

IOWA COUNTY

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

JUNE 30, 2006

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IOWA COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Tibben	Board of Supervisors	Jan. 2007
Alice Derycke	Board of Supervisors	Jan. 2007
Charles Montross	Board of Supervisors	Jan. 2007
Rick L. Gerard	Board of Supervisors	Jan. 2009
Ray Garringer	Board of Supervisors	Jan. 2009
Linda Griggs	County Auditor	Jan. 2009
Kim Tanke	County Treasurer	Jan. 2007
Sue Peterson	County Recorder	Jan. 2007
Nick Roggentien	County Sheriff	Jan. 2009
Lewis C. McMeen	County Attorney	Jan. 2007
Sharon L. Hudepohl	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Iowa County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iowa 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 basic financial statements are the responsibility of Iowa 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Iowa County at June 30, 2006 and the respective changes in financial position 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 January 18, 2007 on our consideration of Iowa 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 6 through 10 and 40 through 43 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 performed for the purpose of forming opinions on the financial statements that collectively comprise Iowa 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 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
January 18, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Iowa County provides this Management's Discussion and Analysis for the year ended June 30, 2006, financial statements. This information is a narrative overview and analysis of the financial activity in the report. It should help the reader understand the events that significantly affected the financial position of Iowa County as a whole.

FINANCIAL HIGHLIGHTS

Revenues of the County's governmental funds increased \$376,982 from \$11,703,565 in FY05 to \$12,080,547 in FY06, or approximately 3%. Net property and other county taxes increased \$413,692 from \$5,879,521 in FY05 to \$6,293,213 in FY06, or approximately 7%, due to the net effects of an increase in property tax asking and a decrease in local option sales tax collections. Intergovernmental revenue decreased \$74,086 from \$4,658,429 in FY05 to \$4,584,343 in FY06, or approximately 2%, due to a decrease in federal and other pass-through grants received.

County program expenses were 13% higher in FY06 to \$14,569,758 from FY05 of \$12,730,899 for an increase of \$1,838,859. Roads and Transportation increased because of employee costs and equipment, Government Services to Residents increased due to the purchase of voting equipment, Administration increased due to building upgrades and maintenance, Debt Service increased due to the first payments on the law enforcement center bonds, and Capital Projects increased due to increased activity on construction of the law enforcement center.

USING THE ANNUAL REOPRT

This report consists of a series of financial statements and other information.

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Iowa 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 Iowa 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 Iowa County acts solely as an agent or custodian for the benefit of those outside the government. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year.

Other supplementary information provides detailed information about the non-major governmental funds and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

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

The County's governmental activities are displayed 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, government services to residents, administration or general government, and interest on long-term debt.

Fund Financial Statements

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

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: the General Fund, The Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, The Debt Service Fund, and 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 statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs.

Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds, among which are included Emergency Management Services, the County Assessor, and the E-911 Service Board.

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

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
Changes in Net Assets of Governmental Activities

	2005	2006	Difference	% of Change
Program Revenues				
Charges for services	1,106,137	1,168,052	61,915	5.60%
Operating Grants	4,018,651	3,995,212	-23,439	-0.58%
Capital Grants	1,468,810	815,493	-653,317	-44.48%
General Revenue				
Property and other taxes				
General Purposes	4,206,979	4,697,113	490,134	11.65%
Debt Service	76,941	283,118	206,177	267.97%
Penalty & Property Tax Interest	53,759	56,505	2,746	5.11%
State Tax Credits	221,214	254,059	32,845	14.85%
Payment in lieu of Taxes	12,284	-	-12,284	-100.00%
Local Option Sales & Service Tax	1,321,550	1,061,820	-259,730	-19.65%
Hotel/Motel Tax	261,231	241,342	-19,889	-7.61%
Unrestricted Grants	10,031	-	-10,031	-100.00%
Unrestricted Investment Earnings	112,421	161,020	48,599	43.23%
Miscellaneous	35,910	16,295	-19,615	-54.62%
Total Revenues	12,905,918	12,750,029	-155,889	-1.21%
Program Expenses				
Public Safety & Legal Services	1,927,489	1,818,383	-109,106	-5.66%
Physical Health & Social Services	718,385	767,481	49,096	6.83%
Mental Health	1,318,617	1,108,898	-209,719	-15.90%
County Environment & Education	649,066	804,852	155,786	24.00%
Roads & Transportation	5,421,998	4,962,237	-459,761	-8.48%
Government Services to Residents	372,648	516,958	144,310	38.73%
Administration	1,119,829	1,356,081	236,252	21.10%
Non-Program	-	11,060	11,060	100.00%
Interest on Long Term Debt	208,212	161,312	-46,900	-22.53%
Total Expenses	11,736,244	11,507,262	-228,982	-1.95%
Increase in Net Assets	1,169,674	1,242,767		
Net Assets beginning of the year	17,545,008	18,714,682		
Net Assets end of year	18,714,682	19,957,449		

NET ASSETS OF GOVERNMENTAL ACTIVITIES

	2005	2006	Difference	% of Change
Current & Other Assets	12,782,514	10,549,503	-2,233,011	-17.47%
Capital Assets	16,213,716	19,809,652	3,595,936	22.18%
Total Assets	28,996,230	30,359,155	1,362,925	4.70%
Long-Term Liabilities	4,423,846	4,264,600	-159,246	-3.60%
Other Liabilities	5,857,702	6,137,106	279,404	4.77%
Total Liabilities	10,281,548	10,401,706	120,158	1.17%
Net Assets				
Invested in Capital Assets, net of related debt	14,992,770	16,098,806	1,106,036	7.38%
Restricted	2,392,433	2,459,206	66,773	2.79%
Unrestricted	1,329,479	1,399,437	69,958	5.26%
Total Net Assets	18,714,682	19,957,449	1,242,767	6.64%

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, the governmental funds reported a combined fund balance of \$4.3 million, as compared to last year's balance of \$6.8 million. The following are reasons for the changes in fund balances.

The General Fund revenues increased by \$830,761 due to a higher tax levy, federal funding for election equipment, housing prisoners, and interest earned. Expenditures increased \$440,178 because of the purchase of election equipment, building updates and increased maintenance costs.

The Mental Health Fund revenues decreased by \$250,715 and expenditures also decreased by \$211,280.

The Secondary Road Fund local option tax revenues decreased and intergovernmental revenues increased for a net decrease in revenues of \$163,781. Expenditures decreased in roadway maintenance and increased in equipment purchases for a net increase of \$142,036.

The Capital Projects Fund revenue decreased by \$39,268 and expenditures increased by \$1,789,275 due to increased activity and the timing of payments for the law enforcement center.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following the required public notice and hearing for all funds, except blended component units and agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget two times. The amendments were made on December 30, 2005, and May 12, 2006, and resulted in a \$1,671,986 increase in expenditures and a \$62,738 increase in revenues from the original certified budget. The law enforcement center expenditures were the primary reason for the amendments to the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the year end Iowa County had approximately \$20 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of approximately \$11 million of accumulated depreciation.

More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

LONG-TERM OBLIGATIONS

At year end, the County had \$3,730,000 in bonds and notes payable compared to \$3,905,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below the limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS, AND NEXT YEAR'S BUDGETS AND RATES

Iowa County's elected and appointed officials and citizens considered many factors when setting the fiscal year budget, tax rate, and the fees that will be charged for the various County services. Factors include the economy, changes in real estate valuations, and reduction in state funding.

The County added no major new programs or initiatives to the 2007 budget year.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This management's discussion and analysis is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Iowa County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Iowa County, 901 Court Ave., Marengo, IA 52301.

Prepared by: Linda Griggs, Iowa County Auditor
Dated: March 8, 2007

Basic Financial Statements

IOWA COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,326,052
Receivables:	
Property tax:	
Delinquent	30,686
Succeeding year	5,315,000
Interest and penalty on property tax	59,917
Accounts	44,801
Accrued interest	31,052
Drainage assessments	54,947
Due from other governments	533,339
Inventories	153,709
Capital assets, net of accumulated depreciation (note 4)	<u>19,809,652</u>
 Total assets	 <u>30,359,155</u>
Liabilities	
Accounts payable	622,416
Salaries and benefits payable	46,198
Due to other governments (note 5)	140,341
Accrued interest payable	13,151
Deferred revenue:	
Succeeding year property tax	5,315,000
Long-term liabilities (note 6):	
Portion due or payable within one year:	
General obligation hotel/motel tax bonds	40,000
General obligation County law enforcement center bonds	145,000
Compensated absences	481,140
Portion due or payable after one year:	
General obligation hotel/motel tax bonds	130,000
General obligation County law enforcement center bonds	3,415,000
Compensated absences	<u>53,460</u>
 Total liabilities	 <u>10,401,706</u>

IOWA COUNTY
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 16,098,806
Restricted for:	
Supplemental levy purposes	379,411
Mental health purposes	487,166
Rural services	321,402
Secondary roads	660,914
Pioneer cemetery	27,030
Other special revenue purposes	580,954
Prisoner room and board	2,329
Unrestricted	<u>1,399,437</u>
Total net assets	<u>\$ 19,957,449</u>

See notes to financial statements.

IOWA COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 1,818,383	\$ 300,743	\$ 44,432	\$ -	\$ (1,473,208)
Physical health and social services	767,481	175,718	444,368	-	(147,395)
Mental health	1,108,898	3,800	595,168	-	(509,930)
County environment and education	804,852	81,169	54,721	-	(668,962)
Roads and transportation	4,962,237	173,078	2,847,653	693,043	(1,248,463)
Government services to residents	516,958	318,189	8,870	122,450	(67,449)
Administration	1,356,081	115,355	-	-	(1,240,726)
Non-program	11,060	-	-	-	(11,060)
Interest on long-term debt	161,312	-	-	-	(161,312)
Total	\$ 11,507,262	\$ 1,168,052	\$ 3,995,212	\$ 815,493	(5,528,505)

General Revenues:

Property and other county tax levied for:	
General purposes	4,697,113
Debt service	283,118
Penalty and interest on property tax	56,505
State tax credits	254,059
Hotel/motel tax	241,342
Local option sales and services tax	1,061,820
Unrestricted investment earnings	161,020
Miscellaneous	16,295
Total general revenues	6,771,272
Change in net assets	1,242,767
Net assets beginning of year	18,714,682
Net assets end of year	\$ 19,957,449

See notes to financial statements.

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IOWA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,925,445	\$ 642,930	\$ 342,110	\$ 574,545
Receivables:				
Property tax:				
Delinquent	13,147	3,505	11,602	-
Succeeding year	3,057,000	486,000	1,403,000	-
Interest and penalty on property tax	59,917	-	-	-
Accounts	38,067	672	-	1,471
Accrued interest	30,534	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	68,970	-	-	389,191
Inventories	-	-	-	153,709
Total assets	\$ 5,193,080	\$ 1,133,107	\$ 1,756,712	\$ 1,118,916

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 386,069	\$ 454,953	\$ 4,326,052
-	2,432	30,686
-	369,000	5,315,000
-	-	59,917
-	4,591	44,801
-	518	31,052
-	54,947	54,947
-	75,178	533,339
-	-	153,709
<u>\$ 386,069</u>	<u>\$ 961,619</u>	<u>\$ 10,549,503</u>

IOWA COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 66,555	\$ 15,277	\$ -	\$ 169,900
Salaries and benefits payable	15,261	-	-	30,937
Due to other governments (note 5)	2,322	129,585	-	8,434
Deferred revenue:				
Succeeding year property tax	3,057,000	486,000	1,403,000	-
Other	72,996	3,501	11,592	-
Total liabilities	<u>3,214,134</u>	<u>634,363</u>	<u>1,414,592</u>	<u>209,271</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	153,709
Supplemental levy purposes	408,554	-	-	-
Debt service	-	-	-	-
Cemetery levy	26,934	-	-	-
Prisoner room and board	2,329	-	-	-
Unreserved, reported in:				
General fund	1,541,129	-	-	-
Special revenue funds	-	498,744	342,120	755,936
Capital projects fund	-	-	-	-
Total fund balances	<u>1,978,946</u>	<u>498,744</u>	<u>342,120</u>	<u>909,645</u>
Total liabilities and fund balances	<u>\$ 5,193,080</u>	<u>\$ 1,133,107</u>	<u>\$ 1,756,712</u>	<u>\$ 1,118,916</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 366,915	\$ 3,769	\$ 622,416
-	-	46,198
-	-	140,341
-	369,000	5,315,000
-	57,377	145,466
<u>366,915</u>	<u>430,146</u>	<u>6,269,421</u>
-	-	153,709
-	-	408,554
-	5,466	5,466
-	-	26,934
-	-	2,329
-	-	1,541,129
-	526,007	2,122,807
19,154	-	19,154
<u>19,154</u>	<u>531,473</u>	<u>4,280,082</u>
<u>\$ 386,069</u>	<u>\$ 961,619</u>	<u>\$ 10,549,503</u>

IOWA COUNTY

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

Total fund balances of governmental funds	\$ 4,280,082
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 as assets in the governmental funds. The cost of assets is \$30,945,302 and the accumulated depreciation is \$11,135,650.	19,809,652
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	145,466
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,151)
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,264,600)</u>
Net assets of governmental activities	<u>\$ 19,957,449</u>
See notes to financial statements.	

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IOWA COUNTY

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

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,795,245	\$ 629,062	\$ 1,283,020	\$ 1,061,820
Interest and penalty on property tax	47,596	-	-	-
Intergovernmental	986,604	628,349	64,310	2,742,492
Licenses and permits	24,609	-	-	410
Charges for service	581,995	3,800	-	-
Use of money and property	229,500	-	-	7,303
Miscellaneous	46,255	253	-	165,365
Total revenues	4,711,804	1,261,464	1,347,330	3,977,390
Expenditures:				
Operating:				
Public safety and legal services	1,723,664	-	287,376	-
Physical health and social services	729,797	-	-	-
Mental health	-	1,107,579	-	-
County environment and education	318,385	-	189,336	-
Roads and transportation	-	-	79,335	4,429,511
Government services to residents	498,262	-	-	-
Administration	1,260,793	-	3,056	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	581,679
Total expenditures	4,530,901	1,107,579	559,103	5,011,190
Excess (deficiency) of revenues over (under) expenditures	180,903	153,885	788,227	(1,033,800)
Other financing sources (uses):				
Interfund transfers in (note 3)	50,000	-	-	744,000
Interfund transfers out (note 3)	-	-	(744,000)	-
Total other financing sources (uses)	50,000	-	(744,000)	744,000
Net change in fund balances	230,903	153,885	44,227	(289,800)
Fund balances beginning of year	1,748,043	344,859	297,893	1,199,445
Fund balances end of year	\$ 1,978,946	\$ 498,744	\$ 342,120	\$ 909,645

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 524,066	\$ 6,293,213
-	-	47,596
-	162,588	4,584,343
-	-	25,019
-	34,287	620,082
28,758	4,194	269,755
-	28,666	240,539
<u>28,758</u>	<u>753,801</u>	<u>12,080,547</u>
-	880	2,011,920
-	3,191	732,988
-	-	1,107,579
-	194,439	702,160
-	-	4,508,846
-	16,927	515,189
-	-	1,263,849
-	11,060	11,060
-	336,669	336,669
<u>2,693,658</u>	<u>104,161</u>	<u>3,379,498</u>
<u>2,693,658</u>	<u>667,327</u>	<u>14,569,758</u>
<u>(2,664,900)</u>	<u>86,474</u>	<u>(2,489,211)</u>
-	-	794,000
-	(50,000)	(794,000)
-	(50,000)	-
<u>(2,664,900)</u>	<u>36,474</u>	<u>(2,489,211)</u>
<u>2,684,054</u>	<u>494,999</u>	<u>6,769,293</u>
<u>\$ 19,154</u>	<u>\$ 531,473</u>	<u>\$ 4,280,082</u>

IOWA 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 \$ (2,489,211)

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. The amount of capital outlays and
depreciation expense in the current year are as follows:

	Capital outlays	\$ 4,237,454	
Capital assets contributed by the Iowa Department of Transportation		693,043	
Depreciation expense		<u>(1,334,561)</u>	3,595,936

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

	Penalty and interest on property tax	8,909	
Property tax		(9,820)	
Drainage assessments		<u>(22,650)</u>	(23,561)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net
assets. 175,000

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

	Compensated absences	(15,754)	
Interest on long-term debt		<u>357</u>	<u>(15,397)</u>

Change in net assets of governmental activities \$ 1,242,767

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 799,269
Other County officials	5,215
Receivables:	
Property tax receivable:	
Delinquent	76,493
Succeeding year	14,246,000
Accounts receivable	34,224
Accrued interest	<u>114</u>
 Total assets	 <u>\$ 15,161,315</u>

Liabilities

Accounts payable	\$ 9,717
Due to other governments (note 5)	15,115,134
Trusts payable	7,736
Compensated absences	<u>28,728</u>
 Total liabilities	 <u>\$ 15,161,315</u>

See notes to financial statements.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

Iowa 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, Iowa 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 Iowa 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.

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

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Iowa County Assessor's Conference Board, Iowa County Emergency Management Commission, and Iowa County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

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

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

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

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue (continued):

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide 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.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which are due and payable but have not been collected.

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 100,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, delinquent property tax receivables 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 and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities 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 Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements in one department exceeded the amount appropriated prior to amendment of the appropriations and at year end.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The 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's funds are all deposited in financial institution depository accounts.

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 744,000
General	Hotel/motel taxes	<u>50,000</u>
		<u>\$ 794,000</u>

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

IOWA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,179,631	\$ -	\$ -	\$ 1,179,631
Construction in progress	488,945	2,632,255	3,121,200	-
Total capital assets not being depreciated	<u>1,668,576</u>	<u>2,632,255</u>	<u>3,121,200</u>	<u>1,179,631</u>
Capital assets being depreciated:				
Buildings	2,916,042	3,121,200	-	6,037,242
Machinery and equipment	5,282,755	1,041,871	640,302	5,684,324
Infrastructure	16,787,734	1,256,371	-	18,044,105
Total capital assets being depreciated	<u>24,986,531</u>	<u>5,419,442</u>	<u>640,302</u>	<u>29,765,671</u>
Less accumulated depreciation for:				
Buildings	1,758,857	165,614	-	1,924,471
Machinery and equipment	3,905,884	624,535	640,302	3,890,117
Infrastructure	4,776,650	544,412	-	5,321,062
Total accumulated depreciation	<u>10,441,391</u>	<u>1,334,561</u>	<u>640,302</u>	<u>11,135,650</u>
Total capital assets being depreciated, net	<u>14,545,140</u>	<u>4,084,881</u>	<u>-</u>	<u>18,630,021</u>
Governmental activities capital assets, net	<u>\$ 16,213,716</u>	<u>\$ 6,717,136</u>	<u>\$ 3,121,200</u>	<u>\$ 19,809,652</u>

IOWA COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	124,252
Physical health and social services		31,385
Mental health		875
County environment and education		19,042
Roads and transportation		1,034,380
Government services to residents		1,178
Administration		<u>123,449</u>
Total depreciation expense - governmental activities	\$	<u><u>1,334,561</u></u>

Note 5. 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	\$ 2,322
Special Revenue:		
Mental Health	Services	129,585
Secondary Roads	Services	<u>8,434</u>
Total for governmental funds		<u><u>\$ 140,341</u></u>
Agency:		
County Assessor	Collections	\$ 417,884
Townships		213,013
Schools		9,490,465
Corporations		3,756,264
Area Schools		598,235
Auto License and Use Tax		313,021
All Other		<u>326,252</u>
Total for agency funds		<u><u>\$ 15,115,134</u></u>

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 6. Long-Term Liabilities

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

	General Obligation Hotel/ Motel Tax	General Obligation County Law Enforcement Center Bonds	Compensated Absences	Total
Balance beginning of year	\$ 205,000	\$ 3,700,000	\$ 518,846	\$ 4,423,846
Increases	-	-	482,716	482,716
Decreases	35,000	140,000	466,962	641,962
Balance end of year	<u>\$ 170,000</u>	<u>\$ 3,560,000</u>	<u>\$ 534,600</u>	<u>\$ 4,264,600</u>
Due within one year	<u>\$ 40,000</u>	<u>\$ 145,000</u>	<u>\$ 481,140</u>	<u>\$ 666,140</u>

General Obligation Hotel/Motel Tax Bonds Payable

A summary of the County's June 30, 2006, general obligation hotel/motel tax bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	2.55 %	\$ 40,000	\$ 5,138	\$ 45,138
2008	2.90	40,000	3,940	43,940
2009	3.20	45,000	2,720	47,720
2010	3.50	45,000	1,360	46,360
		<u>\$ 170,000</u>	<u>\$ 13,158</u>	<u>\$ 183,158</u>

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2006

Note 6. Long-Term Liabilities (continued)

A summary of the County's June 30, 2006, general obligation County law enforcement center bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2007	2.65 %	\$ 145,000	\$ 152,662	\$ 297,662
2008	2.95	145,000	148,820	293,820
2009	3.20	150,000	144,543	294,543
2010	3.40	155,000	139,742	294,742
2011	3.60	160,000	134,473	294,473
2012	3.80	165,000	128,712	293,712
2013	3.95	175,000	122,443	297,443
2014	4.10	180,000	115,530	295,530
2015	4.20	185,000	108,150	293,150
2016	4.35	195,000	100,380	295,380
2017	4.45	205,000	91,897	296,897
2018	4.55	210,000	82,775	292,775
2019	4.65	220,000	73,220	293,220
2020	4.75	230,000	62,990	292,990
2021	4.85	240,000	52,065	292,065
2022	4.95	255,000	40,425	295,425
2023	5.05	265,000	27,802	292,802
2024	5.15	280,000	14,420	294,420
		<u>\$ 3,560,000</u>	<u>\$ 1,741,049</u>	<u>\$ 5,301,049</u>

Note 7. 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 \$231,301, \$225,203 and \$207,861, respectively, equal to the required contributions for each year.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2006

Note 8. Risk Management

Iowa 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, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$197,847.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 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 company coverage since the pool's inception.

IOWA COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2006

Note 8. Risk Management (continued)

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 claims 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 \$5,000,000 and \$50,000, respectively. The County also carries commercial insurance purchased from other insurers for health insurance coverage for employees. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Urban Renewal Development Agreement

During the year ended June 30, 2005, the County entered into an urban renewal agreement to enable local economic expansion. The County has agreed to make economic development tax increment payments to the developer totaling \$500,000. Beginning December 1, 2006, the payments will be made semi-annually through June 1, 2019, or until the developer's costs have been met. The project is an expansion of a local hotel complex.

Note 10. Subsequent Events

In August, 2006 the County issued \$400,000 in general obligation courthouse improvement bonds with interest rates from 4.0% to 4.2%, payable through June 30, 2011. The County also issued \$450,000 in road use tax revenue notes with interest rates from 4.10% to 4.35%, payable through June 30, 2013.

Required Supplementary Information

IOWA 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	\$ 6,314,550	\$ -	\$ 6,314,550
Interest and penalty on property tax	47,554	-	47,554
Intergovernmental	4,589,474	-	4,589,474
Licenses and permits	25,463	-	25,463
Charges for service	611,110	-	611,110
Use of money and property	290,400	26,084	264,316
Miscellaneous	242,607	-	242,607
Total receipts	<u>12,121,158</u>	<u>26,084</u>	<u>12,095,074</u>
DISBURSEMENTS:			
Public safety and legal services	2,018,130	-	2,018,130
Physical health and social services	745,277	-	745,277
Mental health	1,116,034	-	1,116,034
County environment and education	716,035	-	716,035
Roads and transportation	4,439,528	-	4,439,528
Government services to residents	516,084	-	516,084
Administration	1,273,726	-	1,273,726
Non-program	10,673	10,673	-
Debt service	336,669	-	336,669
Capital projects	3,424,049	-	3,424,049
Total disbursements	<u>14,596,205</u>	<u>10,673</u>	<u>14,585,532</u>
Excess (deficiency) of receipts over (under) disbursements	(2,475,047)	15,411	(2,490,458)
Balance beginning of year	<u>6,801,099</u>	<u>101,968</u>	<u>6,699,131</u>
Balance end of year	<u>\$ 4,326,052</u>	<u>\$ 117,379</u>	<u>\$ 4,208,673</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 6,324,373	\$ 6,324,373	\$ (9,823)
21,500	21,500	26,054
4,516,719	4,555,057	34,417
27,350	27,350	(1,887)
521,088	531,088	80,022
208,950	208,950	55,366
138,800	153,200	89,407
<u>11,758,780</u>	<u>11,821,518</u>	<u>273,556</u>
1,989,565	2,129,234	111,104
756,082	766,082	20,805
1,491,397	1,491,397	375,363
711,688	764,688	48,653
4,365,720	4,542,720	103,192
532,915	551,915	35,831
1,135,148	1,343,478	69,752
21,080	21,080	21,080
337,481	337,481	812
<u>2,731,033</u>	<u>3,796,020</u>	<u>371,971</u>
<u>14,072,109</u>	<u>15,744,095</u>	<u>1,158,563</u>
(2,313,329)	(3,922,577)	1,432,119
<u>5,067,183</u>	<u>6,801,099</u>	<u>(101,968)</u>
<u>\$ 2,753,854</u>	<u>\$ 2,878,522</u>	<u>\$ 1,330,151</u>

IOWA 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	\$ 12,121,158	\$ (40,611)	\$ 12,080,547
Expenditures	14,596,205	(26,447)	14,569,758
Net	(2,475,047)	(14,164)	(2,489,211)
Beginning fund balances	6,801,099	(31,806)	6,769,293
Ending fund balances	<u>\$ 4,326,052</u>	<u>\$ (45,970)</u>	<u>\$ 4,280,082</u>

See accompanying independent auditor's report.

IOWA 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 and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,671,986. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2006, disbursements in one department exceeded the amounts appropriated prior to amendment of the appropriations and at year end.

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Other Supplementary Information

IOWA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2006

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
ASSETS				
Cash and pooled investments	\$ 10,961	\$ 871	\$ 117,379	\$ 124,479
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	4,491
Accrued interest	18	8	265	-
Drainage assessments	-	-	54,947	-
Due from other governments	-	-	-	-
	\$ 10,979	\$ 879	\$ 172,591	\$ 128,970
	\$ 10,979	\$ 879	\$ 172,591	\$ 128,970
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,137	\$ -
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	54,947	-
Total liabilities	-	-	56,084	-
	-	-	56,084	-
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved:				
Undesignated	10,979	879	116,507	128,970
Total fund equity	10,979	879	116,507	128,970
	10,979	879	172,591	128,970
Total liabilities and fund equity	\$ 10,979	\$ 879	\$ 172,591	\$ 128,970

<u>Sheriff's Commissary</u>	<u>Conservation Donation</u>	<u>Hotel Motel Tax</u>	<u>Federal Emergency Management</u>	<u>REAP</u>	<u>Amana Villages</u>	<u>Fuller Green Valley</u>
\$ 299	\$ 14,554	\$ 152,749	\$ 1,365	\$ 708	\$ 15,861	\$ 9,913
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	100	-	-	-	-	-
-	2	-	-	1	224	-
-	-	-	-	-	-	-
-	-	61,167	-	5,620	8,391	-
<u>\$ 299</u>	<u>\$ 14,656</u>	<u>\$ 213,916</u>	<u>\$ 1,365</u>	<u>\$ 6,329</u>	<u>\$ 24,476</u>	<u>\$ 9,913</u>
\$ -	\$ 1,918	\$ -	\$ 714	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,918	-	714	-	-	-
-	-	-	-	-	-	-
299	12,738	213,916	651	6,329	24,476	9,913
299	12,738	213,916	651	6,329	24,476	9,913
<u>\$ 299</u>	<u>\$ 14,656</u>	<u>\$ 213,916</u>	<u>\$ 1,365</u>	<u>\$ 6,329</u>	<u>\$ 24,476</u>	<u>\$ 9,913</u>

IOWA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	<u>Pilot Grove Conservation</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS			
Cash and pooled investments	\$ 350	\$ 5,464	\$ 454,953
Receivables:			
Property tax:			
Delinquent	-	2,432	2,432
Succeeding year	-	369,000	369,000
Accounts	-	-	4,591
Accrued interest	-	-	518
Drainage assessments	-	-	54,947
Due from other governments	-	-	75,178
	<u>350</u>	<u>376,896</u>	<u>961,619</u>
Total assets	<u>\$ 350</u>	<u>\$ 376,896</u>	<u>\$ 961,619</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ -	3,769
Deferred revenue:			
Succeeding year property tax	-	369,000	369,000
Other	-	2,430	57,377
Total liabilities	<u>-</u>	<u>371,430</u>	<u>430,146</u>
Fund equity:			
Fund balances:			
Reserved for:			
Debt service	-	5,466	5,466
Unreserved:			
Undesignated	350	-	526,007
Total fund equity	<u>350</u>	<u>5,466</u>	<u>531,473</u>
Total liabilities and fund equity	<u>\$ 350</u>	<u>\$ 376,896</u>	<u>\$ 961,619</u>

See accompanying independent auditor's report.

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IOWA COUNTY

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

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	25,895
Charges for service	4,349	-	-	28,759
Use of money and property	306	113	2,463	-
Miscellaneous	-	-	23,865	-
Total revenues	<u>4,655</u>	<u>113</u>	<u>26,328</u>	<u>54,654</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health services	-	-	-	-
County environment and education	-	-	-	62,565
Government services to residents	10,428	6,499	-	-
Nonprogram	-	-	11,060	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>10,428</u>	<u>6,499</u>	<u>11,060</u>	<u>62,565</u>
Excess (deficiency) of revenues over (under) expenditures	(5,773)	(6,386)	15,268	(7,911)
Other financing uses:				
Interfund transfers out	-	-	-	-
Net change in fund balances	(5,773)	(6,386)	15,268	(7,911)
Fund balances beginning of year	<u>16,752</u>	<u>7,265</u>	<u>101,239</u>	<u>136,881</u>
Fund balances end of year	<u>\$ 10,979</u>	<u>\$ 879</u>	<u>\$ 116,507</u>	<u>\$ 128,970</u>

<u>Sheriff's Commissary</u>	<u>Conservation Donation</u>	<u>Hotel Motel Tax</u>	<u>Federal Emergency Management</u>	<u>REAP</u>	<u>Amana Villages</u>	<u>Fuller Green Valley</u>
\$ -	\$ -	241,342	\$ -	\$ -	\$ -	-
-	-	-	4,411	10,801	107,661	-
1,179	-	-	-	-	-	-
-	28	-	-	4	1,280	-
-	3,401	-	-	-	-	1,400
<u>1,179</u>	<u>3,429</u>	<u>241,342</u>	<u>4,411</u>	<u>10,805</u>	<u>108,941</u>	<u>1,400</u>
880	-	-	-	-	-	-
-	-	-	3,191	-	-	-
-	5,874	118,900	-	7,000	-	100
-	-	-	-	-	-	-
-	-	40,387	-	-	-	-
-	-	-	-	-	104,161	-
<u>880</u>	<u>5,874</u>	<u>159,287</u>	<u>3,191</u>	<u>7,000</u>	<u>104,161</u>	<u>100</u>
299	(2,445)	82,055	1,220	3,805	4,780	1,300
-	-	(50,000)	-	-	-	-
299	(2,445)	32,055	1,220	3,805	4,780	1,300
-	15,183	181,861	(569)	2,524	19,696	8,613
<u>\$ 299</u>	<u>\$ 12,738</u>	<u>\$ 213,916</u>	<u>\$ 651</u>	<u>\$ 6,329</u>	<u>\$ 24,476</u>	<u>\$ 9,913</u>

IOWA COUNTY

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

	Pilot Grove Conservation	Debt Service	Total
Revenues:			
Property and other County tax	\$ -	\$ 282,724	\$ 524,066
Intergovernmental	-	13,820	162,588
Charges for service	-	-	34,287
Use of money and property	-	-	4,194
Miscellaneous	-	-	28,666
Total revenues	<u>-</u>	<u>296,544</u>	<u>753,801</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	880
Physical health services	-	-	3,191
County environment and education	-	-	194,439
Government services to residents	-	-	16,927
Nonprogram	-	-	11,060
Debt service	-	296,282	336,669
Capital projects	-	-	104,161
Total expenditures	<u>-</u>	<u>296,282</u>	<u>667,327</u>
Excess (deficiency) of revenues over (under) expenditures	-	262	86,474
Other financing sources (uses):			
Interfund transfers out	-	-	(50,000)
Net change in fund balances	-	262	36,474
Fund balances beginning of year	<u>350</u>	<u>5,204</u>	<u>494,999</u>
Fund balances end of year	<u>\$ 350</u>	<u>\$ 5,466</u>	<u>\$ 531,473</u>

See accompanying independent auditor's report.

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

	County Offices			Agricultural Extension Education	County Assessor
	County Auditor	County Recorder	County Sheriff		
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ -	\$ -	\$ -	1,655	\$ 117,885
Other County officials	1,913	188	3,114	-	-
Receivables:					
Property tax:					
Delinquent	-	-	-	459	2,002
Succeeding year	-	-	-	72,000	313,000
Accounts	-	64	-	-	-
Accrued interest	-	-	-	-	-
Total assets	<u>\$ 1,913</u>	<u>\$ 252</u>	<u>\$ 3,114</u>	<u>\$ 74,114</u>	<u>\$ 432,887</u>
LIABILITIES					
Accounts payable	\$ -	\$ 50	\$ -	\$ -	142
Due to other governments	-	202	-	74,114	417,884
Trusts payable	1,913	-	3,114	-	-
Compensated absences	-	-	-	-	14,861
Total liabilities	<u>\$ 1,913</u>	<u>\$ 252</u>	<u>\$ 3,114</u>	<u>\$ 74,114</u>	<u>\$ 432,887</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 206,000	\$ 9,560	\$ 22,697	\$ 4,743	\$ 3,161	\$ 313,021	\$ 59
-	-	-	-	-	-	-
62,465	3,675	5,567	1,270	-	-	17
9,222,000	585,000	3,728,000	207,000	-	-	3,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,490,465</u>	<u>\$ 598,235</u>	<u>\$ 3,756,264</u>	<u>\$ 213,013</u>	<u>\$ 3,161</u>	<u>\$ 313,021</u>	<u>\$ 3,076</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,490,465	598,235	3,756,264	213,013	3,161	313,021	3,076
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 9,490,465</u>	<u>\$ 598,235</u>	<u>\$ 3,756,264</u>	<u>\$ 213,013</u>	<u>\$ 3,161</u>	<u>\$ 313,021</u>	<u>\$ 3,076</u>

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

	Emergency Management	Fire Districts	Amana Land Use District	Sanitary Districts	E-911 Service Commission
ASSETS					
Cash and pooled investments:					
County Treasurer	\$ 53,203	\$ 2,187	\$ 914	\$ 316	\$ 28,198
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	691	347	-	-
Succeeding year	-	66,000	23,000	27,000	-
Accounts	7,915	-	-	-	-
Accrued interest	-	-	-	-	-
Total assets	<u>\$ 61,118</u>	<u>\$ 68,878</u>	<u>\$ 24,261</u>	<u>\$ 27,316</u>	<u>\$ 28,198</u>
LIABILITIES					
Accounts payable	\$ 49	\$ -	\$ -	\$ -	-
Due to other governments	61,069	68,878	24,261	27,316	28,198
Trusts payable	-	-	-	-	-
Compensated absences	-	-	-	-	-
Total liabilities	<u>\$ 61,118</u>	<u>\$ 68,878</u>	<u>\$ 24,261</u>	<u>\$ 27,316</u>	<u>\$ 28,198</u>

See accompanying independent auditor's report.

<u>E-911 Surcharge</u>	<u>Tax Sale Redemption</u>	<u>Monies/ Credit Loans Credit</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ 30,044	\$ 2,709	\$ 2,593	\$ 324	\$ 799,269
-	-	-	-	5,215
-	-	-	-	76,493
-	-	-	-	14,246,000
26,245	-	-	-	34,224
114	-	-	-	114
<u>\$ 56,403</u>	<u>\$ 2,709</u>	<u>\$ 2,593</u>	<u>\$ 324</u>	<u>\$ 15,161,315</u>
\$ 9,476	\$ -	\$ -	\$ -	\$ 9,717
33,060	-	2,593	324	15,115,134
-	2,709	-	-	7,736
13,867	-	-	-	28,728
<u>\$ 56,403</u>	<u>\$ 2,709</u>	<u>\$ 2,593</u>	<u>\$ 324</u>	<u>\$ 15,161,315</u>

IOWA COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2006

	County Offices			Agricultural Extension Education	County Assessor
	County Auditor	County Recorder	County Sheriff		
ASSETS AND LIABILITIES					
Balances beginning of year	\$ 1,923	\$ 67	\$ 1,223	\$ 74,357	\$ 432,743
Additions:					
Property and other County tax	-	-	-	71,734	313,069
State tax credits	-	-	-	3,726	16,000
Payments in lieu of taxes	-	-	-	63	272
E-911 surcharge	-	-	-	-	-
Office fees and collections	436	282,946	54,835	-	194
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,185	-	129,352	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>1,621</u>	<u>282,946</u>	<u>184,187</u>	<u>75,523</u>	<u>329,535</u>
Deductions:					
Agency remittances:					
To other funds	436	148,591	54,396	-	-
To other governments	1,195	134,170	439	75,766	329,391
Trusts paid out	-	-	127,461	-	-
Total deductions	<u>1,631</u>	<u>282,761</u>	<u>182,296</u>	<u>75,766</u>	<u>329,391</u>
Balances end of year	<u>\$ 1,913</u>	<u>\$ 252</u>	<u>\$ 3,114</u>	<u>\$ 74,114</u>	<u>\$ 432,887</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>Auto License and Use Tax</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 9,254,008	\$ 428,396	\$ 3,177,308	\$ 209,313	\$ 90	\$ 342,634	\$ 3,081
9,216,810	585,473	3,746,744	205,715	-	-	2,550
462,962	21,532	104,927	11,578	-	-	133
8,812	366	-	421	-	-	2
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	3,918,353	-
-	-	-	-	29,055	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,688,584</u>	<u>607,371</u>	<u>3,851,671</u>	<u>217,714</u>	<u>29,055</u>	<u>3,918,353</u>	<u>2,685</u>
-	-	-	-	-	167,905	-
9,452,127	437,532	3,272,715	214,014	25,984	3,780,061	2,690
-	-	-	-	-	-	-
<u>9,452,127</u>	<u>437,532</u>	<u>3,272,715</u>	<u>214,014</u>	<u>25,984</u>	<u>3,947,966</u>	<u>2,690</u>
<u>\$ 9,490,465</u>	<u>\$ 598,235</u>	<u>\$ 3,756,264</u>	<u>\$ 213,013</u>	<u>\$ 3,161</u>	<u>\$ 313,021</u>	<u>\$ 3,076</u>

IOWA COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2006

	<u>Emergency Management</u>	<u>Fire Districts</u>	<u>Amana Land Use District</u>	<u>Sanitary Districts</u>	<u>E-911 Service Commission</u>
ASSETS AND LIABILITIES					
Balances beginning of year	\$ <u>33,608</u>	\$ <u>68,981</u>	\$ <u>24,319</u>	\$ <u>28,444</u>	\$ <u>27,514</u>
Additions:					
Property and other County tax	-	66,447	23,304	27,003	-
State tax credits	-	2,763	488	835	-
Payments in lieu of taxes	-	-	-	-	-
E-911 surcharge	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	88,209	-	-	-	684
Total additions	<u>88,209</u>	<u>69,210</u>	<u>23,792</u>	<u>27,838</u>	<u>684</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	60,699	69,313	23,850	28,966	-
Trusts paid out	-	-	-	-	-
Total deductions	<u>60,699</u>	<u>69,313</u>	<u>23,850</u>	<u>28,966</u>	<u>-</u>
Balances end of year	<u>\$ 61,118</u>	<u>\$ 68,878</u>	<u>\$ 24,261</u>	<u>\$ 27,316</u>	<u>\$ 28,198</u>

See accompanying independent auditor's report.

<u>E-911 Surcharge</u>	<u>Tax Sale Redemption</u>	<u>Bankruptcy Trust</u>	<u>Condemnation Trust</u>	<u>Monies/ Credit Loans Credit</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ 49,982	\$ 1,622	\$ 99	\$ 2,805	\$ 2,593	\$ 825	\$ 14,165,935
-	-	-	-	-	-	14,258,849
-	-	-	-	-	-	624,944
-	-	-	-	-	-	9,936
118,733	-	-	-	-	-	118,733
-	-	-	-	-	-	338,411
-	-	-	-	-	-	3,918,353
-	-	-	-	-	-	29,055
-	179,045	-	-	-	-	309,582
942	-	-	-	-	-	942
337	-	-	-	-	4,349	93,579
120,012	179,045	-	-	-	4,349	19,702,384
-	-	-	-	-	-	371,328
113,591	-	-	-	-	4,850	18,027,353
-	177,958	99	2,805	-	-	308,323
113,591	177,958	99	2,805	-	4,850	18,707,004
\$ 56,403	\$ 2,709	\$ -	\$ -	\$ 2,593	\$ 324	\$ 15,161,315

IOWA COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property and other County tax	\$ 6,293,213	\$ 5,879,521	\$ 5,524,123	\$ 5,580,665
Interest and penalty on property tax	47,596	48,015	64,355	39,469
Intergovernmental	4,584,343	4,658,429	4,975,930	4,296,233
Licenses and permits	25,019	27,564	25,394	21,392
Charges for service	620,082	564,676	607,983	591,811
Use of money and property	269,755	193,916	125,597	216,521
Miscellaneous	240,539	331,444	154,425	160,067
Total	\$ 12,080,547	\$ 11,703,565	\$ 11,477,807	\$ 10,906,158
Expenditures:				
Current:				
Public safety and legal services	\$ 2,011,920	\$ 1,965,078	\$ 1,706,601	\$ 1,478,594
Physical health and social services	732,988	694,344	697,098	699,262
Mental health	1,107,579	1,318,859	1,396,825	1,458,881
County environment and education services	702,160	649,767	939,357	834,059
Roads and transportation	4,508,846	4,159,481	4,199,458	4,371,088
Governmental services to residents	515,189	373,975	348,331	356,442
Administrative services	1,263,849	1,084,618	1,254,692	1,320,423
Non-program	11,060	-	18,019	361
Debt service	336,669	254,652	85,660	79,545
Capital projects	3,379,498	2,230,125	1,690,102	530,538
Total	\$ 14,569,758	\$ 12,730,899	\$ 12,336,143	\$ 11,129,193

See accompanying independent auditor's report.

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 Iowa County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Iowa 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 January 18, 2007. 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 Iowa 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 Iowa 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 I of the accompanying Schedule of Findings.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa 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 II of the accompanying Schedule of Findings.

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

Oskaloosa, Iowa
January 18, 2007

IOWA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties

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

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

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

IOWA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-06 Segregation of Duties (continued)

Responses –

County Auditor – We will comply with this recommendation to the extent possible.

County Recorder – We will comply with this recommendation to the extent possible.

County Sheriff – We will comply with this recommendation to the extent possible.

County Treasurer - We will review procedures and try to make any necessary changes where possible.

Conclusion – Responses accepted.

I-B-06 Bank Reconciliation – We noted that the bank reconciliation prepared by the Treasurer equaled the general ledger but included several small variances within the reconciliation process. After adjusting for these variances, there was a \$1,917 difference between the bank reconciliation and the Treasurer's general ledger.

Recommendation – The Treasurer should reconcile bank balances to the general ledger balance as soon as possible after the end of the period and immediately investigate and correct any variances noted. All reconciliation items should be properly supported and documented. This will better safeguard the underlying asset and improve controls over cash balances.

Response – County Treasurer – We investigated the variances and made the proper adjustments to reconcile the bank balances to the general ledger. We will investigate and correct variances noted on a more timely basis and properly support and document all reconciliation items in the future.

Conclusion – Response accepted.

I-C-06 Untimely Deposit – Out of twenty-three receipts tested, one was not deposited timely. The receipt was held by the recipient for several days before being given to the County Treasurer for deposit.

Recommendation – Receipts should be turned in to the County Treasurer on a timely basis. All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds.

Response – We will try to ensure that the County Treasurer receives all receipts on a timely basis.

Conclusion – Response accepted.

IOWA COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting:

II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted in any of the County functions. However, disbursements in one department exceeded the amount appropriated before amendment of the department’s appropriation and one department exceeded appropriations at year end.

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

Response – Appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

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

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

II-D-06 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Alan Husband, Emergency Management Director, Co-owner of A & M Fencing and Hardware	Silt removal	\$35,000
Mary Husband, spouse of Emergency Management Director Alan Husband	Grant writing	8,400

The transactions with Emergency Management Director Alan Husband and with the spouse of Director Husband appear to represent conflicts of interest because the services were not competitively bid as required by Chapter 331.342(9) of the Code of Iowa, and the contracts exceeded \$1,500 as allowed by Chapter 331.342(10) of the Code of Iowa. In addition, we noted that Director Husband’s company helped write the grant for silt removal and that payment to A & M Fencing was dependent on the amount of the grant received.

Recommendation – The County should consult legal counsel to resolve the situation with Emergency Management Director Husband and the Emergency Management Commission should consult legal counsel to resolve the situation with the spouse of Director Husband. All future contracts of a similar nature should be competitively bid or total contract amounts should be limited to \$1,500 to comply with chapter 331.342 of the Code of Iowa.

IOWA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-D-06 Business Transactions (continued)

Responses –

County Auditor – We will look into this situation. We are limited to a certain extent due to the small number of providers of this service in the County.

Emergency Management Commission – We will look into this situation.

Conclusion – Response accepted.

II-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

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

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

II-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).

II-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.

The Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted. We noted that the minutes for five meetings were not properly signed as required by Chapter 176A.14(3) of the Code of Iowa, and that the minutes for four meetings were missing from the official minute book.

Recommendation – Minutes should be properly signed and filed by the Extension Council.

Response – These errors were oversights during the year. We will properly sign and file all minutes in the future.

Conclusion – Response accepted.

IOWA COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-J-06 Method of Payment – We noted that one person was employed by the County as temporary office help but was not paid as an employee. This would not have allowed for the proper withholding of taxes required by the Internal Revenue Service and the Iowa Department of Revenue.

Recommendation – The County should review the employment regulations of the Internal Revenue Service and properly determine whether the provider of any additional help should be classified as an employee or as an independent contractor.

Response – We will properly classify all additional help in the future.

Conclusion – Response accepted.