



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

April 20, 2007

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Carroll County, Iowa.

The County had local tax revenue of \$23,160,431 for the year ended June 30, 2006, which included \$1,042,320 in tax credits from the state. The County forwarded \$17,485,889 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,674,542 of the local tax revenue to finance County operations, a 5.6 percent increase over the prior year. Other revenues included charges for service of \$2,081,314, operating grants and contributions of \$4,294,408, capital grants and contributions of \$1,632,303, local option sales tax of \$838,355, unrestricted investment earnings of \$229,407 and other general revenues of \$424,852.

Expenses for County operations totaled \$13,125,027, a 3.1 percent increase over the prior year. Expenses included \$4,506,278 for roads and transportation, \$2,662,774 for mental health and \$2,282,833 for public safety and legal services.

A copy of the report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###

CARROLL COUNTY

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

JUNE 30, 2006

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	54-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	56-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	59
Schedule of Expenditures of Federal Awards	6	60-61
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		63-64
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		67-68
Independent Auditor’s Report on Internal Control over Financial Schedule of Findings and Questioned Costs		69-75
Staff		76

Carroll County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Neil Bock	Board of Supervisors	Jan 2007
Marty Danzer	Board of Supervisors	Jan 2007
Del McDermott	Board of Supervisors	Jan 2009
Eugene Meiners	Board of Supervisors	Jan 2009
Neil I. Trobak	Board of Supervisors	Jan 2009
Paul S. Fricke	County Auditor	Jan 2009
Peggy Weitzl	County Treasurer	Jan 2007
Marilyn Dopheide	County Recorder	Jan 2007
Douglas R. Bass	County Sheriff	Jan 2009
John Werden	County Attorney	Jan 2007
Diane S. Janning	County Assessor	Jan 2010

Carroll County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Carroll County:

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

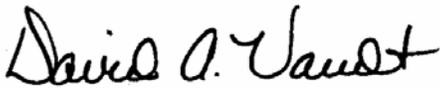
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Carroll County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

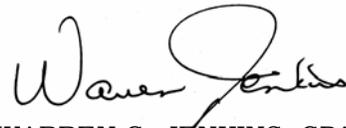
In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2006 on our consideration of Carroll County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2002 (which are not presented herein) and expressed a qualified opinion on those financial statements for the effects of the omission of the general fixed asset account group. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carroll County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 14.6%, or approximately \$1,939,000, from fiscal 2005 to fiscal 2006. Property tax revenue increased approximately \$312,000 and capital grants and contributions increased approximately \$1,297,000.
- Expenses increased 3.1%, or approximately \$399,000, in fiscal 2006 from fiscal 2005. Public safety and legal services expenses increased approximately \$214,000 and governmental services to residents expenses increased approximately \$64,000.
- The County's net assets increased 7.2%, or approximately \$2,050,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Carroll County's combined net assets increased from a year ago, from \$28.5 million to \$30.6 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

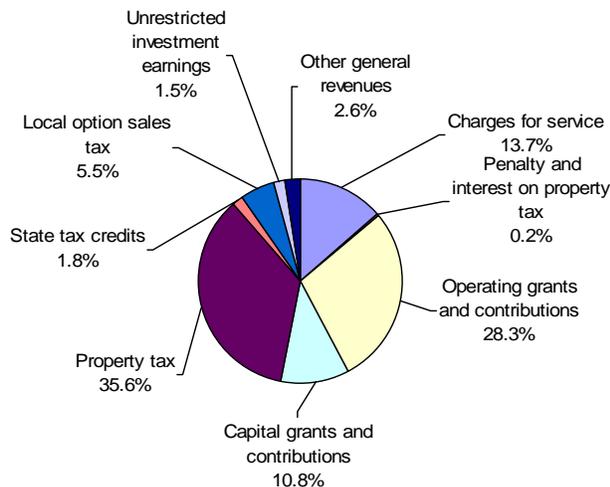
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 12,396	11,153
Capital assets	25,108	24,110
Total assets	<u>37,504</u>	<u>35,263</u>
Long-term debt	450	674
Other liabilities	6,501	6,050
Total liabilities	<u>6,951</u>	<u>6,724</u>
Net assets:		
Invested in capital assets, net of related debt	24,852	23,612
Restricted	3,025	2,904
Unrestricted	2,712	2,023
Total net assets	<u>\$ 30,589</u>	<u>28,539</u>

Net assets of Carroll County's governmental activities increased by 7.2% (from \$28.5 million to \$30.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$2,023,000 at June 30, 2005 to approximately \$2,712,000 at the end of this year, an increase of 34%.

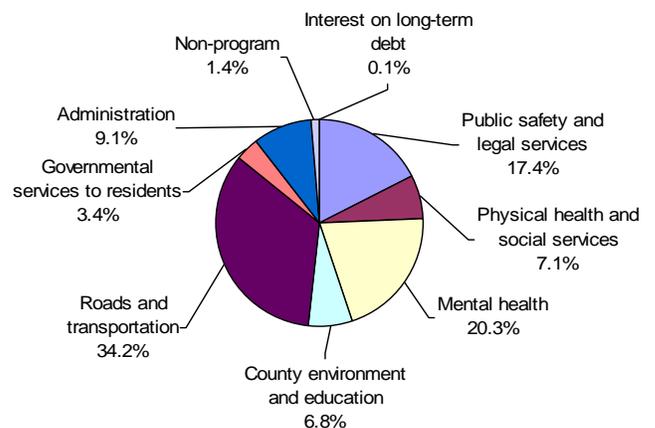
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 2,081	2,085
Operating grants and contributions	4,294	4,312
Capital grants and contributions	1,632	335
General revenues:		
Property tax	5,409	5,097
Penalty and interest on property tax	37	36
State tax credits	266	277
Local option sales tax	838	758
Unrestricted investment earnings	230	131
Other general revenues	388	205
Total revenues	15,175	13,236
Program expenses:		
Public safety and legal services	2,283	2,069
Physical health and social services	938	923
Mental health	2,663	2,691
County environment and education	889	879
Roads and transportation	4,506	4,452
Governmental services to residents	447	383
Administration	1,191	1,166
Non-program	189	140
Interest on long-term debt	19	23
Total expenses	13,125	12,726
Increase in net assets	2,050	510
Net assets beginning of year	28,539	28,029
Net assets end of year	\$ 30,589	28,539

Revenue by Source



Expenditures by Program



Carroll County's net assets of governmental activities increased by approximately \$2,050,000 during the year. Revenues for governmental activities increased by approximately \$1,939,000 from the prior year, with capital grants and contributions up from the prior year by approximately \$1,297,000, or 387%. The increase was primarily the result of an increase in roads transferred from the State of Iowa to Carroll County of approximately \$1,302,000.

The County's property tax revenue increased 6% in 2006. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by approximately \$272,000 next year.

The cost of all governmental activities this year was \$13.1 million compared to \$12.7 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$5.1 million because some of the cost was paid by those directly benefited from the programs (approximately \$2,081,000) or by other governments and organizations that subsidized certain programs with grants and contributions (approximately \$5,927,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from approximately \$6,732,000 to approximately \$8,008,000, due to an increase of the value of roads transferred from the State of Iowa to Carroll County of approximately \$1,302,000. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6,247,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Carroll County completed the year, its governmental funds reported a combined fund balance of \$5.4 million, an increase of approximately \$666,000 from last year's total of \$4.7 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$996,000 over the prior year, primarily due to an increase in property and other county tax revenue. Expenditures increased approximately \$509,000 from the prior year, primarily due to voting equipment and new employees. The ending fund balance increased approximately \$667,000 from the prior year to approximately \$1,911,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2,670,000, a decrease of 0.2% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$251,000 from the prior year to approximately \$366,000.
- The expenditures of the Rural Services Fund increased approximately \$78,000 and transfers to the Secondary Roads Fund increased approximately \$36,000. The ending fund balance decreased approximately \$10,000 from June 30, 2005 to June 30, 2006.
- Secondary Roads Fund expenditures decreased approximately \$486,000 from the prior year, due principally to a decrease in capital projects of \$307,000. Transfers into the Secondary Roads Fund increased approximately \$156,000. The Secondary Roads Fund ending balance increased approximately \$376,000 to approximately \$2,189,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Carroll County amended its budget three times. The first amendment was made in October 2005 and resulted in an increase in disbursements of \$145,855 related to the purchase of an Ambulance Building and grant disbursements. The second amendment was made in February 2006. This amendment was made to increase disbursements by approximately \$306,000 for fuel, equipment and elections. The third amendment was made in May 2006 and resulted in an increase of \$76,670 in disbursements due to fuel, buildings, insurance and elections.

The County's total receipts were \$288,854 more than the final budget amount. Actual receipts for use of money and property were \$251,665 more than budgeted.

Total disbursements were \$1,013,471 less than the amended budget. Actual disbursements for the capital projects function were \$426,705 less than budgeted.

The County did not exceed the budgeted amounts for the year ended June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Carroll County had approximately \$25.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase of approximately \$998,000, or 4.1% , over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 1,126	1,106
Buildings	4,586	4,475
Equipment and vehicles	3,076	2,796
Infrastructure	16,321	15,733
Total	\$ 25,109	24,110
This year's major additions included (in thousands):		
Secondary roads equipment and infrastructure	\$	1,493
Ambulance building, improvements and land		218
Total	\$	1,711

The County had depreciation expense of approximately \$1,430,000 in FY06 and total accumulated depreciation of approximately \$18,616,000 at June 30, 2006.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2006, Carroll County had approximately \$257,000 in bank loans outstanding, compared to approximately \$498,000 at June 30, 2005.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Carroll County's outstanding debt is significantly below its constitutional debt limit of \$37 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Carroll County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2% versus 3.2% a year ago.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are approximately \$14 million, an increase of 2% from the final 2006 budget. The County has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase approximately \$250,000 by the close of 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Carroll County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Carroll County Auditor's Office, 114 E. 6th, Carroll Iowa, 51401.

Carroll County

Basic Financial Statements

Exhibit A

Carroll County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,097,076
Receivables:	
Property tax:	
Delinquent	8,630
Succeeding year	5,647,000
Interest and penalty on property tax	59,393
Accounts (net of allowance for doubtful accounts of \$151,197)	334,154
Accrued interest	25,126
Due from other governments	406,382
Inventories	746,015
Prepaid insurance	108,379
Capital assets (net of accumulated depreciation)	25,108,158
Total assets	<u>37,540,313</u>
Liabilities	
Accounts payable	485,618
Salaries and benefits payable	11,781
Due to other governments	356,984
Deferred revenue:	
Succeeding year property tax	5,647,000
Long-term liabilities:	
Portion due or payable within one year:	
Bank loans	128,722
Compensated absences	173,867
Portion due or payable after one year:	
Bank loans	127,867
Compensated absences	19,318
Total liabilities	<u>6,951,157</u>
Net Assets	
Invested in capital assets, net of related debt	24,851,571
Restricted for:	
Supplemental levy purposes	248,491
Mental health purposes	357,688
Secondary roads purposes	2,102,280
Debt service	4,184
Other purposes	312,673
Unrestricted	2,712,269
Total net assets	<u>\$ 30,589,156</u>

See notes to financial statements.

Carroll County

Statement of Activities

Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,282,833	944,460	56,250	-	(1,282,123)
Physical health and social services	938,300	262,148	211,491	84,015	(380,646)
Mental health	2,662,774	2,093	1,189,801	-	(1,470,880)
County environment and education	889,214	95,857	98,438	246,237	(448,682)
Roads and transportation	4,506,278	343,248	2,557,242	1,302,051	(303,737)
Governmental services to residents	446,861	319,070	181,186	-	53,395
Administration	1,191,413	73,644	-	-	(1,117,769)
Non-program	188,483	40,794	-	-	(147,689)
Interest on long-term debt	18,871	-	-	-	(18,871)
Total	\$ 13,125,027	2,081,314	4,294,408	1,632,303	(5,117,002)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,373,775
Debt service					35,292
Penalty and interest on property tax					37,260
State tax credits					265,475
Local option sales tax					838,355
Unrestricted investment earnings					229,407
Gain on sale of capital assets					75,152
Miscellaneous					312,440
Total general revenues					7,167,156
Change in net assets					2,050,154
Net assets beginning of year					28,539,002
Net assets end of year					\$ 30,589,156

See notes to financial statements.

Carroll County
Balance Sheet
Governmental Funds

June 30, 2006

	General	Mental Health
Assets		
Cash and pooled investments	\$ 1,668,684	672,324
Receivables:		
Property tax:		
Delinquent	5,832	2,409
Succeeding year	3,370,000	1,392,000
Interest and penalty on property tax	59,393	-
Accounts (net of allowance for doubtful accounts of \$151,197)	277,693	50,273
Accrued interest	25,126	-
Due from other funds	-	-
Due from other governments	142,592	1,184
Inventories	-	-
Prepaid insurance	101,100	-
Total assets	\$ 5,650,420	2,118,190
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 82,276	42,416
Salaries and benefits payable	11,615	166
Due to other funds	6,833	142
Due to other governments	41,164	315,149
Deferred revenue:		
Succeeding year property tax	3,370,000	1,392,000
Other	227,285	2,409
Total liabilities	3,739,173	1,752,282
Fund balances:		
Reserved for:		
Supplemental levy purposes	260,243	-
Drainage warrants/drainage improvement certificates	-	-
Debt service	-	-
Unreserved, reported in:		
General fund	1,651,004	-
Special revenue funds	-	365,908
Capital projects fund	-	-
Total fund balances	1,911,247	365,908
Total liabilities and fund balances	\$ 5,650,420	2,118,190

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
549,920	1,363,560	314,526	4,569,014
171	-	218	8,630
771,000	-	114,000	5,647,000
-	-	-	59,393
-	6,188	-	334,154
-	-	-	25,126
-	6,975	-	6,975
32,103	214,451	16,052	406,382
-	746,015	-	746,015
-	7,279	-	108,379
1,353,194	2,344,468	444,796	11,911,068
109	154,662	13,939	293,402
-	-	-	11,781
-	-	-	6,975
-	671	-	356,984
771,000	-	114,000	5,647,000
171	-	218	230,083
771,280	155,333	128,157	6,546,225
-	-	-	260,243
-	-	112,293	112,293
-	-	3,966	3,966
-	-	-	1,651,004
581,914	2,189,135	86,222	3,223,179
-	-	114,158	114,158
581,914	2,189,135	316,639	5,364,843
1,353,194	2,344,468	444,796	11,911,068

Carroll County

Carroll County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2006

Total governmental fund balances (page 19) \$ 5,364,843

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$43,723,893 and the accumulated depreciation is \$18,615,735. 25,108,158

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 230,083

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 335,846

Long-term liabilities, including bank loans payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (449,774)

Net assets of governmental activities (page 16) \$ 30,589,156

See notes to financial statements.

Carroll County

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2006

	General	Mental Health
Revenues:		
Property and other county tax	\$ 3,555,382	1,168,068
Interest and penalty on property tax	29,104	-
Intergovernmental	810,918	1,246,483
Licenses and permits	67,413	-
Charges for service	1,474,740	-
Use of money and property	298,508	-
Miscellaneous	78,052	4,123
Total revenues	<u>6,314,117</u>	<u>2,418,674</u>
Expenditures:		
Operating:		
Public safety and legal services	2,054,304	-
Physical health and social services	939,587	-
Mental health	-	2,669,843
County environment and education	686,706	-
Roads and transportation	-	-
Governmental services to residents	549,691	-
Administration	1,153,746	-
Non-program	143,511	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>5,527,545</u>	<u>2,669,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>786,572</u>	<u>(251,169)</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	(119,500)	-
Total other financing sources (uses)	<u>(119,500)</u>	<u>-</u>
Net change in fund balances	667,072	(251,169)
Fund balances beginning of year	1,244,175	617,077
Fund balances end of year	<u>\$ 1,911,247</u>	<u>365,908</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
1,298,453	-	224,756	6,246,659
-	-	-	29,104
45,110	2,611,812	34,559	4,748,882
5,995	930	-	74,338
-	-	4,876	1,479,616
-	600	677	299,785
-	490,686	332,173	905,034
1,349,558	3,104,028	597,041	13,783,418
270,793	-	-	2,325,097
-	-	-	939,587
-	-	-	2,669,843
128,861	-	26,687	842,254
14,000	3,393,711	-	3,407,711
-	-	-	549,691
-	-	34,346	1,188,092
-	-	9,628	153,139
-	-	271,719	271,719
-	400,240	369,871	770,111
413,654	3,793,951	712,251	13,117,244
935,904	(689,923)	(115,210)	666,174
-	1,065,500	-	1,065,500
(946,000)	-	-	(1,065,500)
(946,000)	1,065,500	-	-
(10,096)	375,577	(115,210)	666,174
592,010	1,813,558	431,849	4,698,669
581,914	2,189,135	316,639	5,364,843

Carroll County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 23) \$ 666,174

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

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

Expenditures for capital assets	\$ 1,050,857	
Capital assets contributed by other governments	1,302,051	
Depreciation expense	<u>(1,429,956)</u>	922,952

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 75,152

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

Property tax	8,918	
Other	<u>7,585</u>	16,503

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 241,856

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 the governmental funds, as follows:

Compensated absences	(17,772)	
Interest on long-term debt	<u>456</u>	(17,316)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 144,833

Change in net assets of governmental activities (page 17) \$ 2,050,154

See notes to financial statements.

Carroll County
Statement of Net Assets
Proprietary Fund
June 30, 2006

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 528,062
Liabilities	
Accounts payable	<u>192,216</u>
Net Assets	
Unrestricted	<u><u>\$ 335,846</u></u>

See notes to financial statements.

Carroll County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2006

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 997,514
Reimbursements from employees		32,333
Total operating revenues		<u>1,029,847</u>
Operating expenses:		
Medical claims	\$ 706,723	
Administrative fees	185,555	892,278
Operating income		<u>137,569</u>
Non-operating revenues:		
Interest income		7,264
Net income		<u>144,833</u>
Net assets beginning of year		<u>191,013</u>
Net assets end of year		<u><u>\$ 335,846</u></u>

See notes to financial statements.

Carroll County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2006

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,012,172
Cash received from employees and others	32,333
Cash paid to suppliers for services	(796,846)
Net cash provided by operating activities	247,659
Cash flows from investing activities:	
Interest on investments	7,264
Net increase in cash and cash equivalents	254,923
Cash and cash equivalents beginning of year	273,139
Cash and cash equivalents end of year	\$ 528,062
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 137,569
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in due from other funds	14,658
Increase in accounts payable	95,432
Net cash provided by operating activities	\$ 247,659

See notes to financial statements.

Carroll County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:

County Treasurer	\$ 837,698
Other County officials	28,524

Receivables:

Property tax:

Delinquent	40,741
Succeeding year	16,668,000

Accounts	38,415
----------	--------

Accrued interest	736
------------------	-----

Prepaid insurance	620
-------------------	-----

Total assets	<u>17,614,734</u>
---------------------	-------------------

Liabilities

Accounts payable	19,131
------------------	--------

Due to other governments	17,572,378
--------------------------	------------

Trusts payable	21,320
----------------	--------

Compensated absences	1,905
----------------------	-------

Total liabilities	<u>17,614,734</u>
--------------------------	-------------------

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Carroll County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

The Carroll County Conservation Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Carroll County Conservation Board. These donations were expended to finance the Sauk Rail Trail, the Conservation Education Center and the Four Corner Park and were not included in the County's budget. The financial transactions of this component unit have been reported in the Special Revenue and Capital Projects Funds.

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

In addition, the County Board of Supervisors are members of or appoint representatives to: West Central Iowa Sheltered Workshop (WESCO), Carroll Area Solid Waste Management Commission, Region XII Council of Governments, Youth Emergency Services (Y.E.S.), SYNERGY and Resource, Conservation and Development.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2)

grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents.

Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess

of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land and buildings	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	30 - 50
Infrastructure	15 - 65
Equipment	2 - 40
Vehicles	4 - 10

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase appropriations to several departments, the amendment changes were made after disbursements had exceeded the appropriations and one department exceeded its appropriation at year end.

(2) Cash and Pooled Investments

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

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

The County had an investment in the Iowa Public Agency Investment Trust which is valued at an amortized cost of \$185,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General Special Revenue: Mental Health	\$ 6,833 142
Total		\$ 6,975

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.

(4) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 946,000
	General	119,500
Total		<u>\$ 1,065,500</u>

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

(5) Capital Assets

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

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,106,131	20,000	-	1,126,131
Construction in progress	-	1,742,548	(1,742,548)	-
Total capital assets not being depreciated	<u>1,106,131</u>	<u>1,762,548</u>	<u>(1,742,548)</u>	<u>1,126,131</u>
Capital assets being depreciated:				
Buildings	5,936,716	249,209	-	6,185,925
Equipment and vehicles	6,173,509	668,610	(182,979)	6,659,140
Infrastructure, road network	28,208,862	1,493,339	-	29,702,201
Infrastructure, other	50,496	-	-	50,496
Total capital assets being depreciated	<u>40,369,583</u>	<u>2,411,158</u>	<u>(182,979)</u>	<u>42,597,762</u>
Less accumulated depreciation for:				
Buildings	1,461,839	138,313	-	1,600,152
Equipment and vehicles	3,377,693	385,657	(179,881)	3,583,469
Infrastructure, road network	12,522,088	903,966	-	13,426,054
Infrastructure, other	4,040	2,020	-	6,060
Total accumulated depreciation	<u>17,365,660</u>	<u>1,429,956</u>	<u>(179,881)</u>	<u>18,615,735</u>
Total capital assets being depreciated, net	<u>23,003,923</u>	<u>981,202</u>	<u>(3,098)</u>	<u>23,982,027</u>
Governmental activities capital assets, net	<u>\$ 24,110,054</u>	<u>2,743,750</u>	<u>(1,745,646)</u>	<u>25,108,158</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 72,396
Physical health and social services		6,798
County environment and education		71,971
Roads and transportation		1,190,164
Governmental services to residents		38,184
Administration		50,443
		<hr/>
Total depreciation expense - governmental activities		<u>\$1,429,956</u>

(6) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 41,164</u>
Special Revenue:		
Mental Health	Services	315,149
Secondary Roads	Services	671
		<hr/>
		315,820
		<hr/>
Total for governmental funds		<u>\$ 356,984</u>
Agency:		
County Assessor	Collections	\$ 347,950
Agricultural Extension Education		129,310
Schools		9,285,492
Community Colleges		509,191
Corporations		6,507,486
Townships		206,656
Auto License and Use Tax		410,606
E911 Service Commission		115,461
All other		60,226
		<hr/>
Total for agency funds		<u>\$ 17,572,378</u>

(7) Changes in Long-Term Liabilities

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

	County Bank Loans	Conservation Foundation Bank Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 237,712	260,733	175,413	673,858
Increases	-	-	234,132	234,132
Decreases	32,669	209,187	216,360	458,216
Balance end of year	\$ 205,043	51,546	193,185	449,774
Due within one year	\$ 77,176	51,546	173,867	302,589

County Bank Loans

On August 18, 2003, the County entered into a bank loan with Commercial Federal Bank, Carroll, Iowa for \$200,000 to pay off an existing loan with the Iowa Natural Heritage Foundation. The terms of the bank loan provided for seven annual payments of principal and interest totaling \$32,768, beginning July 1, 2004, with all principal and interest due and payable in full on July 1, 2010. The County paid more than the required principal payment/amount due in prior years and paid less in 2006. During the year ended June 30, 2006, the County paid \$16,400 and \$4,407 of principal and interest, respectively, on the loan. The unpaid balance at June 30, 2006 totaled \$122,312.

A summary of the County's obligations under loans dated April 14, 2003 and August 31, 2004 is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	1.76-2.74%	\$ 49,731	2,078	51,809
2008	2.74	33,000	907	33,907
Total		\$ 82,731	2,985	85,716

Conservation Foundation Bank Loan

On August 3, 2004, the Carroll County Conservation Foundation entered into a bank loan with Commercial Savings Bank, Carroll, Iowa for \$486,000 to finance construction of the Conservation Education Center. The terms of the bank loan provided for monthly principal and interest payments beginning December 1, 2004 equal to the monthly ending balance in a savings account held by the Conservation Foundation, with all principal and interest due and payable in full on August 1, 2005. During the year ended June 30, 2006, the Conservation Foundation paid \$209,187 and \$9,812 of principal and interest, respectively, on the loan. Subsequently, on August 2, 2005 the terms of the bank loan were changed to provide for a single payment of the unpaid principal balance plus accrued interest on August 1, 2006.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$239,360, \$230,909 and \$228,178, respectively, equal to the required contributions for each year.

(9) Risk Management

Carroll County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$103,166.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to

\$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Internal Service Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Internal Service Fund. The County's contribution for the year ended June 30, 2006 was \$997,514.

Amounts payable from the Internal Service Fund at June 30, 2006 total \$192,216, 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. That reserve was \$335,846 at June 30, 2006 and is reported as a designation of the

Internal Service Fund Net Assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 96,784
Incurred claims (including claims incurred but not reported at June 30, 2006)	706,723
Payment on claims during the fiscal year	<u>611,291</u>
Unpaid claims end of year	<u>\$ 192,216</u>

(11) Revenue Bonds

On September 29, 2003, the County issued \$10,000,000 of Hospital Revenue Bonds in accordance with Chapter 419 of the Code to Iowa on behalf of Saint Anthony Regional Hospital to renovate the existing third floor and other areas of the hospital and to construct and equip an addition. The bonds are not a general obligation of the County, but are payable solely from the net revenues of Saint Anthony Regional Hospital. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of bonds.

On July 29, 2004, the County issued \$1,247,141 of revenue bonds in accordance with Chapter 419 of the Code of Iowa on behalf of the Manning Heritage Foundation to construct a convention center, hotel and restaurant. The bonds are not a general obligation of the County, but are payable solely from the net revenues of the Manning Heritage Foundation. No other resources of the County shall be required to be used, nor is the general credit of the County pledged, for the payment of bonds.

(12) County Care Facility

On July 1, 1990, the management and operation of the Carroll County Care Facility was assumed by Mallard View, Inc. The agreement requires the operator to make monthly rental payments to the County and for the County to pay the operator for services rendered. This agreement was renewed for the period commencing on July 1, 2005 and ending on June 30, 2008.

Carroll County

Required Supplementary Information

Carroll County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,251,804	-	6,251,804
Interest and penalty on property tax	29,104	-	29,104
Intergovernmental	4,662,629	-	4,662,629
Licenses and permits	75,153	-	75,153
Charges for service	1,491,380	-	1,491,380
Use of money and property	286,136	267	285,869
Miscellaneous	937,125	301,661	635,464
Total receipts	13,733,331	301,928	13,431,403
Disbursements:			
Public safety and legal services	2,318,378	-	2,318,378
Physical health and social services	953,886	-	953,886
Mental health	2,650,494	-	2,650,494
County environment and education	870,569	28,660	841,909
Roads and transportation	3,514,339	-	3,514,339
Governmental services to residents	554,291	-	554,291
Administration	1,168,819	-	1,168,819
Non-program	153,383	9,628	143,755
Debt service	271,719	236,001	35,718
Capital projects	763,379	-	763,379
Total disbursements	13,219,257	274,289	12,944,968
Excess (deficiency) of receipts over (under) disbursements	514,074	27,639	486,435
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	514,074	27,639	486,435
Balance beginning of year	4,054,940	123,458	3,931,482
Balance end of year	\$ 4,569,014	151,097	4,417,917

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
6,090,860	6,090,860	160,944
15,000	15,000	14,104
5,020,615	5,054,955	(392,326)
68,875	68,875	6,278
1,220,115	1,239,715	251,665
181,773	221,773	64,096
275,000	451,371	184,093
<u>12,872,238</u>	<u>13,142,549</u>	<u>288,854</u>
2,325,330	2,414,721	96,343
1,013,802	1,020,802	66,916
2,767,231	2,767,231	116,737
846,968	868,543	26,634
3,448,600	3,624,600	110,261
535,494	566,694	12,403
1,153,023	1,219,064	50,245
250,000	250,000	106,245
36,700	36,700	982
933,700	1,190,084	426,705
<u>13,310,848</u>	<u>13,958,439</u>	<u>1,013,471</u>
(438,610)	(815,890)	1,302,325
-	-	-
(438,610)	(815,890)	1,302,325
<u>3,308,322</u>	<u>3,308,322</u>	<u>623,160</u>
<u>2,869,712</u>	<u>2,492,432</u>	<u>1,925,485</u>

Carroll County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,733,331	50,087	13,783,418
Expenditures	13,219,257	(102,013)	13,117,244
Net	514,074	152,100	666,174
Other financing sources, net		-	
Beginning fund balances	4,054,940	643,729	4,698,669
Ending fund balances	\$ 4,569,014	795,829	5,364,843

See accompanying independent auditor's report.

Carroll County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$647,591. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted. Although the Board of Supervisors acted to increase appropriations to several departments, the amendment changes were made after disbursements had exceeded the appropriations and one department exceeded its appropriation at year end.

Carroll County

Other Supplementary Information

Carroll County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2006

	Special Revenue		
	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments:			
County Treasurer	\$ 31,951	17,273	5,435
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	-
Total assets	\$ 31,951	17,273	5,435
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 6,512	729	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	6,512	729	-
Fund equity:			
Fund balances:			
Reserved for:			
Drainage warrants/drainage improvement certificates	-	-	-
Debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	25,439	16,544	5,435
Capital projects fund	-	-	-
Total fund equity	25,439	16,544	5,435
Total liabilities and fund equity	\$ 31,951	17,273	5,435

See accompanying independent auditor's report.

Drainage Districts	Conservation Foundation	Debt Service	Capital Projects	Total
112,293	38,804	3,966	101,913	311,635
-	-	-	2,891	2,891
-	-	218	-	218
-	-	114,000	-	114,000
-	-	-	16,052	16,052
112,293	38,804	118,184	120,856	444,796
-	-	-	6,698	13,939
-	-	114,000	-	114,000
-	-	218	-	218
-	-	114,218	6,698	128,157
112,293	-	-	-	112,293
-	-	3,966	-	3,966
-	38,804	-	-	86,222
-	-	-	114,158	114,158
112,293	38,804	3,966	114,158	316,639
112,293	38,804	118,184	120,856	444,796

Carroll County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2006

	Resource	County	Special Revenue
	Enhance- ment and Protection	Recorder's Records Management	County Recorder's Electronic Transaction Fee
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	32,874	-	-
Charges for service	-	4,802	74
Use of money and property	208	202	-
Miscellaneous	-	-	-
Total revenues	33,082	5,004	74
Expenditures:			
Operating:			
County environment and education	26,687	-	-
Administration	-	3,577	2,109
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	26,687	3,577	2,109
Excess (deficiency) of revenues over (under) expenditures	6,395	1,427	(2,035)
Fund balances beginning of year	19,044	15,117	7,470
Fund balances end of year	\$ 25,439	16,544	5,435

See accompanying independent auditor's report.

Drainage Districts	Conservation Foundation	Debt Service	Capital Projects	Total
-	-	35,139	189,617	224,756
-	-	1,685	-	34,559
-	-	-	-	4,876
-	267	-	-	677
35,936	265,726	-	30,511	332,173
35,936	265,993	36,824	220,128	597,041
-	-	-	-	26,687
-	28,660	-	-	34,346
9,628	-	-	-	9,628
-	236,001	35,718	-	271,719
-	-	-	369,871	369,871
9,628	264,661	35,718	369,871	712,251
26,308	1,332	1,106	(149,743)	(115,210)
85,985	37,472	2,860	263,901	431,849
112,293	38,804	3,966	114,158	316,639

Carroll County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,088	171,789	83,643	4,320
Other County officials	28,524	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	222	331	16,849	871
Succeeding year	-	128,000	192,000	9,185,000	504,000
Accounts	-	-	13	-	-
Accrued interest	-	-	-	-	-
Prepaid insurance	-	-	620	-	-
Total assets	\$ 28,524	129,310	364,753	9,285,492	509,191
Liabilities					
Accounts payable	\$ -	-	14,898	-	-
Due to other governments	7,204	129,310	347,950	9,285,492	509,191
Trusts payable	21,320	-	-	-	-
Compensated absences	-	-	1,905	-	-
Total liabilities	\$ 28,524	129,310	364,753	9,285,492	509,191

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Service Commission	Other	Total
33,086	2,593	410,606	79,877	50,696	837,698
-	-	-	-	-	28,524
22,400	63	-	-	5	40,741
6,452,000	204,000	-	-	3,000	16,668,000
-	-	-	38,402	-	38,415
-	-	-	736	-	736
-	-	-	-	-	620
6,507,486	206,656	410,606	119,015	53,701	17,614,734
-	-	-	3,554	679	19,131
6,507,486	206,656	410,606	115,461	53,022	17,572,378
-	-	-	-	-	21,320
-	-	-	-	-	1,905
6,507,486	206,656	410,606	119,015	53,701	17,614,734

Carroll County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 30,084	124,250	334,004	9,580,701	489,623
Additions:					
Property and other county tax	-	128,474	193,026	9,231,608	506,268
E911 surcharge	-	-	-	-	-
State tax credits	-	6,095	11,013	469,375	24,143
Office fees and collections	456,257	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	319,445	-	-	-	-
Miscellaneous	2,093	-	263	-	-
Total additions	777,795	134,569	204,302	9,700,983	530,411
Deductions:					
Agency remittances:					
To other funds	357,035	-	-	-	-
To other governments	209,178	129,509	173,553	9,996,192	510,843
Trusts paid out	213,142	-	-	-	-
Total deductions	779,355	129,509	173,553	9,996,192	510,843
Balances end of year	\$ 28,524	129,310	364,753	9,285,492	509,191

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	E911 Service Commission	Other	Total
5,988,939	198,506	446,658	122,866	36,968	17,352,599
6,442,192	204,642	-	-	2,834	16,709,044
-	-	-	164,677	-	164,677
255,050	11,029	-	-	140	776,845
-	-	-	-	-	456,257
-	-	5,147,617	-	-	5,147,617
-	-	-	-	33,857	33,857
-	-	-	-	-	319,445
-	-	-	-	72,663	75,019
6,697,242	215,671	5,147,617	164,677	109,494	23,682,761
-	-	164,799	-	-	521,834
6,178,695	207,521	5,018,870	168,528	92,761	22,685,650
-	-	-	-	-	213,142
6,178,695	207,521	5,183,669	168,528	92,761	23,420,626
6,507,486	206,656	410,606	119,015	53,701	17,614,734

Carroll County

Carroll County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2006	2005	2004	2003	2002
Revenues:					
Property and other county tax	\$ 6,246,659	5,854,210	5,391,537	4,996,273	4,830,123
Interest and penalty on property tax	29,104	28,243	45,758	35,207	36,890
Intergovernmental	4,748,882	4,775,821	4,632,453	5,011,828	5,074,363
Licenses and permits	74,338	55,143	66,889	77,990	75,044
Charges for service	1,479,616	1,421,620	1,298,488	1,233,218	1,248,698
Use of money and property	299,785	220,883	184,790	212,256	289,378
Fines, forfeitures and defaults	-	3,711	-	-	756
Miscellaneous	905,034	759,629	1,483,180	462,391	360,357
Total	\$ 13,783,418	13,119,260	13,103,095	12,029,163	11,915,609
Expenditures:					
Operating:					
Public safety and legal services	\$ 2,325,097	2,090,553	1,991,577	1,978,593	1,920,854
Physical health and social services	939,587	932,524	1,136,692	1,099,460	1,194,390
Mental health	2,669,843	2,675,722	2,323,078	2,522,514	2,525,443
County environment and education	842,254	852,196	1,314,236	785,261	701,166
Roads and transportation	3,407,711	3,584,619	3,946,971	3,096,413	3,679,075
Governmental services to residents	549,691	349,093	349,000	384,115	345,484
Administration	1,188,092	1,116,364	1,081,846	1,032,052	921,885
Non-program	153,139	108,309	351,681	273,593	156,320
Debt service	271,719	276,627	37,744	525,732	118,698
Capital projects	770,111	1,265,004	1,719,057	1,147,195	790,600
Total	\$ 13,117,244	13,251,011	14,251,882	12,844,928	12,353,915

See accompanying independent auditor's report.

Schedule 6

Carroll County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program			
	10.561		<u>\$ 11,954</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
HOME Investment Partnerships Program			
	14.239	01-HM-112-25	<u>73,310</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction			
	20.205	UYC-04-005	<u>11,717</u>
U.S. General Services Administration:			
Iowa Secretary of State:			
Election Reform Payment			
	90.401	06-HAVA-14-100	<u>146,881</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families			
	93.558		<u>13,235</u>
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund			
	93.596		<u>3,151</u>
Foster Care - Title IV-E			
	93.658		<u>6,806</u>
Adoption Assistance			
	93.659		<u>1,678</u>
Medical Assistance Program			
	93.778		<u>17,562</u>
Social Services Block Grant			
	93.667		<u>8,539</u>
Social Services Block Grant			
	93.667		<u>66,413</u>
			<u>74,952</u>
Iowa Department of Elder Affairs:			
Elderbridge Agency on Aging:			
Aging Cluster Programs:			
Special Programs for the Aging - Title III,			
Part B - Grants for Supportive Services and			
Senior Centers			
	93.044		<u>35,439</u>

Carroll County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		4,778
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919		14,415
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.067		9,422
State Domestic Preparedness Equipment Support Program	97.067		220,577
			229,999
Pre-Disaster Mitigation	97.047		157
Total			\$ 646,034

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

See accompanying independent auditor's report.

Carroll County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Carroll County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Carroll County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 5, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-D-06 is a material weakness.

Compliance and Other Matters

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

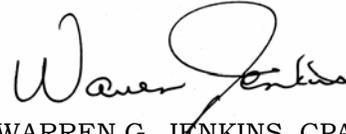
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2006

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

Carroll County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Carroll County:

Compliance

We have audited the compliance of Carroll County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Carroll County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Carroll County's management. Our responsibility is to express an opinion on Carroll County's compliance based on our audit.

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

In our opinion, Carroll County 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.

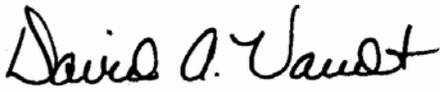
Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does

not reduce to a low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2006

Carroll County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 90.401 – Election Reform Payments
 - CFDA Number 97.067 – State Domestic Preparedness Equipment Support Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Carroll County did not qualify as a low-risk auditee.

Carroll County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- II-A-06 Jail Commissary – Jail commissary profits were used to purchase non-commissary type items, such as equipment.

Recommendation – All non commissary expenditures should be paid by claims approved by the Board of Supervisors and reflected in the County’s accounting system, County budget and annual financial statements.

Response – The profits will be remitted regularly to the County Treasurer. Also some of the profits are used by the jail to pay for items used in the jail for the prisoners. We should not burden the taxpayers with supporting the prisoners while they are in jail. They did the crime so taxpayers should not have to support them.

Conclusion – Response acknowledged. Profits from the jail commissary account spent for other than commissary items should be deposited with the County Treasurer to ensure those expenditures go through the budgetary process and are approved by the Board of Supervisors.

- II-B-06 Board of Health – One individual has custody of receipts and performs all record keeping duties.

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

Response – The agency is in the process of upgrading computer hardware and software for recordkeeping and billing purposes. The Home Care Aide Supervisor and the Assistant Supervisor are being trained to perform these duties in case of illness or absence of the Administrator. At the same time they are being trained on the handling of receipts and deposits. In the future, the plan is to rotate all office duties on an intermittent basis. I would hope this will also alleviate some of your concerns as will.

Conclusion – Response accepted.

- II-C-06 Carroll County Ambulance Department – The Carroll County ambulance department has not established an allowance for doubtful accounts.

Recommendation – The County should establish an allowance for doubtful accounts due to the significant amount of receivables that are not collected from Medicare/Medicaid.

Carroll County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Response – Medicare/Medicaid required adjustments are made upon receipt of their explanations. Medicare rules encourage one fee schedule for all patients yet require accepting assignment for Medicare/Medicaid patients creating large amounts of nonallowed amounts which are required to be written off after it is billed to Medicare/Medicaid.

Conclusion – Response acknowledged. An independent review of all receivable write-offs should also be performed.

- II-D-06 Sheriff Accounts – One individual in the Sheriff's office collects cash, prepares the deposit and reconciles the Trust account. Similarly, one individual in the Sheriff's office collects, records, deposits and reconciles the Commissary account.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Sheriff's office should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The Sheriff will be doing more reviews of the collecting, depositing and reconciling of the accounts. The jail supervisor and Chief Deputy will review and also the Administrative Assistant will be involved in the review process.

Conclusion – Response accepted.

- II-E-06 Credit Cards – The County has credit cards for use by various employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The County should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – A policy will be adopted.

Conclusion – Response accepted.

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

Carroll County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over major programs were reported.

Carroll County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Although the Board of Supervisors acted to increase appropriations to several departments, the amendment changes were made after disbursements had exceeded the appropriations and one department exceeded its appropriation at year end.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – This will be done.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

IV-D-06 Business Transactions – No business transactions between the County and County officials or employees were noted.

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

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

The approval of salaries for County employees for the year ended June 30, 2006 was not included in the Board minutes.

The County Conservation Board went into closed session in five meetings during the year ended June 30, 2006. Three were to discuss personnel issues, one was to discuss a possible land acquisition and one was to discuss an easement. For two of the meetings, final action was not taken in open session. In addition, for all five meetings, the Conservation Board minutes did not reference a specific Code exemption as required by Chapter 21.5 of the Code of Iowa and did not include affirmative roll call vote of two-thirds of the Board.

Recommendation – The Board of Supervisors should record all actions to establish or amend individual salaries or wages in its minutes. The County Conservation Board should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Carroll County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Response – I will be sure to include the specific code exemption in future Board meeting minutes when entering into closed session and will include the affirmative roll call vote of two-thirds of the Board, including approval of salaries.

Conclusion – Response accepted.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

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

IV-I-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

IV-J-06 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. For the Trust account, the County Sheriff retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The County Sheriff should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will be contacting the banks and having the front and back of the checks made and sent to us.

Conclusion – Response accepted.

Carroll County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-K-06 Carroll County Ambulance Department – Certain expenditures made by the Carroll County Ambulance Department may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Walmart	Gifts	\$ 105
Hy Vee	Flowers	21
Jim Millenacker	Soda	14
Subway	Dining	18
Sound and Service	Television	1,193

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

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

Response – These are all office related expenses from our own donated monies. This account is now closed and we no longer accept donations or keep a donation account.

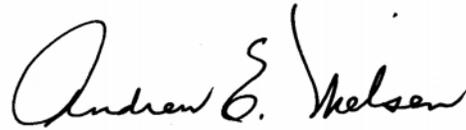
Conclusion – Response acknowledged. In the future, public purpose should be documented before the expenditure is made.

Carroll County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Sheila M. Jensen, Senior Auditor
Chad D. Lehman, Staff Auditor
Marc D. Johnson, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State