Source: County records

Black Hawk County, Iowa

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

(dollars in thousands)

(Unaudited)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Agricultural Property	TIF Property	Other Property	Less: Military Tax-Exempt Property	Total Taxable Assessed Property	Total Direct Tax Rate Urban
1996	\$ 1,356,766	\$ 545,439	\$ 103,803	\$ 220,664	\$ 68,900	\$ 312,917	\$ 18,875	\$ 2,589,614	8.29%
1997	1,208,877	543,904	98,655	209,727	47,951	334,179	18,482	2,424,811	8.59
1998	1,231,050	593,202	121,536	210,307	32,801	325,449	17,956	2,496,389	8.23
1999	1,350,478	657,750	132,415	244,683	60,006	322,355	17,630	2,750,057	7.41
2000	1,410,306	693,755	129,556	255,289	68,475	292,956	17,272	2,833,065	7.49
2001	1,545,983	831,371	110,018	267,553	102,928	260,211	16,828	3,101,236	7.32
2002	1,608,852	838,093	116,175	277,854	116,981	241,647	16,601	3,183,001	7.69
2003	1,771,183	828,732	116,518	292,674	125,561	220,161	16,607	3,338,222	7.62
2004	1,788,705	870,636	119,968	295,557	146,650	199,469	16,054	3,404,931	7.75
2005	1,933,806	1,009,717	117,602	233,745	202,216	195,247	15,259	3,677,074	7.49
2006	1,953,383	1,018,912	119,013	234,112	213,333	187,134	14,650	3,711,237	7.61

Source: Black Hawk County Information Technology Department and Black Hawk County Assessor

Note: Property is assessed at actual value; therefore, the assessed values are equal to the actual value.

Tax rates are per \$1,000 of assessed value.

Black Hawk County, Iowa

Principal Property Taxpayers
 Current Year and Nine Years Ago
 (dollars in thousands)
 (Unaudited)

Taxpayer	1997			2006		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
MidAmerican Energy	\$ 117,246	2	4.93%	\$ 123,259	1	3.52%
Deere and Company	127,606	1	5.37	28,313	5	0.81
Iowa Beef Pack Inc.	28,419	4	1.20	19,534	7	0.56
Northern Natural Gas Co.	11,633	7	0.49	-	-	-
Equitable Life Assurance Soc.	22,281	5	0.94	-	-	-
U. S. West, Inc.	30,102	3	1.27	-	-	-
Tristate Joint Venture	21,396	6	0.90	-	-	-
Viking Pump, Inc.	8,779	8	0.37	-	-	-
Hy-Vee Food Stores, Inc.	8,174	9	0.34	-	-	-
National Bank of Waterloo	7,818	10	0.33	-	-	-
Gerald P. Schoenfelder	-	-	-	-	-	-
Target Corporation	-	-	-	27,861	6	0.80
College Square Mall Assoc, LLC	-	-	-	35,972	2	1.03
Qwest Corporation	-	-	-	34,702	3	0.99
Coyote Crossroads Mall, LLC	-	-	-	33,564	4	0.96
Hunt Wesson, Inc.	-	-	-	3,603	10	0.10
Berth Cabinet Mfg, Inc.	-	-	-	12,518	9	0.36
R and N Investment Prop, LLC	-	-	-	14,628	8	0.42
Nordyke, David M.	-	-	-	-	-	-
LXP I L P	-	-	-	-	-	-
Albert Trostel and Sons Co.	-	-	-	-	-	-
Friends of Faith Retirement Homes, Inc.	-	-	-	-	-	-
Total	<u>\$ 383,454</u>		<u>16.14%</u>	<u>\$ 333,954</u>		<u>9.55%</u>

Source: Black Hawk County Information Technology Department and Black Hawk County Assessor

Black Hawk County, Iowa

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended June 30	Property Taxes Levied for the Fiscal Year	Property Taxes Collected Within the Fiscal Year of the Levy		Property Tax Collections In Subsequent Years	Property Tax Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 87,841,124	\$ 87,476,742	99.59%	\$ 42,036	\$ 87,518,778	99.63%
1998	90,884,864	90,485,643	99.56	225,069	90,710,712	99.81
1999	95,306,200	94,858,680	99.53	58,863	94,917,543	99.59
2000	94,861,116	94,614,112	99.74	321,108	94,935,220	100.08
2001	102,143,060	101,421,377	99.29	41,259	101,462,636	99.33
2002	109,302,507	108,892,858	99.63	140,831	109,033,689	99.75
2003	116,820,205	116,641,520	99.85	298,647	116,940,167	100.10
2004	121,510,800	121,323,365	99.85	70,297	121,393,662	99.90
2005	131,390,823	131,207,146	99.86	28,386	131,235,532	99.88
2006	135,805,464	135,584,839	99.84	34,737	135,619,576	99.86

Total tax collection solely for Black Hawk County, Iowa:

1997	\$ 19,861,346	2002	\$ 21,292,939
1998	19,854,418	2003	22,404,185
1999	19,488,829	2004	23,115,922
2000	19,501,777	2005	23,998,146
2001	19,672,491	2006	24,790,096

Source: Black Hawk County, Treasurer's Office

Black Hawk County, Iowa

**Direct and Overlapping Property Tax Rates
Last Ten Years
(rate per \$1,000 of assessed value)
(Unaudited)**

	Year Taxes are Payable			
	1997	1998	1999	2000
County Direct Rates:				
General Basic	3.50	3.50	3.50	3.50
General Supplemental	1.77	1.71	1.15	1.31
MH/DD Service	2.63	2.35	2.15	2.09
Debt Service	0.70	0.68	0.61	0.59
Total Urban County Rate	8.60	8.24	7.41	7.49
Rural Basic	2.68	2.60	1.94	-
Total Rural County Rate	11.28	10.84	9.35	7.49
City and Town Rates:				
Waterloo	18.55	18.50	16.98	16.50
Cedar Falls	14.87	14.91	14.49	14.59
Dunkerton	9.73	10.69	10.88	10.66
Elk Run Heights	8.10	8.10	7.90	7.90
Evansdale	9.33	9.32	8.58	8.54
Gilbertville	6.31	6.31	6.31	6.30
Hudson	7.53	7.63	7.63	7.63
Janesville	16.17	16.36	13.68	14.43
Jesup	-	-	-	13.68
LaPorte City	12.89	12.74	11.78	11.51
Raymond	8.69	8.10	7.80	7.80
Township Rates:				
Barclay	0.33	0.38	0.30	0.30
Bennington	0.53	0.52	0.53	0.51
Big Creek	0.55	0.55	0.54	0.55
Black Hawk	0.60	0.53	0.54	0.54
Cedar	0.43	0.40	0.34	0.38
Cedar Falls	0.65	0.64	0.56	0.54
Eagle	0.34	0.05	0.50	0.49
East Waterloo	0.37	0.14	0.24	0.23
Fox	0.34	0.32	0.27	0.59
Lester	0.68	0.67	0.65	0.65
Lincoln	0.64	0.57	0.57	0.58
Mt. Vernon	0.43	0.43	0.43	0.43
Osage	0.41	0.37	0.37	0.40
Poyner	0.48	0.44	0.41	0.49
Spring Creek	0.53	0.53	0.53	0.41
Union	0.64	0.63	0.64	0.64
Washington	0.53	0.53	0.47	0.45

(Continued)

Year Taxes are Payable					
2001	2002	2003	2004	2005	2006
3.50	3.50	3.50	3.50	3.50	3.50
1.35	1.82	1.71	1.88	1.75	1.90
1.93	1.89	1.80	1.77	1.66	1.65
0.54	0.48	0.61	0.59	0.58	0.56
7.32	7.69	7.62	7.74	7.49	7.61
-	-	-	-	0.34	0.32
7.32	7.69	7.62	7.74	7.83	7.93
16.49	17.80	18.37	18.91	18.79	19.16
14.12	14.10	13.65	14.40	13.65	14.05
11.98	11.58	11.17	11.59	11.37	11.23
7.00	7.00	6.50	6.40	6.40	6.30
7.39	7.05	7.31	7.26	7.50	7.50
8.10	8.10	8.10	8.10	9.77	11.33
7.63	7.63	7.63	7.63	9.73	9.73
13.46	13.10	12.78	12.59	13.06	13.18
13.72	12.62	12.31	12.74	12.42	14.50
11.51	11.95	11.85	12.12	12.09	12.91
6.80	6.79	6.42	6.42	6.70	6.70
0.38	0.42	0.41	0.65	0.66	0.66
0.53	0.51	0.61	0.56	0.58	0.58
0.45	0.47	0.62	0.59	0.67	0.63
0.58	0.56	0.06	0.57	0.54	0.55
0.40	0.38	0.50	0.55	0.58	0.59
0.50	0.58	0.57	0.58	0.58	0.58
0.42	0.48	0.46	0.52	0.52	0.50
-	-	-	-	-	0.15
0.59	0.47	0.42	0.41	0.60	0.31
0.61	0.66	0.65	0.64	0.69	0.70
0.54	0.57	0.55	0.54	0.56	0.55
0.43	0.42	0.39	0.42	0.41	0.41
0.33	0.38	0.36	0.39	0.39	0.40
0.47	0.51	0.55	0.61	0.63	0.67
0.55	0.56	0.60	0.64	0.71	0.72
0.64	0.26	0.89	0.67	0.64	0.61
0.40	0.38	0.40	0.42	0.41	0.41

Black Hawk County, Iowa

Direct and Overlapping Property Tax Rates (Continued)

Last Ten Years

(rate per \$1,000 of assessed value)

(Unaudited)

	Year Taxes are Payable			
	1997	1998	1999	2000
School District Rates:				
Waterloo	15.03	15.41	15.40	14.70
Cedar Falls	14.21	14.54	14.24	13.71
Dunkerton	13.03	13.05	12.71	11.95
Elk Run Heights	15.03	15.41	15.40	14.70
Evansdale	15.03	15.41	15.40	14.70
Gilbertville	15.03	15.41	15.40	14.70
Hudson	15.91	16.43	16.52	16.51
Janesville	13.18	11.88	11.73	11.43
Jesup	-	-	-	11.90
LaPorte City	10.24	10.58	10.45	10.44
Raymond	15.03	15.41	15.40	14.70
Other:				
State	0.01	0.01	0.01	0.01
Hawkeye CC - Area VII	0.69	0.68	0.70	0.72
Kirkwood - Area X	0.59	0.60	0.57	0.61
Ag. Extension	0.06	0.06	0.06	0.05
Special Appraiser	0.21	0.30	0.24	0.09
Assessor	0.21	0.24	0.24	0.25

Source: Black Hawk County, Auditor's Office

Year Taxes are Payable

2001	2002	2003	2004	2005	2006
14.58	15.16	15.52	15.85	15.62	15.99
12.84	13.63	13.95	13.91	13.01	13.03
11.90	11.49	12.61	12.58	12.94	14.44
14.58	15.16	15.52	15.85	15.62	15.99
14.58	15.16	15.52	15.85	15.62	15.99
14.58	15.16	15.52	15.85	15.62	15.99
13.26	13.88	15.61	14.18	15.63	15.11
10.77	10.19	11.00	11.23	11.58	11.84
11.80	11.40	10.70	10.83	11.32	11.37
10.56	10.99	11.21	11.50	11.90	11.94
14.58	15.16	15.52	15.85	15.62	15.99
0.01	0.01	0.00	0.00	0.00	0.00
0.69	0.70	0.78	0.75	1.00	1.07
0.61	0.61	0.67	0.68	0.67	0.65
0.05	0.05	0.05	0.05	0.04	0.04
0.08	0.13	0.10	0.08	0.07	0.06
0.26	0.25	0.25	0.26	0.26	0.25

Black Hawk County, Iowa

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands, except per capita)

(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	General Obligation Capital Loan Notes	Capital Lease Purchase Agreement	General Obligation Bonds	General Obligation Capital Loan Notes			
1997	\$ 22,825	\$ 4,695	\$ 2,483	\$ -	\$ 1,088	\$ 31,091	1.18%	\$ 244.06
1998	22,160	4,170	2,247	-	1,039	29,616	1.05	232.69
1999	21,450	3,765	1,997	-	984	28,196	0.96	220.73
2000	11,970	3,345	1,733	-	2,171	19,219	0.66	150.40
2001	11,030	2,900	1,455	-	2,073	17,458	0.56	136.38
2002	10,090	2,440	1,162	-	1,969	15,661	0.48	122.85
2003	10,430	1,990	852	-	1,861	15,133	0.45	119.65
2004	11,505	1,850	-	732	1,064	15,151	0.44	120.31
2005	9,725	1,260	333	650	1,025	12,993	0.35	103.06
2006	10,405	1,365	211	565	975	13,521	0.44	107.40

* Calculation made using population and personal income figures from Demographics and Economic Statistics Table.

Source: County records

Black Hawk County, Iowa

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**
(dollars in thousands, except per capita)
(Unaudited)

Fiscal Year	General Bonded Debt Outstanding		Percentage Actual Taxable Value of Property	Per Capita*
	General Obligation Bonds	Total		
1997	\$ 22,825	\$ 22,825	0.96%	\$ 179.17
1998	22,160	22,160	0.90	174.11
1999	21,450	21,450	0.80	167.92
2000	11,970	11,970	0.43	93.67
2001	11,030	11,030	0.37	86.16
2002	10,090	10,090	0.33	79.15
2003	10,430	10,430	0.32	82.46
2004	12,237	12,237	0.38	97.17
2005	10,375	10,375	0.30	82.27
2006	10,970	10,970	0.29	87.14

* Calculated using population figure from Demographics and Economic Statistics Table.

Source: County records

Black Hawk County, Iowa

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2006
(Unaudited)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
County direct debt	\$ 13,310,000	100.00%	\$ 13,310,000
City debt:			
Cedar Falls	26,235,000	96.30	25,264,305
Dunkerton	432,500	100.00	432,500
Elk Run Heights	-	100.00	-
Evansdale	3,300,000	100.00	3,300,000
Gilbertville	1,515,000	100.00	1,515,000
Hudson	2,600,000	100.00	2,600,000
Janesville	199,472	21.78	43,445
Jesup	1,920,000	3.58	68,736
LaPorte City	3,100,000	100.00	3,100,000
Raymond	-	100.00	-
Waterloo	76,650,000	100.00	76,650,000
Subtotal, City debt			112,973,986
School district debt:			
Cedar Falls	5,000,000	100.00	5,000,000
Denver	2,150,000	21.88	470,420
Dike-New Hartford	5,065,000	5.04	255,276
Dunkerton	1,260,000	99.36	1,251,936
Gladbrook-Reinbeck	765,000	7.46	57,069
Hudson	3,425,000	100.00	3,425,000
Janesville	-	51.42	-
Jesup	4,626,235	28.25	1,306,911
Union (LaPorte City/Dysart)	3,092,335	41.07	1,270,022
Vinton-Shellsburg	15,200,000	0.05	7,600
Wapsie Valley	960,000	5.40	51,840
Waterloo	-	100.00	-
Waverly-Shellrock	1,170,000	0.13	1,521
Subtotal, school district debt			13,097,595
College, Hawkeye Community College	2,210,000	57.97	1,281,137
Total overlapping debt			127,352,718
Total direct and overlapping debt			\$ 140,662,718

Source: Cities and school districts within Black Hawk County

* The overlapping debt percentage is arrived at by first calculating the amount of valuation that exists for each city or school district that is partially or wholly within the County. This is determined by the County Assessor's Office. That valuation figure is then divided by the total for the entire city or school district to determine the percentage that lies within the County. That percentage is then used proportionately to determine the amount of overlapping debt.

Black Hawk County, Iowa

Legal Debt Margin Information

As of June 30, 2006

(dollars in thousands)

(Unaudited)

	1997	1998	1999*	2000
Debt limit	\$ 121,241	\$ 124,819	\$ 137,503	\$ 141,653
Total net debt applicable to limit	30,003	28,023	27,212	17,048
Legal debt margin	\$ 91,238	\$ 96,796	\$ 110,291	\$ 124,605
Total net debt applicable to the limit as a percentage of debt limit	32.88%	28.95%	24.67%	13.68%

* 1990-Jail bonds were called 5/1/00 and \$9.72 million of these bonds were retired.

Source: County records

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value	\$ 3,711,235,718
Debt limit (5% of assessed value)	<u>185,561,786</u>
Debt applicable to limit:	
General obligation bonds	10,405,000
General obligation capital loan notes	2,905,000
Capital leases	<u>210,818</u>
Total net applicable to limit	<u>13,520,818</u>
Legal debt margin	<u>\$ 172,040,968</u>

	2001		2002		2003		2004		2005		2006
\$	155,062	\$	159,150	\$	166,911	\$	170,247	\$	183,854	\$	185,562
	15,385		13,692		13,272		13,355		12,993		13,521
\$	<u>139,677</u>	\$	<u>145,458</u>	\$	<u>153,639</u>	\$	<u>156,892</u>	\$	<u>170,861</u>	\$	<u>172,041</u>
	11.01%		9.41%		8.64%		8.51%		7.60%		7.86%

Black Hawk County, Iowa

**Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)**

Year	Population ⁵	Personal Income (000s) ¹	Per Capita Personal Income ¹	Farm Proprietors ³	School Enrollment ⁴	Unemployment Rate ²
1996	127,392	\$ 2,628,180	\$ 20,631	1,100	18,104	4.5
1997	127,275	2,810,897	22,085	1,080	18,112	3.8
1998	127,743	2,931,455	22,948	1,020	17,419	3.5
1999	127,786	2,929,248	22,923	1,000	17,574	3.9
2000	128,012	3,117,883	24,375	1,000	17,337	2.9
2001	127,485	3,230,348	25,339	960	17,249	3.4
2002	126,481	3,398,054	26,866	940	17,354	4.0
2003	125,936	3,467,136	27,531	940	17,404	4.6
2004	125,707	3,752,691	29,853	940	17,437	5.0
2005 *	125,891	3,858,937	30,653	930	16,920	4.7

¹ Source: Bureau of Economic Analysis, U.S. Dept of Commerce

² Source: Fedstats website

³ Source: USDA National Agricultural Statistics Service

⁴ Source: School districts in Black Hawk County

⁵ Source: Greater Cedar Valley Alliance website

* Personal Income and Per Capita Personal Income were calculated using the state average increase in personal income per capita of 2.68% and then multiplying by the population to arrive at total Personal Income.

Black Hawk County, Iowa

**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Employer	1997			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
John Deere	6,150	1	8.94%	4,700	1	6.45%
IBP Inc. (Tyson)	2,200	2	3.20	2,700	3	3.70
Covenant Medical Center	2,100	3	3.05	2,908	2	3.99
University of Northern Iowa	1,800	4	2.62	1,781	4	2.44
Waterloo Public Schools	1,150	5	1.67	1,670	6	2.29
Allen Memorial Hospital	1,000	6	1.45	1,767	5	2.42
Hy-Vee	910	7	1.32	905	9	1.24
GMAC Mortgage	805	9	1.17	-	-	-
Bertch Cabinet Manufacturing Co.	900	8	1.31	1,288	8	1.77
Omega Cabinets	800	10	1.16	1,350	7	1.85
Hawkeye Community College	-	-	-	774	10	1.06
Wal-Mart Stores	-	-	-	-	-	-
APAC Teleservices	-	-	-	-	-	-
Area Education Agency VII	-	-	-	-	-	-
Viking Pump	-	-	-	-	-	-

Sources: Greater Cedar Valley Alliance, Iowa Workforce and Speer Financial, Inc.

Black Hawk County, Iowa

**Full-Time Equivalent County Government Employees by Function /Program
Last Ten Fiscal Years
(Unaudited)**

Function / Program	Fiscal Year			
	1997	1998	1999	2000
Public safety and legal services:				
Sheriff	143.50	141.50	141.60	138.00
Attorney	26.00	27.00	28.00	28.60
Consolidated comm ctr	23.20	27.00	27.60	27.00
District court administration	1.00	1.00	1.00	1.00
Child support recovery	12.50	12.50	12.50	12.50
Physical health and social services:				
Health department	83.80	96.04	106.21	106.22
Community services	9.00	9.00	9.00	9.00
Human services admin	3.00	3.00	3.00	-
Youth shelter	17.75	18.00	18.00	18.00
Veteran affairs	4.02	4.02	4.02	4.03
Mental health:				
Country View	213.00	206.50	212.50	214.20
C.P.C.	-	-	-	5.00
County environment and education, conservation	27.30	27.80	29.20	30.31
Roads and transportation, engineer	43.68	46.20	45.30	44.80
Governmental services to residents:				
Treasurer	14.00	14.00	15.00	15.00
Recorder	11.00	10.00	12.00	12.00
Auditor: elections	3.60	3.60	3.60	3.40
Administration:				
Board office	7.00	7.00	7.00	7.15
Auditor	18.00	18.00	18.00	18.85
Treasurer	13.00	14.00	14.00	14.00
Human resources	4.20	4.20	4.40	4.40
Information technology	9.00	9.00	10.00	10.00
Maintenance	24.29	23.80	23.80	24.80
Civil service	1.00	1.00	1.00	1.00
Total	712.84	724.16	746.73	749.26

Note: All figures are from March budget certification for each fiscal year.

Source: Black Hawk County, Auditor's Office

Fiscal Year					
2001	2002	2003	2004	2005	2006
138.00	138.00	137.00	137.00	133.90	133.00
28.60	28.60	29.50	28.50	28.50	28.90
27.80	26.00	25.50	26.00	26.00	26.00
1.00	1.00	1.00	1.00	1.00	1.00
12.50	12.50	12.50	12.50	11.50	8.50
111.56	101.90	92.08	93.15	95.25	88.23
9.00	7.00	7.00	6.00	2.50	2.50
-	-	-	-	-	-
13.00	12.50	11.40	10.90	10.00	9.80
4.03	4.03	4.03	4.03	4.30	4.30
209.50	210.00	209.00	191.00	190.00	189.50
4.00	4.00	5.00	5.00	5.50	5.50
29.28	30.35	29.34	25.57	25.56	25.54
44.70	45.60	45.60	43.40	43.40	43.40
15.00	15.00	15.00	13.00	13.00	13.00
12.00	13.00	12.00	11.00	11.00	11.00
3.40	3.40	3.40	3.40	3.40	3.40
7.15	7.20	7.20	7.00	7.00	8.00
18.85	18.80	17.80	16.60	16.60	13.00
14.00	14.00	12.00	11.00	11.00	10.10
4.40	4.40	4.40	4.20	4.20	4.00
10.00	9.00	8.00	8.00	8.00	7.00
24.80	24.80	22.80	21.80	8.00	7.00
1.00	1.00	1.00	1.00	1.00	1.00
743.57	732.08	712.55	681.05	660.61	643.67

Black Hawk County, Iowa

**Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year			
	1997	1998	1999	2000
Public safety and legal services:				
Sheriff:				
# of civil papers served	N/A	15,513	15,821	16,733
# of arrests made	N/A	3,483	2,990	3,224
# of jail bookings	N/A	9,386	7,771	8,217
# of service calls	N/A	9,277	9,450	8,740
Attorney, # of felonies/aggravated fieldcases filed	1,563	1,836	1,687	1,591
Physical health and social services:				
Health Department:				
# of Success Street visits	4,117	4,150	4,321	4,348
# of environmental inspections	1,554	1,949	2,236	2,501
# of home care aide visits	43,892	42,877	36,890	34,106
# of home care aide clients	956	895	785	741
Community Services, # of people seen	3,901	3,786	3,524	3,563
Youth Shelter, # of kids per year	409	406	350	412
Veteran Affairs, # of new clients per year	221	272	249	237
Mental health:				
Country View, census per year	56,009	55,786	55,002	52,539
C.P.C., # of people seen	N/A	698	3,491	4,203
County environment and education conservation:				
Hartman Reserve visitors	55,000	55,000	55,000	55,000
Campers	25,639	26,528	21,731	28,403
Roads and transportation:				
Engineer:				
# of miles of road paved	2	0	8	12
# of bridges/culverts repaired/replaced	5	2	2	2
Governmental services to residents:				
Treasurer, titles issued	21,297	41,797	40,965	41,311
Recorder, documents recorded	24,669	27,772	30,851	27,533
Auditor: Elections:				
# of active voters	72,820	73,253	73,792	76,897
# of inactive voters	4,949	550	4,925	5,285
# of absentee ballots	701	6,563	616	10,836
Administration, maintenance, sq. ft maintained	353,980	353,980	353,980	353,980

Source: County records

Note: Indicators are not available for some departments due to their function.

Fiscal Year					
2001	2002	2003	2004	2005	2006
18,858	16,497	16,959	15,930	17,042	N/A
2,900	2,793	2,991	2,863	2,914	N/A
7,439	8,164	8,193	8,720	8,349	N/A
8,548	10,655	9,957	9,829	10,785	N/A
1,578	1,557	1,894	2,006	1,989	2,161
5,111	3,263	3,376	2,875	3,738	2,901
2,320	2,376	2,788	3,270	2,432	2,621
31,784	31,510	28,042	24,363	22,544	21,707
699	603	481	430	358	300
3,822	4,744	4,643	3,591	1,948	2,258
400	360	425	335	183	N/A
222	216	239	244	226	256
52,907	51,926	54,724	52,924	50,874	53,335
4,352	4,044	4,309	3,615	3,852	5,503
55,000	55,000	55,000	55,000	55,000	55,000
24,431	28,331	29,594	28,615	30,663	30,890
-	8	7	2	10	11
3	3	10	10	11	14
38,441	39,822	39,231	38,600	38,342	38,050
28,417	34,790	39,874	37,981	30,800	30,952
74,340	69,189	70,702	79,141	78,447	77,058
4,865	12,570	10,394	9,750	4,274	5,073
996	12,356	1,841	22,562	1,358	11,002
353,980	353,980	353,980	353,980	353,980	353,980

Black Hawk County, Iowa

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)**

Function/Program	Fiscal Year			
	1997	1998	1999	2000
Public safety and legal services:				
Sheriff				
# of patrol cars	18	18	18	18
Physical health and social services:				
Health Department				
# of vehicles	13	15	16	17
County environment and education:				
Conservation				
# of acres managed	6,444	7,191	7,366	7,539
Roads and transportation:				
Engineer:				
# of vehicles	69	69	69	69
# of buildings	12	12	13	13
Administration:				
Maintenance				
# of buildings maintained	4	4	4	4

Source: All statistics from various Black Hawk County, Iowa departments.

Note: Numerous departments do not have capital specific to their area and have, therefore, been eliminated from this exhibit.

Fiscal Year						
2001	2002	2003	2004	2005	2006	
18	18	18	18	18	18	18
18	18	18	18	18	18	18
7,539	8,053	8,055	8,055	8,055	8,055	8,053
69	70	70	71	73	73	73
13	14	14	14	15	15	15
4	4	4	4	4	4	4

Black Hawk County, Iowa

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
Direct:			
U.S. Department of Justice, Project Safe Neighborhoods	16.609	N/A	\$ 37,655
U.S. Department of Housing and Urban Development, Lead Hazard Reduction Grant	14.905	N/A	81,707
U.S. Environmental Protection Agency, Environmental Education	66.951	N/A	2,200
U.S. Institute of Museum and Library Sciences, Museum for America Grant	45.301	N/A	6,655
Total direct funding			<u>128,217</u>
Indirect:			
Election Assistance Commission Iowa Secretary of State, Help America Vote Act Grant	90.401	06-HAVA-07-100	<u>144,000</u>
U.S. Department of Agriculture: Iowa Department of Education: School Breakfast Program	10.553	67958601	4,056
National School Lunch Program	10.555	67958601	5,085
			<u>9,141</u>
Iowa Department of Human Services: Human Services Administrative Reimbursements, State Administrative Matching Grants for Food Stamp Program	10.561		<u>62,718</u>
U.S. Department of Justice: Iowa Department of Justice: Victims of Crime Act	16.575	VA-06-76A	25,500
Governor's Office of Drug Control Policy, Byrne Formula Grant Program	16.579	05JAG-A29	110,706
Violence Against Women Formula Grants	16.588	VW-06-76A	29,000
Criminal Alien Assistance Program	16.606	2006-AP-BX-0505	8,844
			<u>174,050</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-C007(73)-8J-07	208,668
Highway Planning and Construction	20.205	BROS-C007(78)-8J-07	85,631
Highway Planning and Construction	20.205	BROS-C007(87)-8J-07	51,776
			<u>346,075</u>
U.S. Office of National Drug Control Policy: Iowa Department of Justice: Governor's Office of Drug Control Policy, Midwest High Intensity Drug Trafficking Area	07.999	I5PMWP556	<u>17,735</u>

(Continued)

Black Hawk County, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 05-02 Task 13	4,688
State and Community Highway Safety	20.604	PAP 06-157 Task 16	3,218
State and Community Highway Safety	20.604	PAP 06-163 Task 5	11,198
			<u>14,416</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Emergency Management Services Disaster Preparedness	93.003	5885EM127	3,267
Emergency Management Services Disaster Preparedness	93.889	5886EM106	7,021
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2005-TB02	3,471
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2006-TB02	2,106
			<u>5,577</u>
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children	93.197	5886LP03	37,561
Immunization Grants	93.268	5885I413	16,584
Immunization Grants	93.268	5886I413	6,959
			<u>23,543</u>
Black Hawk Breast & Cervical Cancer Early Detection	93.283	5886NB02	51,150
Building Healthy Communities in Iowa - Harkin Wellness Grant	93.283	5886HWG21	64,310
Care for Yourself/WISEWOMAN Cardiovascular Study	93.283	5886VW02	16,971
EH Services Capacity	93.283	5886EHC2	8,368
Public Health Preparedness & Response for Bioterrorism	93.283	5885BT19	8,574
			<u>149,373</u>
HIV Prevention Activities - Health Department Based	93.940	5885AP06	27,830
HIV Prevention Activities - Health Department Based	93.940	5886AP06	15,524
			<u>43,354</u>
Maternal and Child Health Services Block Grant to the States	93.994	5885CH01	31,748
Maternal and Child Health Services Block Grant to the States	93.994	5886MH03	97,552
School-based Dental Sealant	93.994	5886DH01	12,000
			<u>141,300</u>

(Continued)

Black Hawk County, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services: (continued)			
Iowa Department of Public Health:			
Refugee and Entrant Assistance - State Administered Programs	93.576	REF-03-013	10,956
Linn County, Iowa, Public Health:			
Public Health Preparedness & Response for Bioterrorism, Linn County	93.283	0705	10,421
Public Health Preparedness & Response for Bioterrorism, Linn County	93.283	0706	48,894
Region 6 Bioterrorism, Linn County Public Health	93.283	5885BT12	2,107
Region 6 Bioterrorism, Linn County Public Health	93.283	5886BT12	1,359
			<u>62,781</u>
Iowa Department of Human Services:			
Temporary Assistance for Needy Families	93.558	N/A	75,710
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	18,021
Foster Care - Title IV-E	93.658	N/A	38,993
Adoption Assistance	93.659	N/A	9,644
Title XIX and De-linking Medical Assistance Program	93.778	N/A	100,632
			<u>243,000</u>
Social Services Block Grant - DHS	93.667	N/A	49,393
Social Services Block Grant - CPC	93.667	N/A	769,766
			<u>819,159</u>
University of Northern Iowa:			
Cohort Study of Nitrate Exposure, MHG, and Health	93.115	1 R15 ES012635	4,365
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042	FY06 EMPG	23,689
Citizen Corps	97.067	2004-GE-T4-0046	412,362
Homeland Security Grant, Phase 1	97.004	ODP-2003-006	5,394
Homeland Security Grant, Phase 2	97.004	ODP-2203-007	219,731
			<u>661,176</u>
Total indirect			<u>2,985,256</u>
Total expenditures of federal awards			<u>\$ 3,113,473</u>

See Notes to Schedule of Expenditures of Federal Awards.

Black Hawk County, Iowa

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Black Hawk County, Iowa for the year ended June 30, 2006. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the County has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, Black Hawk County, Iowa provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Maternal and Child Health Services	93.994	\$ 9,614
Homeland Security Grant	97.004	176,760
Emergency Management Performance Grants	97.042	23,689
Homeland Security Grant	97.067	412,362

Black Hawk County, Iowa

Summary Schedule of Prior Audit Findings Year Ended June 30, 2006

	Finding	Status	Corrective Action Plan or Other Explanation
Findings Related to the Financial Statements:			
05-II-A	Inadequate system to capture all federal grant information.	Not corrected	Reportable condition at 06-III-A.
05-II-B	Inadequate purchasing system.	Not corrected	Reportable condition at 06-II-A.
05-II-C	Lack of segregation of duties in the County's information technology (IT) department.	Not corrected	Reportable condition at 06-II-B.
05-II-D	Lack of segregation of duties in the collection and recording of property tax payments.	Not corrected	Reportable condition at 06-II-C.
05-II-E	No formal review of nonstandard journal entries.	Corrected	
05-II-F	Lack of segregation of duties in the payroll transaction process.	Not corrected	Reportable condition at 06-II-D.
05-II-G	The County did not have a written disaster recovery plan.	Corrected	
Findings and Questioned Costs for Federal Awards:			
05-III-A	The County has not required all contractors to comply with the Davis-Bacon Act on all contracts paid for with federal grant funds.	Not corrected	Finding repeated at 06-III-F.
Other Findings Related to Required Statutory Reporting:			
05-IV-B	Expenditures during the year ended June 30, 2005 exceeded the amount budgeted in the mental health function.	Not corrected	Finding repeated at 06-IV-A.
05-IV-E	The County did not complete a bid process for a related party transaction that exceeded \$1,500.	Not corrected	Finding repeated at 06-IV-D.
05-IV-J	The Self-Insurance Internal Service Fund had deficit net assets as of June 30, 2005.	Corrected	
05-IV-L	The County transferred an amount greater than allowed by state code from the General Fund to the Secondary Road Fund.	Not corrected	Finding repeated at 06-IV-K.
05-IV-M	The Board did not approve of all capital asset disposals.	Corrected	
05-IV-N	The County did not follow the procedures required by state statute for checks, other than warrants, that have been outstanding for over a year.	Not corrected	Finding repeated at 06-IV-L.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Supervisors
Black Hawk County, Iowa
Waterloo, Iowa

We have audited the financial statements of Black Hawk County, Iowa as of and for the year ended June 30, 2006, and have issued our report thereon dated November 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Black Hawk County, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 Black Hawk County, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-II-A through 06-II-D.

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 consider items 06-II-A, 06-II-B and 06-II-C to be material weaknesses.

We also noted certain matters that we have reported to management of Black Hawk County, Iowa in a separate letter dated November 20, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black Hawk County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance 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, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the basic 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 in Section IV of the schedule of findings and questioned costs are not intended to constitute legal interpretation of those statutes.

This report is intended solely for the information and use of the Board of Supervisors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 20, 2006

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Supervisors
Black Hawk County, Iowa
Waterloo, Iowa

Compliance

We have audited the compliance of Black Hawk County, Iowa with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2006. Black Hawk County, Iowa's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Black Hawk County, Iowa's management. Our responsibility is to express an opinion on Black Hawk County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 noncompliance 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 Black Hawk County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Black Hawk County, Iowa's compliance with those requirements.

In our opinion, Black Hawk County, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-III-F and 06-III-G.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Black Hawk County, Iowa's ability to administer a major Federal program in accordance with applicable requirements of laws, regulation, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-III-A through 06-III-E.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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, we believe items 06-III-A, 06-III-B and 06-III-E to be material weaknesses.

This report is intended solely for the information and use of the Board of Supervisors, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 20, 2006

Black Hawk County, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2006**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
90.401	Help America Vote Act Grant
93.667	Social Services Block Grant
97.004 and 97.067	Homeland Security Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Reportable Conditions in Internal Control Over Financial Reporting

06-II-A

Finding: The County has inadequate segregation of duties in the cash disbursement process as it relates to purchasing, receiving and approval of invoices.

Condition: While the County has some purchasing policies in place they are not followed by all departments and elected offices. In addition, the County has not implemented procedures that support the policies. This has resulted in segregation of duties issues within various departments as it relates to selection of a vendor, ordering, receiving and approving the payment of goods and services. It has also resulted in noncompliance with State Code as it relates to related party transactions. In addition, there is no integration between the departments and the accounts payable function to ensure proper period end cut-off. Currently, accounts payable holds the accounting system open for several months after year end to try to catch invoices coming in relating to the prior period.

Context: Pervasive to the cash disbursement transactions.

Effect: Misappropriation of assets could occur and or a material understatement of liabilities.

Recommendation: We recommend the County implement a formal purchasing system that segregates the selection of a vendor from ordering from the receiving and the approval of payment process.

Response and Corrective Action Plan: The County has been working towards developing formal purchasing policies, including a master vendor list. Other purchasing related policies have been adopted and will be incorporated accordingly to segregate the selection of a vendor from the ordering, receiving and approval of payment processes.

06-II-B

Finding: There is a lack of segregation of duties in the County's information technology department.

Condition: The Interim Director of IT is serving as both the Director of IT and a systems analyst. She has access to all areas of the information system.

Context: Pervasive to all IT systems.

Effect: Misappropriation of assets could occur.

(Continued)

Black Hawk County, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006**

Recommendation: We recommend the County segregate the management duties from the operational duties to ensure there is proper segregation.

Response and Corrective Action Plan: The County will segregate the management duties from the operational duties in the IT department.

06-II-C

Finding: There is a lack of segregation of duties during times when the volume of property tax payments is high.

Condition: During times when the County is receiving a considerable number of property tax payments through the mail the financial specialists assist by receipting payments. These individuals are also responsible for balancing the drawers daily, reconciling the bank account and issuing checks from the Treasurer's Office.

Context: Pervasive to a majority of property tax cash receipts.

Effect: Misappropriation of assets could occur.

Recommendation: We recommend the County maintain the segregation of duties during the entire year, this segregation of duties would include limiting computer rights.

Response and Corrective Action Plan: The County will work to maintain the proper segregation of duties the entire year.

06-II-D

Finding: There is a lack of segregation of duties in payroll.

Condition: Payroll clerks have the system rights to enter their own time into the system and the rights to make changes to pay rates.

Context: Pervasive to payroll disbursements.

Effect: Misappropriation of assets could occur.

Recommendation: We recommend the County limit payroll clerks' rights in the system to segregate time entry from changing employee master files.

Response and Corrective Action Plan: The County will work on a plan to segregate the payroll duties listed and to comply with the overall recommendation.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

B. Compliance Findings

None

III. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions in Internal Control

06-III-A

Finding: The County does not have a centralized system in place to capture all federal grant information.

Condition: The U.S. Office of Management and Budget (OMB) requires recipients of federal funds to track and report financial information related to the federal funds received. While the County has delegated the oversight of grant activity to the Finance Director, a computerized tracking system to track grant information has not been implemented and a policy requiring grant administrators to forward grant agreements to the Finance Director has not been approved. In addition, the County is using state revenue general ledger accounts for federal grant revenues which results in difficulty in capturing federal grant funding.

Context: Pervasive to the federal grant programs.

Effect: The County could fail to report receivables, expenditures and deferred grant revenues in accordance with GAAP and as required by the Single Audit Act.

Recommendation: We recommend the County implement a system to track federal and state grants. The system should include procedures to properly account for grant receivables, grant revenues and grant deferred revenues and should include procedures to properly distinguish state funds from federal funds. We further recommend the County adopt a policy requiring all grant administrators to forward copies of all grant agreements to the Director of Finance when the grant is awarded.

Response and Corrective Action Plan: Computerized tracking of grant information will be fully implemented in fiscal year 2007. This information will then be located in a single centralized location for easier access and tracking.

(Continued)

Black Hawk County, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006**

06-III-B

**U.S. Department of Health and Human Services
Iowa Department of Human Services
Social Services Block Grant (CFDA 93.667)
Federal Award Year: 2005-2006**

Finding: The County does not have a system in place to identify the expenditures made using Social Services Block Grant funds.

Criteria: The U.S. Office of Management and Budget (OMB) requires recipients of federal funds to track and report financial information related to the federal funds received.

Condition: The County tracks all mental health related expenditures in the Mental Health special revenue fund. While the County records the Social Services Block Grant revenue in this fund they do not track the specific expenditures related to the grant funding.

Context: Expenditures funded by the Social Services Block Grant.

Effect: Difficulty in capturing financial information required to be reported to the Office of Management and Budget and the grantor agency, noncompliance with grant requirements and potential questioned costs.

Recommendation: We recommend the County track the expenditures funded with the Social Services Block Grant as required by the U.S. Office of Management and Budget (OMB).

Response and Corrective Action Plan: The County will track the expenditures specific to the Social Services Block Grant. The intent of the Mental Health & Disability Services Fund was to combine state, local and federal dollars under a locally managed program authorized through the Mental Health and Disabilities Management Plan. All expenditures from this fund are consistent with the intent of the federal social services block grant. To ensure the money is not set aside the County will draft a policy of spending Social Services Block Grant dollars as soon as they arrive before any other allocation and restrict their use to the Office of Management and Budget (OMB) rules.

06-III-C

**U.S. Department of Health and Human Services
Iowa Department of Human Services
Social Services Block Grant (CFDA 93.667)
Federal Award Year: 2005-2006**

Finding: The County does not have a system in place to monitor its compliance with cash management compliance requirements.

Criteria: The Office of Management and Budget Circular A-133 states, "Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the federal agency. Interest earned by non-state non-profit entities on federal fund balances in excess of \$250 is required to be remitted to the Department of Health and Human Services."

(Continued)

Black Hawk County, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006**

Condition: The Social Services Block Grant is an allotment grant; grant funds are received in advance. The County does not track interest earned on these monies.

Context: Expenditures funded by the Social Services Block Grant.

Effect: Difficulty in capturing financial information required to be reported to the Office of Management and Budget and the grantor agency, noncompliance with grant requirements.

Recommendation: We recommend the County track, report and remit any interest earned on the grant revenue as required by the Office of Management and Budget and the Department of Health and Human Services.

Response and Corrective Action Plan: The County will track, report and remit any interest earned on the Social Services Block Grant as required by the OMB and the DHHS. As indicated in finding 06-III-B we will adopt a policy of expending the funds immediately to avoid the cost associated with tracking, reporting and remitting and interest earned on these dollars.

06-III-D

**U.S. Department of Health and Human Services
Iowa Department of Human Services
Social Services Block Grant (CFDA 93.667)
Federal Award Year: 2005-2006**

**U.S. Department of Homeland Security
Iowa Department of Public Defense
Iowa Homeland Security and Emergency Management Division
Homeland Security Grant Program (CFDA 97.067 and 97.004)
Federal Award Year: 2005-2006**

Finding: The County does not have a system in place to ensure they are in compliance with the Procurement and Suspension and Debarment compliance requirement.

Criteria: The Office of Management and Budget Circular A-133 states, "Non-Federal entities are prohibited from contracting with or making subawards for goods and services that are expected to equal or exceed \$25,000 to parties that are suspended or debarred or whose principals are suspended or debarred."

Condition: The County has contracted with providers of goods and services in excess of \$25,000, covered transactions, and has made subawards of federal funding and does not have a system in place to verify that the provider or subrecipient is not suspended or debarred.

Context: The expenditures associated with the Social Services Block Grant that meet the criteria of covered transactions.

Recommendation: We recommend the County implement procedures to ensure that providers are not suspended or debarred.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

Response and Corrective Action Plan: The County will implement procedures to ensure that providers are not suspended or debarred.

06-III-E

**U.S. Department of Homeland Security
Iowa Department of Public Defense
Iowa Homeland Security and Emergency Management Division
Homeland Security Grant Program (CFDA 97.067 and 97.004)
Federal Award Year: 2005-2006**

Finding: The County does not have an adequate system in place to properly notify or monitor subrecipients of federal funding.

Criteria: As stated in OMB Circular No. A-133, the County, a pass-through entity, is responsible for award identification, during the award monitoring and reviewing subrecipient audits. Award identification involves communicating to the subrecipient the federal award information (e.g., CFDA title and number, award name, name of federal agency) and applicable compliance requirements. It also includes identifying the amount of the award. The award monitoring involves monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved. The County must also ensure that (1) subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year meet the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

Condition: The County did not realize they were the grant recipient; therefore, they did not monitor the subrecipients of the grant. The EMA Commission, a jointly governed organization, administered the EMA Commission Homeland Security Grant. EMA's monitoring of subrecipients is limited to having the subrecipients sign an acceptance agreement when equipment/supplies are distributed and confirming that the equipment is being maintained at six, twelve and twenty-four month intervals. There is no other monitoring performed.

Context: The expenditures, supplies and equipment associated with the Homeland Security Grant Program.

Effect: Noncompliance with federal grant compliance requirements.

Recommendation: The County should develop a system to properly monitor subrecipients. The monitoring should include proper notification of the award, site visits or other regular contact and the receipt and review of single audit reports.

Response and Corrective Action Plan: The County will develop a system to properly notify and monitor subrecipients of federal funding as well as ensuring that the proper receipt and review of single audit reports also occurs.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

B. Instances of Noncompliance

06-III-F

**U.S. Department of Transportation
Iowa Department of Transportation
Highway Planning and Construction Grants (CFDA 20.205)
Federal Award Year: 2004-2005 and 2005-2006**

Finding: The County has not required all contractors to comply with the Davis-Bacon Act on all contracts paid for with federal grant funds.

Condition: While the County is properly requiring contractors follow Davis-Bacon Act requirements for STP contracts they have not required Davis Bacon on BROS contracts.

Criteria: The Office of Management and Budget Circular A-133 states, *Nonfederal entities shall include in their construction contracts subject to Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).*

Prevalence: Two of the two contracts tested were not in compliance.

Questioned Costs: None.

Effect: The County could have potentially paid contractors who were paying their employees other than the prevailing wage rate.

Recommendation: We recommend the County obtain and document its receipt of certified payrolls from the contractors or subcontractors on a weekly basis to comply with the Davis-Bacon Act.

Response and Corrective Action Plan: The County will comply with all aspects of the Davis-Bacon Act for its federally funded projects.

(Continued)

Black Hawk County, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006**

06-III-G

**U.S. Department of Health and Human Services
Iowa Department of Human Services
Social Services Block Grant (CFDA 93.667)
Federal Award Year: 2005-2006**

Finding: The County did not monitor its compliance with cash management compliance requirements.

Condition: The Social Services Block Grant is an allotment grant; grant funds are received in advance. The County does not track interest earned on these monies.

Criteria: The Office of Management and Budget Circular A-133 states, *Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Interest earned by nonstate nonprofit entities on Federal fund balances in excess of \$250 is required to be remitted to the Department of Health and Human Services.*

Prevalence: Interest earned on the Social Services Block Grant, grant funds received in advance.

Questioned Costs: None.

Effect: Difficulty in capturing financial information required to be reported to the Office of Management and Budget and the grantor agency, noncompliance with grant requirements.

Recommendation: We recommend the County track, report and remit any interest earned on the grant revenue as required by the Office of Management and Budget and the Department of Health and Human Services.

Response and Corrective Action Plan: The County will track, report and remit any interest earned on grant revenue as required by the OMB and DHHS.

IV. Other Findings Related to Required Statutory Reporting

06-IV-A Certified Budget

Finding: Expenditures during the year ended June 30, 2006 exceeded the amount budgeted in debt service function.

Recommendation: The budget should be amended in accordance with Chapter 331.435 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response: The budget was amended for fiscal year 2006 based on the best information available. The County incurred some debt service costs that were unanticipated. The County will continue to amend the budget in accordance with Chapter 331.435 of the Code of Iowa as needed for future fiscal years.

Conclusion: Accepted.

(Continued)

Black Hawk County, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006**

06-IV-B Questionable Expenditures

No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-IV-C Travel Expense

No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

06-IV-D Business Transactions

Finding: The County did not complete a bid process for the following related party transactions:

<u>Company or Employee</u>	<u>Official or Employee Title</u>	<u>Transaction Description</u>	<u>Amount/Gross</u>
Scott Boldt	Sheriff Deputy	Contracted Service	\$ 4,947
All Portable Storage	Conservation Director	Contracted Service	1,685
Harris Firearms	Sheriff Deputy	Supplies	40,067

According to the Iowa Code, Chapter 331.342, purchases of goods or services by a county, which benefits a county officer or employee, must meet certain exclusions if the purchases benefiting that officer or employee exceed a cumulative total purchase price of \$1,500 per year. The transactions above did not meet any of the noted exclusions.

Recommendation: The County should properly comply with the provisions of Chapter 331.342 of the Code of Iowa.

Response or Corrective Action Plan: The County will properly comply with provisions of Chapter 331.342 of the Code of Iowa as it relates to the bid process for related party transactions.

Conclusion: Accepted.

06-IV-E Bond Coverage

Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

06-IV-F Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not.

(Continued)

Black Hawk County, Iowa

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2006

06-IV-G Deposits and Investments

Finding: The County deposited monies with Marquette Bank which was not listed as an approved depository on the County's depository resolution.

Chapter 12C.2 of the Iowa Code requires the County to approve all financial institutions as a depository of public funds by written resolution or order that shall be entered of record in the minutes of the approving board, and that shall distinctly name each depository approved.

Recommendation: The County should properly comply with the provisions of Chapter 12C.2 of the Code of Iowa.

Response or Corrective Action Plan: The County will properly comply with provisions of Chapter 12C.2 of the Code of Iowa.

Conclusion: Accepted.

06-IV-H 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).

06-IV-I County Extension Office

The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the state of Iowa. This fund is administered by an Extension Council separate and distinct from County operations.

06-IV-J Secondary Road Fund Transfers

Finding: : The Iowa State Code limits transfers from the General Fund to the Secondary Road Fund to a tax of sixteen and seven-eighths cents per thousand dollars of assessed value on all taxable property in the county multiplied by the ratio of current taxes actually collected and apportioned for the general basic levy to the total general basic levy for the current year, and an amount equivalent to the monies derived by the General Fund from military service tax credits under Chapter 426A, manufactured or mobile home taxes under Section 435.22, and delinquent taxes for prior years collected and apportioned to the general basic fund in the current year, multiplied by the ratio of sixteen and seven-eighths cents to three dollars and fifty cents.

During 2006 the County transferred an amount greater than that allowed due to the computation being based on the levy versus the actual amount collected. The client uses a worksheet provided by the Department of Transportation to calculate the maximum revenue potential. This worksheet is silent as to the requirements of the Iowa State Code Section 331.429, which is why the County continues to transfer an amount greater than that allowed.

Recommendation: We recommend the County compute the amount to be transferred based on actual collections to properly comply with state code.

(Continued)

Black Hawk County, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006**

Response and Corrective Action Plan: The County used the Local Effort Provision Worksheet to calculate the amount of transfer from the General Fund to the Secondary Fund which did not consider to ratio of taxes actually collected. Modifications to the worksheet will be made to ensure compliance with Iowa Code 331.429 and 312.2(8).

Conclusion: Accepted.

06-IV-K

Outstanding Checks Other Than Warrants

Finding: According to the Iowa State Code, Chapter 331.554(6), any check other than a warrant, outstanding for more than one year shall be cancelled, removed from the list of outstanding checks, deposited to the account on which it was written and credited as unclaimed fees and trusts. During testing of cash, it was noted the following accounts had checks outstanding in excess of one year: Recorder's Refund Account and Jail Inmate Account.

Recommendation: We recommend the County follow the procedures outlined in the Iowa State Code, Chapter 331.554 for all bank accounts.

Response and Corrective Action Plan: The Recorder's office and the Sheriff's office will comply with Iowa State Code Chapter 331.554 for all of their accounts.

Conclusion: Accepted.

06-IV-L

Bidding Requirements

Finding: According to the Iowa State Code, counties are required to bid contracts that are \$50,000 or more. During fiscal year 2006 the Sheriff's office entered into contract in excess of \$50,000 for the purchase of vehicles.

Recommendation: We recommend the County follow the bid requirements as outlined in the state code.

Response and Corrective Action Plan: The Sheriff's office will comply with Iowa State Code bid requirements for purchases in excess of \$50,000.

Conclusion: Accepted.

Black Hawk County, Iowa

**Corrective Action Plan
Year Ended June 30, 2006**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Findings Related to Financial Statements:				
Reportable Conditions in Internal Control:				
06-II-A	Inadequate segregation of duties in cash disbursement process as it relates to purchasing, receiving and approval of invoices.	See response and corrective action plan at 06-II-B.	June 30, 2007	James W. Bronner, Finance Director
06-II-B	Lack of segregation of duties in the information technology department.	See response and corrective action plan at 06-II-C.	June 30, 2007	James W. Bronner, Finance Director
06-II-C	Lack of segregation of duties in the collection and recording of property tax payments.	See response and corrective action plan at 06-II-D.	June 30, 2007	Barbara Freet, County Treasurer
06-II-D	Lack of segregation of duties in payroll.	See response and corrective action plan at 06-II-E.	June 30, 2007	Helen Steffen, Payroll and Real Estate Tax Manager
Findings Related to Federal Awards:				
Reportable Conditions in Internal Control:				
06-III-A	Inadequate system to capture all federal grant information.	See response and corrective action plan at 06-II-A.	June 30, 2007	James W. Bronner, Finance Director
06-III-B	Inadequate system to identify federal expenditures related to the SSBG.	See response and corrective action plan at 06-III-A.	June 30, 2007	Bob Lincoln, CPC/Community Services Director
06-III-C	Inadequate system in place to monitor its compliance with cash management requirements.	See response and corrective action plan at 06-III-B.	June 30, 2007	Bob Lincoln, CPC/Community Services Director
06-III-D	Inadequate system in place to ensure compliance with the procurement, suspension and debarment compliance requirements.	See response and corrective action plan at 06-III-C.	June 30, 2007	Bob Lincoln, CPC/Community Services Director; James W. Bronner, Finance Director
06-III-E	Inadequate system to monitor subrecipients.	See response and corrective action plan at 06-III-D.	June 30, 2007	James W. Bronner, Finance Director

(Continued)

Black Hawk County, Iowa

**Corrective Action Plan (Continued)
Year Ended June 30, 2006**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Instances of Noncompliance:				
06-III-F	Lack of compliance with Davis-Bacon Act.	See response and corrective action plan at 06-III-F.	June 30, 2007	Richard King, County Engineer
06-III-G	Lack of compliance with cash management requirements.	See response and corrective action plan at 06-III-G.	June 30, 2007	Bob Lincoln, CPC/Community Services Director
Other Findings Related to Required Statutory Reporting:				
06-IV-A	Expenditures during the year exceeded the amount budgeted in the debt service function.	See response and corrective action plan at 06-IV-A.	June 30, 2007	James W. Bronner, Finance Director
06-IV-D	The County did not complete a bid process for a related party transaction that exceeded \$1,500.	See response and corrective action plan at 06-IV-D.	June 30, 2007	James W. Bronner, Finance Director
06-IV-G	The County deposited monies with Marquette Bank which was not listed as an approved depository on the County's depository resolution.	See response and corrective action plan at 06-IV-G.	June 30, 2007	Barbara Freet, County Treasurer
06-IV-J	The County transferred an amount greater than allowed by state statute from the General Fund to the Secondary Road Fund.	See response and corrective action plan at 06-IV-J.	June 30, 2007	James W. Bronner, Finance Director
06-IV-K	The County did not follow the procedures required by state statute for checks, other than warrants, that have been outstanding for over a year.	See response and corrective action plan at 06-IV-K.	June 30, 2007	Patricia S. Sass, County Recorder and Jody Vane, Account Special, County Sheriff Department
06-IV-L	The Sheriff's office did not complete the bid process as required by state code for the purchase of vehicles.	See response and corrective action plan at 06-IV-L.	June 30, 2007	Mike Kubik, Sheriff