



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 5, 2007

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

The County had local tax revenue of \$46,323,735 for the year ended June 30, 2006, which included \$1,851,345 in tax credits from the state. The County forwarded \$36,860,272 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,463,463 of the local tax revenue to finance County operations, a 3 percent increase over the prior year. Other revenues included charges for service of \$2,378,108, operating grants, contributions and restricted interest of \$5,795,706, capital grants, contributions and restricted interest of \$1,513,411, unrestricted investment earnings of \$274,286 and other general revenues of \$192,024.

Expenses for County operations totaled \$18,644,165, a 7 percent increase over the prior year. Expenses included \$5,599,967 for roads and transportation, \$3,651,290 for public safety and legal services and \$2,713,898 for mental health.

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

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WARREN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006

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Warren County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin Grace	Board of Supervisors	Jan 2007
E. David Mineart	Board of Supervisors	Jan 2007
Bob Sandy	Board of Supervisors	Jan 2009
Traci Vander Linden	County Auditor	Jan 2009
Julie Daugherty	County Treasurer	Jan 2007
Judith K. Lathrop	County Recorder	Jan 2007
James Lee	County Sheriff	Jan 2009
Gary Kendall	County Attorney	Jan 2007
David Ellis	County Assessor	Jan 2010

Warren County



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Independent Auditor's Report

To the Officials of Warren County:

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

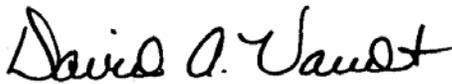
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2006 on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 28, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 11%, or approximately \$1,964,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$302,000, operating grants, contributions and restricted interest increased approximately \$241,000 and capital grants, contributions and restricted interest increased approximately \$978,000.
- Program expenses were 7%, or approximately \$1,173,000, more in fiscal 2006 than in fiscal 2005. Governmental services to residents expense increased approximately \$315,000. Administration expenses increased approximately \$313,000. Physical health and social services expenses increased approximately \$253,000.
- The County's net assets increased 3%, or approximately \$972,000, from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Warren 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 Warren 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 Warren County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services, E911 service board, and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

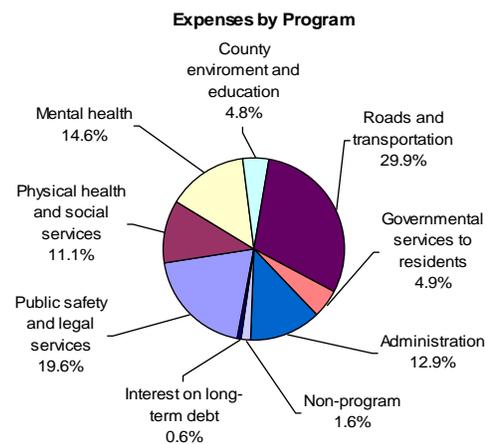
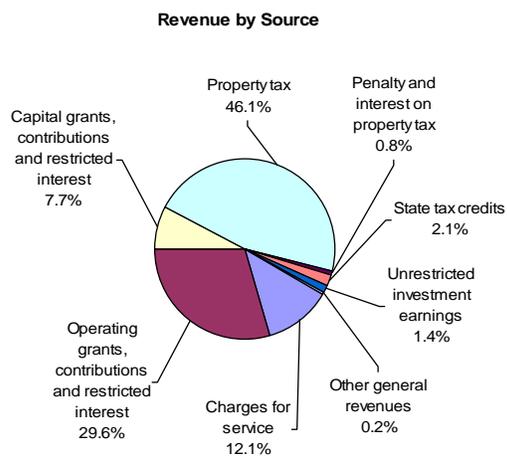
As noted earlier, net assets may serve over time as a useful indicator of financial position. Warren County's combined net assets were virtually unchanged from a year ago, increasing from \$31.9 million to \$32.8 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 15,290	14,649
Capital assets	30,853	30,248
Total assets	46,143	44,897
Long-term liabilities	2,381	2,809
Other liabilities	10,937	10,235
Total liabilities	13,318	13,044
Net assets:		
Invested in capital assets, net of related debt	29,187	28,239
Restricted	750	691
Unrestricted	2,888	2,923
Total net assets	\$ 32,825	31,853

Net assets of Warren County's governmental activities increased by \$972,000 (\$31.9 million compared to \$32.8 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements— decreased from approximately \$2.92 million at June 30, 2005 to approximately \$2.89 million at the end of this year, a decrease of 1%. This reduction of approximately \$35,000 left the unrestricted net assets virtually unchanged.

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

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 2,378	2,129
Operating grants, contributions and restricted interest	5,796	5,555
Capital grants, contributions and restricted interest	1,513	535
General revenues:		
Property tax	9,048	8,746
Penalty and interest on property tax	152	80
State tax credits	415	406
Unrestricted investment earnings	274	139
Other general revenues	40	62
Total revenues	19,616	17,652
Program expenses:		
Public safety and legal services	3,651	3,475
Physical health and social services	2,064	1,811
Mental health	2,714	2,637
County environment and education	892	869
Roads and transportation	5,600	5,570
Governmental services to residents	908	593
Administration	2,413	2,100
Non-program	298	303
Interest on long-term debt	104	114
Total expenses	18,644	17,472
Change in net assets	972	180
Net assets beginning of year	31,853	31,673
Net assets end of year	\$ 32,825	31,853



Warren County's net assets of governmental activities increased by approximately \$972,000 during the year. Revenues for governmental activities increased by approximately \$1,964,000 over the prior year, with property tax revenue up from the prior year by approximately \$302,000, or 3%. Capital grants, contributions and restricted interest increased approximately \$978,000, or 183%.

The County increased property tax rates for 2006 by less than 1%. The assessed value of property increased approximately 3%. This increase raised the County's property tax revenue by approximately \$302,000 in 2006. Based on increases in the total assessed valuation and an increase in property tax levy rates, property tax revenue is budgeted to increase by an additional \$942,000 next year.

The cost of all governmental activities this year was \$18.6 million, compared to \$17.5 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$9.0 million because some of the cost was paid by those directly benefited from the programs (\$2.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.3 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from approximately \$8.2 million to \$9.7 million, principally due to capital grants and contributions for infrastructure. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$9.0 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Warren County completed the year, its governmental funds reported a combined fund balance of \$3.9 million, an increase of approximately \$164,000 above last year's total of \$3.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$796,000 over the prior year, due principally to increases in intergovernmental revenues (primarily from the Help America Vote Act and E911 Joint Service Board reimbursement for note payments) and increases in interest due to favorable interest rates over the prior year. Expenditures increased \$728,000 over the prior year. This increase was primarily due to the purchase of new voting machines for \$355,815 and repayments on an E911 loan of \$277,158. The ending fund balance increased \$28,964 from the prior year to approximately \$2,773,000.
- Mental Health Fund revenues increased approximately \$509,000 due to an increase in funding from the State of Iowa. The County became eligible for additional funding from the State due to the County's fund balance to expenditures ratio. For the year, expenditures totaled approximately \$2,714,000, an increase of 3% over the prior year. The Mental Health Fund balance at year end decreased by approximately \$151,000 from the prior year.

- Rural Services Fund revenues increased by approximately \$121,000 over the prior year, due principally to an increase in the assessed value of property and reporting zoning licenses and charges in the Rural Service Fund beginning in FY 2006. Expenditures increased approximately \$14,000 and transfers to the Secondary Roads Fund increased approximately \$44,000. As a result, the Rural Services Fund balance increased approximately \$81,000, or 23%.
- Secondary Roads Fund revenues increased by approximately \$158,000, primarily due to an increase in grants received from the State of Iowa for the Highway 92 corridor project and from cities and private individuals for construction reimbursements. Secondary Roads Fund expenditures decreased by approximately \$460,000 from the prior year, due principally to bridge and road construction projects completed during FY2005. These changes resulted in an increase in the Secondary Roads Fund ending balance of approximately \$183,000, or 61%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Warren County amended its budget two times. The first amendment was made on November 22, 2005. This amendment resulted in an increase in budgeted disbursements related to a Help America Vote Act (HAVA) grant for the purchase of new voting machines. The purchase of the voting machines was funded with the HAVA grant and a general obligation note. This amendment also included an increase in disbursements for the purchase of a real estate computer software package, installation of new telephones at the courthouse and engineering services for sewer project.

The second amendment was made on May 30, 2006. This amendment resulted in an increase in budgeted disbursements related to the E911 lease purchase agreement for equipment and corresponding budgeted revenues increased for the repayment by the E911 Joint Service Board. Also, there was a decrease in budgeted disbursements due to a delay in the Liberty Center Waste Water Treatment Project and a corresponding decrease in budgeted revenues for the Community Development Block Grant associated with this project. The County earned more interest on investments than originally projected. Also, this amendment was made to provide for additional disbursements in certain County departments.

The County's receipts were \$183,632 less than budgeted, a variance of 1%. The most significant variance resulted from the County receiving less in intergovernmental receipts than anticipated, primarily due to reimbursement grants not being completed within the fiscal year as budgeted (Highway 92 corridor project and child welfare decat grants).

Total disbursements were \$1,035,260 less than the amended budget. Actual disbursements for the physical health and social services and roads and transportation functions were \$361,860 and \$236,164, respectively, less than budgeted. This was primarily due to child welfare decat grants that were not utilized for the entire grant allowed and the Highway 92 corridor project which was not completed.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the E911 department prior to the budget amendment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Warren County had approximately \$31 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$610 thousand, or 2%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 970	970
Buildings and improvements	5,335	5,578
Equipment and vehicles	1,785	1,747
Infrastructure	22,763	21,953
Total	\$ 30,853	30,248
This year's major additions included (in thousands):		
Roads		\$ 1,547
Engineer's equipment and vehicles		428
Sheriff's equipment and vehicles		146
Total		\$ 2,121

The County had depreciation expense of \$1,493,239 in FY06 and total accumulated depreciation of \$15,821,815 at June 30, 2006.

The County's fiscal year 2006 capital budget included \$610,492 for capital projects, principally for infrastructure. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2006, Warren County had \$1,690,000 in general obligation bonds outstanding, compared to \$1,930,000 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2006	2005
General obligation bonds	\$ 1,690	1,930
Capital lease purchase agreements	321	522
Total	\$ 2,011	2,452

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Warren County's outstanding general obligation debt is significantly below its constitutional debt limit of \$64 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.1% versus 3.9% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 4.6%.

Inflation in the State was slightly less than the national Consumer Price Index increase at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate increase was 3.4% for fiscal year 2006 compared with the national rate of 4.3%. After the end of the fiscal year 2006, the Consumer Price Index has significantly decreased due to falling energy costs. As of September 2006, the Midwest Region of the Department of Labor CPI was 0.6% compared with the national rate of 2.1%.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$20.2 million, an increase of 8.8% over the final 2006 budget. Property tax (benefiting from the 2007 rate increase and increases in assessed valuations), grant receipts (primarily from Liberty Center sanitary sewer and bridge replacement projects) and additional mental health state funds are expected to lead this increase. Warren County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$553,000. Increased wage and cost-of-living adjustments and increases in mental health services and provider costs represent the largest increases. The County has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the County's budgetary operating balance is expected to slightly increase by the close of 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Warren 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 Warren County Auditor's Office, 301 N Buxton Street, Suite 101, Indianola, Iowa 50125.

Basic Financial Statements

Exhibit A

Warren County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,160,383
Receivables:	
Property tax:	
Delinquent	35,913
Succeeding year	10,018,000
Interest and penalty on property tax	156,100
Accounts	22,822
Accrued interest	18,466
E911 lease	180,650
Due from other governments	474,203
Inventories	178,088
Prepaid insurance	44,963
Capital assets - nondepreciable	2,181,843
Capital assets - depreciable, net	28,671,266
Total assets	<u>46,142,697</u>
Liabilities	
Accounts payable	317,418
Accrued interest payable	9,664
Salaries and benefits payable	264,356
Due to other governments	326,485
Deferred revenue:	
Succeeding year property tax	10,018,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	406,667
Capital lease purchase agreements	121,187
Compensated absences	260,461
Portion due or payable after one year:	
General obligation bonds	1,283,333
Capital lease purchase agreements	199,578
Compensated absences	110,146
Total liabilities	<u>13,317,295</u>
Net Assets	
Invested in capital assets, net of related debt	29,187,341
Restricted for:	
Supplemental levy purposes	15,852
Secondary roads purposes	360,063
Debt service	40,377
Capital projects	62,544
Other purposes	271,466
Unrestricted	2,887,759
Total net assets	<u>\$ 32,825,402</u>

See notes to financial statements.

Warren County
Statement of Activities
Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,651,290	320,418	329,811	-	(3,001,061)
Physical health and social services	2,064,398	435,686	604,859	-	(1,023,853)
Mental health	2,713,898	28,749	1,539,132	-	(1,146,017)
County environment and education	891,775	84,521	34,702	3,740	(768,812)
Roads and transportation	5,599,967	183,761	3,276,928	1,249,169	(890,109)
Governmental services to residents Administration	908,405	853,954	1,188	260,502	207,239
Non-program	2,412,482	156,826	-	-	(2,255,656)
Interest on long-term debt	298,367	314,193	-	-	15,826
	103,583	-	9,086	-	(94,497)
Total	\$ 18,644,165	2,378,108	5,795,706	1,513,411	(8,956,940)
General Revenues:					
Property and other county tax levied for:					
General purposes					8,628,397
Debt service					419,939
Penalty and interest on property tax					151,620
State tax credits					415,127
Unrestricted investment earnings					274,286
Miscellaneous					40,404
Total general revenues					9,929,773
Change in net assets					972,833
Net assets beginning of year					31,852,569
Net assets end of year					\$ 32,825,402

See notes to financial statements.

Warren County
Balance Sheet
Governmental Funds

June 30, 2006

Assets	General	Mental Health
Cash and pooled investments	\$ 2,851,162	229,633
Receivables:		
Property tax:		
Delinquent	24,078	3,945
Succeeding year	6,497,000	1,042,000
Interest and penalty on property tax	156,100	-
Accounts	14,600	577
Accrued interest	18,466	-
E911 lease	180,650	-
Due from other funds	-	1,715
Due from other governments	202,785	1,716
Inventories	36,923	-
Prepaid insurance	44,963	-
Total assets	\$ 10,026,727	1,279,586
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 130,626	65,056
Salaries and benefits payable	186,105	4,717
Due to other funds	22,096	-
Due to other governments	32,464	284,912
Deferred revenue:		
Succeeding year property tax	6,497,000	1,042,000
Other	385,592	3,882
Total liabilities	7,253,883	1,400,567
Fund balances:		
Reserved for:		
Supplemental levy purposes	156,146	-
Debt service	-	-
Unreserved:		
Designated for future jail expansion	885,000	-
Unreserved, reported in:		
General fund	1,731,698	-
Special revenue funds	-	(120,981)
Capital projects fund	-	-
Total fund balances	2,772,844	(120,981)
Total liabilities and fund balances	\$ 10,026,727	1,279,586

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
444,563	255,661	379,364	4,160,383
6,186	-	1,704	35,913
2,039,000	-	440,000	10,018,000
-	-	-	156,100
3,100	43	-	18,320
-	-	-	18,466
-	-	-	180,650
451	35,122	12,464	49,752
16	253,734	19	458,270
-	104,899	-	141,822
-	-	-	44,963
2,493,316	649,459	833,551	15,282,639
720	85,731	12,820	294,953
11,940	61,594	-	264,356
-	11,341	-	33,437
-	9,082	-	326,458
2,039,000	-	440,000	10,018,000
6,109	-	1,677	397,260
2,057,769	167,748	454,497	11,334,464
-	-	-	156,146
-	-	45,044	45,044
-	-	-	885,000
-	-	-	1,731,698
435,547	481,711	271,466	1,067,743
-	-	62,544	62,544
435,547	481,711	379,054	3,948,175
2,493,316	649,459	833,551	15,282,639

Warren County

Warren County

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

June 30, 2006

Total governmental fund balances (page 19) \$ 3,948,175

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$46,585,462 and the accumulated depreciation is \$15,764,518. 30,820,944

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 397,260

The Internal Service Fund is used by management to charge the costs of fuel to individual funds and other entities. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets, as follows:

Capital assets of \$89,462 less accumulated depreciation of \$57,297	\$ 32,165	
Other net assets	17,894	50,059

Long-term liabilities, including bonds payable, capital lease purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,391,036)

Net assets of governmental activities (page 16) \$ 32,825,402

See notes to financial statements.

Warren County

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

Year ended June 30, 2006

	General	Mental Health
Revenues:		
Property and other county tax	\$ 5,812,854	952,444
Interest and penalty on property tax	129,981	-
Intergovernmental	2,081,292	1,582,175
Licenses and permits	39,070	-
Charges for service	1,074,512	-
Use of money and property	272,654	-
Miscellaneous	318,334	28,749
Total revenues	<u>9,728,697</u>	<u>2,563,368</u>
Expenditures:		
Operating:		
Public safety and legal services	3,652,374	-
Physical health and social services	2,054,666	-
Mental health	-	2,713,918
County environment and education	601,093	-
Roads and transportation	-	-
Governmental services to residents	891,657	-
Administration	2,049,422	-
Debt service	298,153	-
Capital projects	153,087	-
Total expenditures	<u>9,700,452</u>	<u>2,713,918</u>
Excess (deficiency) of revenues over (under) expenditures	28,245	(150,550)
Other financing sources (uses):		
Sale of capital assets	141	-
Operating transfers in	-	-
Operating transfers out	(163,770)	-
Capital lease purchase agreements	54,348	-
General obligation bonds issued	110,000	-
Total other financing sources (uses)	<u>719</u>	<u>-</u>
Net change in fund balances	28,964	(150,550)
Fund balances beginning of year	2,743,880	29,569
Fund balances end of year	<u>\$ 2,772,844</u>	<u>(120,981)</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
1,854,428	-	419,530	9,039,256
-	-	-	129,981
90,868	3,327,694	30,354	7,112,383
48,150	1,130	-	88,350
28,300	20,000	14,227	1,137,039
-	-	12,721	285,375
4,709	116,226	34,126	502,144
2,026,455	3,465,050	510,958	18,294,528
-	-	22,491	3,674,865
-	-	-	2,054,666
-	-	-	2,713,918
192,362	-	10,568	804,023
232,295	4,693,117	-	4,925,412
897	-	4,922	897,476
-	-	-	2,049,422
-	29,022	438,802	765,977
443	312,979	13,296	479,805
425,997	5,035,118	490,079	18,365,564
1,600,458	(1,570,068)	20,879	(71,036)
-	15,460	-	15,601
-	1,683,020	-	1,683,020
(1,519,250)	-	-	(1,683,020)
-	54,800	-	109,148
-	-	-	110,000
(1,519,250)	1,753,280	-	234,749
81,208	183,212	20,879	163,713
354,339	298,499	358,175	3,784,462
435,547	481,711	379,054	3,948,175

Warren County

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

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 23) \$ 163,713

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

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

Expenditures for capital assets	\$ 865,016	
Capital assets contributed by the Iowa Department of Transportation	1,249,169	
Depreciation expense	(1,488,652)	625,533

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (20,206)

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

Property tax	9,079	
Other	(255,445)	(246,366)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(219,148)	
Repaid	660,461	441,313

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	(13,396)	
Interest on long-term debt	1,932	(11,464)

The Internal Service Fund is used by management to charge the costs of fuel station services to individual departments and funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 20,310

Change in net assets of governmental activities (page 17) \$ 972,833

See notes to financial statements.

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

	Internal Service - Fuel Station
Assets	
Accounts receivable	\$ 4,502
Due from other funds	19,258
Due from other governments	15,933
Inventories	36,266
Capital assets, net of accumulated depreciation of \$57,297	32,165
Total assets	108,124
Liabilities	
Accounts payable	22,465
Due to other funds	35,573
Due to other governments	27
Total liabilities	58,065
Net Assets	
Invested in capital assets	32,165
Unrestricted	17,894
Total net assets	\$ 50,059

See notes to financial statements.

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

Year ended June 30, 2006

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 226,047
Reimbursements from other governments		291,163
Fuel and other tax refunds		23,030
Total operating revenues		<u>540,240</u>
Operating expenses:		
Fuel	\$ 473,657	
State fuel and other taxes	22,427	
Clerical	26,679	
Utilities	549	
Insurance	2,108	
Depreciation	4,587	530,007
Operating income		<u>10,233</u>
Non-operating revenues (expenses):		
Gain on sale of stock	11,670	
Loss on disposal of equipment	(1,593)	10,077
Net income		<u>20,310</u>
Net assets beginning of year		<u>29,749</u>
Net assets end of year		<u>\$ 50,059</u>

See notes to financial statements.

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

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 234,673
Cash received from other governments	287,567
Cash received from other operating receipts	21,433
Cash paid for personal services	(22,122)
Cash paid to suppliers	(507,326)
Net cash provided by operating activities	14,225
Cash flows from investing activities:	
Sale of stock	11,670
Cash flows from noncapital financing activities:	
Deficit cash implicitly financed	(20,065)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(5,830)
Net change in cash and cash equivalents	-
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	\$ -
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 10,233
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,587
(Increase) in accounts receivable	(1,526)
Decrease in due from other funds	8,627
(Increase) in due from other governments	(3,668)
(Increase) in inventories	(16,237)
Increase in accounts payable	7,692
Increase in due to other funds	4,517
Net cash provided by operating activities	\$ 14,225

See notes to financial statements.

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

Assets

Cash and pooled investments:

County Treasurer	\$ 2,187,120
Other county officials	100,089

Receivables:

Property tax:

Delinquent	140,007
Succeeding year	35,385,000
Accounts	72,065
Accrued interest	30
Special assessments	429,000
Due from other governments	5,004

Total assets

38,318,315

Liabilities

Accounts payable	56,727
Salaries and benefits payable	15,201
Due to other governments	38,064,382
Trusts payable	162,200
Compensated absences	19,805

Total liabilities

38,318,315

Net assets

\$ -

See notes to financial statements.

Warren County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Warren 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, Warren 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 Warren County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationships with the County.

Blended Component Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

The Friends of Warren County Conservation has been incorporated under Chapter 504A of the Code of Iowa to solicit and accept gifts from persons or organizations for development and enhancement of environmental education and conservation projects within the scope of the jurisdiction of the Warren County Conservation Board. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Joint Venture – The County operates a Joint Vehicle Fueling Facility under a 28E agreement with the City of Indianola and the Indianola School District. Warren County records the activity of this joint venture in a Proprietary Fund.

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: Warren County Assessor’s Conference Board, Warren County Emergency Management Commission, Warren County Economic Development Corporation and Warren County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa or incorporated under Iowa law: The Housing Authority of Warren County, the Central Iowa Regional Transportation Planning Alliance, the Cooperative Reimbursement Agreement for Child Support Enforcement and Establishment (Child Support Recovery Program) and the Des Moines Area Metropolitan Planning Organization.

The County also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), a jointly governed organization established pursuant to Chapter 28E of the Iowa Code. Prior to July 1, 2004, the WRA operated as a joint venture, with the City of Des Moines as the operating agency. The County’s interest in the joint venture was approximately 1.42 percent, which has been transferred in its entirety to the Greenfield Plaza Hills of Coventry Sanitary Sewer District and the Lakewood Benefited Sanitary Sewer District (City of Norwalk) through a separate 28E agreement. The Greenfield Plaza Hills of Coventry Sanitary District and the City of Norwalk have been included as participating communities in the Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority dated July 1, 2004.

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 unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits 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. Special assessments receivable represent assessments which have been made but have not been collected.

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

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

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

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	25-50
Land improvements	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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

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

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

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

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

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

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

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

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.

(2) Cash and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$86,207 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Mental Health	General	\$ 1,715
	Internal Service:	
Rural Services	Fuel Station	451
Secondary Roads	Fuel Station	35,122
County Recorder's Records		
Management	General	1,133
Resource Enhancement		
and Protection	General	2,502
Debt Service	General	8,829
Internal Service:		
Fuel Station	General	7,917
	Special Revenue:	
	Secondary Roads	11,341
Total		<u>\$ 69,010</u>

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 163,770
	Special Revenue:	
	Rural Services	1,519,250
Total		<u>\$ 1,683,020</u>

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 969,939	-	-	969,939
Construction in progress	1,216,832	1,560,079	(1,565,007)	1,211,904
Total capital assets not being depreciated	2,186,771	1,560,079	(1,565,007)	2,181,843
Capital assets being depreciated:				
Buildings	7,452,308	-	-	7,452,308
Improvements other than buildings	21,465	-	-	21,465
Equipment and vehicles	5,223,609	585,106	(411,509)	5,397,206
Equipment, internal service	87,880	5,831	(4,249)	89,462
Infrastructure, road network	28,590,602	1,565,007	-	30,155,609
Infrastructure, other	1,377,031	-	-	1,377,031
Total capital assets being depreciated	42,752,895	2,155,944	(415,758)	44,493,081
Less accumulated depreciation for:				
Buildings	1,894,136	242,076	-	2,136,212
Improvements other than buildings	1,431	1,431	-	2,862
Equipment and vehicles	3,509,437	494,965	(360,303)	3,644,099
Equipment, internal service	55,365	4,587	(2,655)	57,297
Infrastructure, road network	9,047,560	704,279	-	9,751,839
Infrastructure, other	183,605	45,901	-	229,506
Total accumulated depreciation	14,691,534	1,493,239	(362,958)	15,821,815
Total capital assets being depreciated, net	28,061,361	662,705	(52,800)	28,671,266
Governmental activities capital assets, net	\$ 30,248,132	2,222,784	(1,617,807)	30,853,109

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 109,252
Physical health and social services	10,066
County environment and education	96,907
Roads and transportation	1,048,636
Administration	223,791
Total depreciation expense - governmental activities, excluding the Internal Service Fund	\$ 1,488,652
Depreciation expense charged to the Internal Service Fund	\$ 4,587

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 32,464
Special Revenue:		
Mental Health	Services	284,912
Secondary Roads	Services	9,082
		<u>293,994</u>
Total for governmental funds		<u>\$ 326,458</u>
Agency:		
County Assessor	Collections	\$ 571,651
Schools		24,040,963
Community Colleges		866,243
Corporations		9,888,290
Townships		443,040
Auto License and Use Tax		821,648
All other		<u>1,432,547</u>
Total for agency funds		<u>\$ 38,064,382</u>

(7) Changes in Long-Term Liabilities

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

	General Obligation Bonds	Capital Lease Purchase Agreements	Compen- sated Absences	Total
Balance beginning of year	\$ 1,930,000	522,078	357,211	2,809,289
Increases	110,000	109,148	490,104	709,252
Decreases	350,000	310,461	476,708	1,137,169
Balance end of year	<u>\$ 1,690,000</u>	<u>320,765</u>	<u>370,607</u>	<u>2,381,372</u>
Due within one year	<u>\$ 406,667</u>	<u>121,187</u>	<u>260,461</u>	<u>788,315</u>

General Obligation Bonds

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

Year Ending June 30,	Issued December 1, 1997			Issued March 15, 2006			Total		
	Interest Rates	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2007	4.50%	\$ 370,000	71,722	4.00%	\$ 36,667	4,400	\$ 406,667	76,122	482,789
2008	4.50	385,000	55,073	4.00	36,667	2,933	421,667	58,006	479,673
2009	4.55	405,000	37,747	4.00	36,666	1,467	441,666	39,214	480,880
2010	4.60	420,000	19,320	-	-	-	420,000	19,320	439,320
Total		\$ 1,580,000	183,862		\$ 110,000	8,800	\$ 1,690,000	192,662	1,882,662

During the year ended June 30, 2006, the County issued \$110,000 in general obligation bonds and retired \$350,000 of bonds.

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements for E911 equipment, health monitors, a mower and a tractor with mower with historical costs of \$492,935, \$54,348, \$54,800 and \$79,143, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.5% to 8.9% per annum, and the present value of the net minimum lease payments under the agreements in effect at June 30, 2006:

Year ending June 30,	E911 Equipment	Health Monitors	Mower	Tractor with Mower	Total
2007	\$ 97,935	13,500	-	20,830	132,265
2008	88,392	13,500	12,011	20,830	134,733
2009	-	13,500	12,011	20,831	46,342
2010	-	13,500	5,770	-	19,270
2011	-	13,500	-	-	13,500
Total minimum lease payments	186,327	67,500	29,792	62,491	346,110
Less amount representing interest	(5,677)	(13,152)	(2,383)	(4,133)	(25,345)
Present value of net minimum lease payments	\$ 180,650	54,348	27,409	58,358	320,765

This historical cost of assets acquired under capital leases and included in capital assets in the government-wide statements at June 30, 2006 is as follows:

	Mower	Tractor with Mower	Total
Cost	\$ 54,800	79,143	133,943
Accumulated depreciation	(7,829)	(15,829)	(23,658)
Net	\$ 46,971	63,314	110,285

Payments under capital lease purchase agreements totaled \$327,175 for the year ended June 30, 2006.

(8) E911 Lease Receivable

The County entered into a lease purchase agreement for E911 equipment. The E911 Joint Service Board will reimburse the County for all costs incurred for the purchase of the E911 equipment, plus interest at 3.9% per annum, and, accordingly, the County has recorded an E911 lease receivable. The amounts to be received by the County from the E911 Joint Service Board are equivalent to the amounts to be paid by the County as detailed in Note 7 to the financial statements.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$416,545, \$403,471 and \$379,573, respectively, equal to the required contributions for each year.

(10) Risk Management

Warren 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 whose 531 members include 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 contributions to the Pool for the year ended June 30, 2006 were \$158,510.

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

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

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

(11) Financial Condition

The Special Revenue, Mental Health Fund had an unreserved deficit fund balance of \$120,981 at June 30, 2006. The County plans to eliminate this deficit by monitoring the fund balance in the Special Revenue, Mental Health Fund.

(12) Joint Vehicle Fueling Facility

The County, under a 28E agreement with the City of Indianola and the Indianola School District, has agreed to design, construct and operate a "Joint Vehicle Fueling Facility". The County is the owner/operator with the County Engineer administering the facility. The cost of constructing the facility is shared under the following percentages: Warren County, 53 percent, City of Indianola, 18 percent, and the Indianola School District, 29 percent. All annual operating expenses are shared in the same ratio. The cost of fuel provided to members is on an individual usage basis at the same cost paid by the Joint Venture. Upon termination or closure, no money will be returned to any of the parties. The County accounts for the project and fuel reimbursements in an Internal Service Fund.

(13) Jointly Governed Organization

Warren County participates in the Child Support Recovery Program, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2006:

Additions:		
Contributions from governmental units:		
Iowa Department of Human Services		\$ 515,910
Deductions:		
Salaries	\$ 369,980	
Benefits	142,943	
Office supplies	21	
Travel	410	
Educational and training services	92	
Legal and court-related services	2,664	516,110
		<hr/>
Net		(200)
Balance beginning of year		<hr/> 71,825
Balance end of year		<hr/> <u>\$ 71,625</u>

(14) Subsequent Event

Warren County is in the process of purchasing real estate for \$265,000.

Required Supplementary Information

Warren 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
Receipts:		
Property and other county tax	\$ 9,039,645	-
Interest and penalty on property tax	129,528	-
Intergovernmental	7,197,467	-
Licenses and permits	88,590	-
Charges for service	1,142,520	-
Use of money and property	269,565	-
Miscellaneous	520,329	24,101
Total receipts	<u>18,387,644</u>	<u>24,101</u>
Disbursements:		
Public safety and legal services	3,688,760	-
Physical health and social services	1,973,702	-
Mental health	2,728,007	-
County environment and education	807,232	10,568
Roads and transportation	5,185,336	-
Governmental services to residents	895,079	-
Administration	2,016,984	-
Debt service	736,955	-
Capital projects	504,444	-
Total disbursements	<u>18,536,499</u>	<u>10,568</u>
Excess (deficiency) of receipts over (under) disbursements	(148,855)	13,533
Other financing sources, net	129,961	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(18,894)	13,533
Balance beginning of year	4,210,293	35,750
Balance end of year	<u>\$ 4,191,399</u>	<u>49,283</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
9,039,645	9,059,654	9,047,627	(7,982)
129,528	98,500	98,500	31,028
7,197,467	7,011,604	7,496,365	(298,898)
88,590	88,260	88,160	430
1,142,520	1,020,275	1,114,278	28,242
269,565	102,000	216,226	53,339
496,228	431,165	486,019	10,209
18,363,543	17,811,458	18,547,175	(183,632)
3,688,760	3,660,440	3,749,113	60,353
1,973,702	2,048,393	2,335,562	361,860
2,728,007	2,587,629	2,838,557	110,550
796,664	815,804	802,276	5,612
5,185,336	5,079,920	5,421,500	236,164
895,079	574,409	939,899	44,820
2,016,984	1,994,255	2,075,766	58,782
736,955	617,873	788,026	51,071
504,444	1,098,050	610,492	106,048
18,525,931	18,476,773	19,561,191	1,035,260
(162,388)	(665,315)	(1,014,016)	851,628
129,961	6,000	112,315	17,646
(32,427)	(659,315)	(901,701)	869,274
4,174,543	3,828,026	4,098,353	76,190
4,142,116	3,168,711	3,196,652	945,464

Warren 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	\$ 18,387,644	(93,116)	18,294,528
Expenditures	18,536,499	(170,935)	18,365,564
Net	(148,855)	77,819	(71,036)
Other financing sources, net	129,961	-	234,749
Beginning fund balances	4,210,293	(425,831)	3,784,462
Ending fund balances	\$ 4,191,399	(348,012)	3,948,175

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The 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 the blended component unit and the Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,084,418. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements in one department exceeded the amount appropriated prior to amendment.

Warren County

Other Supplementary Information

Warren County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments	\$ 34,878	68,881	383
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other funds	1,133	2,502	-
Due from other governments	-	-	-
Total assets	\$ 36,011	71,383	383
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	36,011	71,383	383
Capital projects fund	-	-	-
Total fund equity	36,011	71,383	383
Total liabilities and fund equity	\$ 36,011	71,383	383

See accompanying independent auditor's report.

Special Revenue						
Attorney Forfeiture	Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Debt Service	Capital Projects	Total
22,295	4,912	100,000	49,283	36,188	62,544	379,364
-	-	-	-	1,704	-	1,704
-	-	-	-	440,000	-	440,000
-	-	-	-	8,829	-	12,464
19	-	-	-	-	-	19
22,314	4,912	100,000	49,283	486,721	62,544	833,551
9,454	3,366	-	-	-	-	12,820
-	-	-	-	440,000	-	440,000
-	-	-	-	1,677	-	1,677
9,454	3,366	-	-	441,677	-	454,497
-	-	-	-	45,044	-	45,044
12,860	1,546	100,000	49,283	-	-	271,466
-	-	-	-	-	62,544	62,544
12,860	1,546	100,000	49,283	45,044	62,544	379,054
22,314	4,912	100,000	49,283	486,721	62,544	833,551

Warren County

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

Year ended June 30, 2006

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	8,098	-
Charges for service	13,323	-	904
Use of money and property	1,133	2,502	-
Miscellaneous	-	-	-
Total revenues	14,456	10,600	904
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Governmental services to residents	2,794	-	2,128
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	2,794	-	2,128
Excess (deficiency) of revenues over (under) expenditures	11,662	10,600	(1,224)
Fund balances beginning of year	24,349	60,783	1,607
Fund balances end of year	\$ 36,011	71,383	383

See accompanying independent auditor's report.

Special Revenue							
Attorney Forfeiture	Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Debt Service	Capital Projects	Total	
-	-	-	-	419,530	-	419,530	
-	-	-	-	18,516	3,740	30,354	
-	-	-	-	-	-	14,227	
-	-	-	-	9,086	-	12,721	
1,394	8,631	-	24,101	-	-	34,126	
1,394	8,631	-	24,101	447,132	3,740	510,958	
14,125	8,366	-	-	-	-	22,491	
-	-	-	10,568	-	-	10,568	
-	-	-	-	-	-	4,922	
-	-	-	-	438,802	-	438,802	
-	-	-	-	-	13,296	13,296	
14,125	8,366	-	10,568	438,802	13,296	490,079	
(12,731)	265	-	13,533	8,330	(9,556)	20,879	
25,591	1,281	100,000	35,750	36,714	72,100	358,175	
12,860	1,546	100,000	49,283	45,044	62,544	379,054	

Warren County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,266	153,241	325,407
Other county officials	100,089	-	-	-
Receivables:				
Property tax:				
Delinquent	-	359	1,920	92,556
Succeeding year	-	87,000	477,000	23,623,000
Accounts	-	-	565	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 100,089	88,625	632,726	24,040,963
Liabilities				
Accounts payable	\$ -	-	35,521	-
Salaries and benefits payable	-	-	10,163	-
Due to other governments	42,087	88,625	571,651	24,040,963
Trusts payable	58,002	-	-	-
Compensated absences	-	-	15,391	-
Total liabilities	\$ 100,089	88,625	632,726	24,040,963

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
11,874	109,214	6,382	821,648	758,088	2,187,120
-	-	-	-	-	100,089
3,369	40,076	1,658	-	69	140,007
851,000	9,739,000	435,000	-	173,000	35,385,000
-	-	-	-	71,500	72,065
-	-	-	-	30	30
-	-	-	-	429,000	429,000
-	-	-	-	5,004	5,004
866,243	9,888,290	443,040	821,648	1,436,691	38,318,315
-	-	-	-	21,206	56,727
-	-	-	-	5,038	15,201
866,243	9,888,290	443,040	821,648	1,301,835	38,064,382
-	-	-	-	104,198	162,200
-	-	-	-	4,414	19,805
866,243	9,888,290	443,040	821,648	1,436,691	38,318,315

Warren County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 238,562	88,376	567,856	23,160,981
Additions:				
Property and other county tax	-	86,823	478,170	23,701,427
E911 surcharge	-	-	-	-
State tax credits	-	3,920	20,953	1,020,900
Drivers license fees	-	-	-	-
Office fees and collections	947,479	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	333,517	-	-	-
Miscellaneous	-	-	6,789	-
Total additions	1,280,996	90,743	505,912	24,722,327
Deductions:				
Agency remittances:				
To other funds	538,016	-	-	-
To other governments	403,160	90,494	441,042	23,842,345
Trusts paid out	478,293	-	-	-
Total deductions	1,419,469	90,494	441,042	23,842,345
Balances end of year	\$ 100,089	88,625	632,726	24,040,963

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
822,983	9,011,214	435,932	756,322	1,421,866	36,504,092
853,683	9,692,523	437,562	-	173,866	35,424,054
-	-	-	-	314,150	314,150
36,763	324,807	20,703	-	8,172	1,436,218
-	-	-	74,760	-	74,760
-	-	-	-	515,910	1,463,389
-	-	-	-	13,327	13,327
-	-	-	10,131,818	-	10,131,818
-	-	-	-	134,120	134,120
-	-	-	-	593,630	927,147
-	-	-	-	543,239	550,028
890,446	10,017,330	458,265	10,206,578	2,296,414	50,469,011
-	-	-	393,892	869	932,777
847,186	9,140,254	451,157	9,747,360	1,622,868	46,585,866
-	-	-	-	657,852	1,136,145
847,186	9,140,254	451,157	10,141,252	2,281,589	48,654,788
866,243	9,888,290	443,040	821,648	1,436,691	38,318,315

Warren County

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

For the Last Seven Years

	Modified Accrual			
	2006	2005	2004	2003
Revenues:				
Property and other county tax	\$ 9,039,256	8,744,970	7,622,726	7,349,911
Interest and penalty on property tax	129,981	118,383	116,564	108,385
Intergovernmental	7,112,383	6,127,442	6,520,945	6,613,117
Licenses and permits	88,350	103,448	89,430	82,103
Charges for service	1,137,039	1,030,308	1,059,635	1,016,699
Use of money and property	285,375	154,853	113,016	166,901
Miscellaneous	502,144	633,937	521,659	535,449
Total	\$ 18,294,528	16,913,341	16,043,975	15,872,565
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,674,865	3,988,525	3,198,521	3,096,633
Physical health and social services	2,054,666	1,792,350	1,745,733	1,638,876
Mental health	2,713,918	2,634,837	2,275,267	2,338,950
County environment and education	804,023	841,841	703,017	637,735
Roads and transportation	4,925,412	4,759,210	4,522,201	4,434,541
Governmental services to residents	897,476	575,169	514,115	504,071
Administration	2,049,422	1,866,473	1,759,019	1,699,790
Non-program	-	80,000	-	-
Debt service	765,977	496,495	437,248	519,787
Capital projects	479,805	1,057,685	1,418,113	965,699
Total	\$ 18,365,564	18,092,585	16,573,234	15,836,082

See accompanying independent auditor's report.

Basis		
2002	2001	2000
6,928,811	6,691,491	6,751,879
113,333	105,104	96,392
6,994,414	6,316,292	6,722,733
88,101	73,116	76,277
992,117	895,048	864,602
283,568	515,158	514,812
359,014	554,778	269,277
<u>15,759,358</u>	<u>15,150,987</u>	<u>15,295,972</u>
3,130,057	2,619,902	2,505,636
1,717,513	1,621,645	1,465,731
2,503,407	2,408,904	2,253,426
701,880	737,095	656,531
4,469,042	3,970,136	4,061,271
508,399	534,893	454,228
1,576,445	1,536,685	1,494,406
-	-	-
521,130	521,785	568,880
1,576,974	1,337,019	2,069,471
<u>16,704,847</u>	<u>15,288,064</u>	<u>15,529,580</u>

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Marion County Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		\$ 5,515
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		11,648
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	02-WS-108	3,740
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Criminal and Juvenile Justice Planning:			
Juvenile Accountability Incentive Block Grants	16.523	40-JD03-F504	2,872
Juvenile Justice and Delinquency Prevention - Allocation to the States	16.540	40-JD03-F504	8,826
Title V - Delinquency Prevention Program	16.548	40-JD03-F504	1,096
Enforcing Underage Drinking Laws Program	16.727	40-JD03-F504	1,202
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-06	22,750
Violence Against Women Formula Grants	16.588	VW-06	29,000
Governor's Office on Drug Control Policy:			
Polk County Sheriff:			
Byrne Formula Grant Program	16.579		37,225
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-92-5(46)--2C-91	134,217
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 04-04, Task 40	2,803
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 04-163, Task 68	5,032

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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. General Services Administration:			
Iowa Secretary of State:			
Election Reform Payments	39.011		<u>252,735</u>
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
Linn County Health Department:			
State Indoor Radon Grants	66.032	5889RC02	<u>3,000</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003	5884EM85	<u>15,553</u>
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5884BT01	<u>16,184</u>
Immunization Grants	93.268	5885I436	<u>4,498</u>
Marion County Public Health:			
Maternal and Child Health Services Block			
Grant to the States	93.994		<u>434</u>
Iowa Department of Elder Affairs:			
Aging Resource of Central Iowa:			
Special Programs for the Aging - Title III,			
Part D - Disease Prevention and Health			
Promotion Services	93.043		<u>4,372</u>
Aging Cluster Programs:			
Special Programs for the Aging - Title III,			
Part B - Grants for Supportive Services and			
Senior Centers	93.044		<u>9,585</u>
Special Programs for the Aging - Title III,			
Part C - Nutrition Services	93.045		<u>55,530</u>
Nutrition Services Incentive Program			
(Commodities)	93.053		44,893
Nutrition Services Incentive Program (Cash)	93.053		<u>22,404</u>
			<u>67,297</u>

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		14,078
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,324
Foster Care - Title IV-E	93.658		7,244
Adoption Assistance	93.659		1,773
Medical Assistance Program	93.778		18,876
Social Services Block Grant	93.667		9,619
Social Services Block Grant	93.667		94,562
			104,181
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities - Grants to States	93.617		7,767
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		12,821
Total			\$ 865,178

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

See accompanying independent auditor's report.



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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 Warren County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren 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 September 28, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren 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 Warren County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

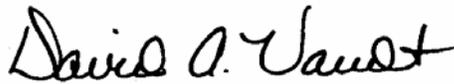
Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Warren County and other parties to whom Warren 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 Warren County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 28, 2006

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

Warren County



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

To the Officials of Warren County:

Compliance

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

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

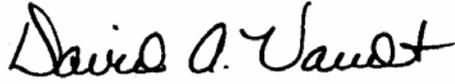
In our opinion, Warren County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 28, 2006

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 39.011 – Election Reform Payments
 - Clustered programs:
 - CFDA Number 93.044 – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers
 - CFDA Number 93.045 – Special Programs for the Aging – Title III, Part C – Nutrition Services
 - CFDA Number 93.053 – Nutrition Services Incentive Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- II-A-06 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine 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.

One individual in the County Sheriff's office collects, deposits and records receipts.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Sheriff should review the operating procedures in the office to obtain the maximum internal control possible under the circumstances. The Sheriff should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response – We segregate as much as possible and will continue to try.

Conclusion – Response accepted.

- II-B-06 County Sheriff – Book balances were not reconciled to bank account balances and trust account listings.

Receipts from civil transactions and the State of Iowa were not always deposited timely.

Separate bank accounts were maintained for the collections and expenditures of the D.A.R.E. program.

Recommendation – Book balances should be reconciled at the end of each month to bank account balances. Also, a list of trusts on hand should be prepared and reconciled to this balance monthly. In addition, receipts should be deposited timely.

Collections for the D.A.R.E. program should be remitted to the County Treasurer and expenditures should be reflected in the County's accounting system, annual budget and financial reports.

Response – We have tried to improve timeliness of deposits and will continue. We are working with the budget assistant to understand trust accounts and begin preparing a list of trusts on hand and reconcile the trust list and the book balances to bank account balances. D.A.R.E. funds will be remitted to the County.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-C-06 Sheriff Law Enforcement Contracts – Complete records were not maintained to account for the amounts billed, collected and the outstanding balances on law enforcement contracts with cities. At June 30, 2006, the outstanding balance from various cities totaled \$26,276. In addition, contracts for three cities could not be located.

Recommendation – The County should maintain a complete record documenting the amounts billed, collected and outstanding balances.

Response – Records have improved and we will continue to improve.

Conclusion – Response accepted.

II-D-06 County Sheriff – During the year, the Sheriff traded-in five county vehicles for credit with a supply and equipment vendor. Credit received from the trade-in of the vehicles was used to purchase law enforcement items without the purchase going through the County budget, appropriations and disbursement process as required by Chapter 331.506 of the Code of Iowa. Claims for purchases were not filed and properly audited by the Board of Supervisors before payment as required by Chapter 331.540(7) of the Code of Iowa.

Recommendation – The proceeds from the disposal of County property should be remitted to the County Treasurer for deposit and any expenditure for supplies or equipment should be charged to the appropriated expenditure account and run through the process for issuance of warrants as specified by the Code of Iowa and the Uniform Chart of Accounts for Iowa County Governments. Expenditures should be subject to budget and appropriation restraints as required by the Code of Iowa.

Response – We will put vehicles up for public auction with County property.

Conclusion – Response accepted.

II-E-06 County Recorder – Void receipts are not consistently reviewed and approved by an independent person.

Recommendation – All void receipts should be initialed and dated by an independent person to document review and approval.

Response – We will review with initials and date all voids daily.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- II-F-06 Public Health Nurse – Reconciliations of nursing service billings and collections were not prepared for each month. In addition, receipts from the State of Iowa were not always deposited timely.

Recommendation – A reconciliation of nursing service billings and collections should be prepared monthly. In addition, receipts should be deposited timely.

Response – Health Services will be making weekly deposits beginning in October.

Bobette Miller, office manager, has contacted Kathy Rupp in the County Auditor's office to assist in creating a reconciliation sheet. Once this is created a reconciliation of Nursing service billings and collections will be prepared monthly.

Conclusion – Response accepted.

- II-G-06 Empowerment Board – Receipts from the State of Iowa were not always deposited timely.

Recommendation – Receipts should be deposited timely.

Response – The Warren County Empowerment Board Treasurer will work with the Warren County Board of Health to ensure deposits are made timely.

Conclusion – Response accepted.

- II-H-06 Fuel Station Deficit Balance – The Internal Service, Fuel Station Fund had a deficit cash balance at June 30, 2006.

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

Response – We will review the billing practices to determine that the appropriate fuel cost is being billed to the other entities. If necessary, maintenance costs will be increased and/or price per gallon used will be adjusted.

Conclusion – Response accepted.

- II-I-06 Information Systems – Computer terminals are not always logged off when left unattended for extended periods of time as required by information technology policies.

Recommendation – The County should improve its control over computer based systems and ensure established policies are complied with.

Response – The County will make efforts to increase controls and ensure policies are being enforced.

Conclusion – Response accepted.

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.

Although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements exceeded the appropriations for E911 prior to amendment.

Recommendation – The departmental appropriations should be amended in accordance with Chapters 331.435 and 331.434(6) of the Code of Iowa before disbursements are allowed to exceed the appropriation.

Response – The E911 Board acted to pay down the equipment note at a quicker rate than was budgeted. Therefore, the E911 appropriation was exceeded prior to amendment. The departmental appropriations will be monitored more closely and will be amended prior to being exceeded.

Conclusion – Response accepted.

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

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

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

Name, Title and Business Connection	Transaction Description	Amount
Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus	Supplies for various County departments Supplies – Attorney’s office	\$ 6,805 1,284
Eric Haworth, Sheriff’s Office employee, wife is Linda Haworth	Sheriff matron duty	18
Bob Gebhart, Sheriff’s Office employee, wife is Celeste Gebhart	Sheriff matron duty	54
Mike Morrison, Sheriff’s Office employee, wife is Pam Morrison	Sheriff matron duty	261
Dave Squier, Secondary Roads Department employee	Owner of equipment rented by Secondary Roads Department	587

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

The transactions with Mary Taylor do not appear to represent a conflict of interest in accordance with Chapter 331.342(10) of the Code of Iowa since the amount for the County Attorney, the portion for which she is involved in the procurement process, is less than \$1,500.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Linda Haworth, Celeste Gebhart, Pam Morrison and Dave Squier do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

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

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

Minutes of Board proceedings were not always published within the time period specified by Chapter 349.18 of the Code of Iowa. Board proceedings of one meeting were not published.

Recommendation – The County should ensure all Board proceedings are published as required.

Response – We will continue to strive for the minutes to be e-mailed to the newspaper within 7 days.

We will monitor the newspaper publications to ensure all minutes are published as required.

Conclusion – Response accepted.

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

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

IV-I-06 Financial Condition – The Special Revenue, Mental Health Fund had a deficit fund balance of \$120,981 at June 30, 2006.

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Response – We have acted to increase the property tax asking to the maximum dollar amount allowable for fiscal year 2007, and have also taken steps to reduce expenditures.

Conclusion – Response accepted.

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

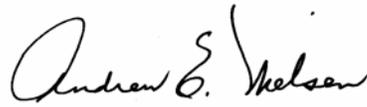
Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

Warren County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Tammy L. Mason, CPA, Senior Auditor II
Sheila M. Jensen, Senior Auditor
Melissa J. Knoll-Speer, Staff Auditor
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Andrew E. Nielsen, CPA
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