

ALLAMAKEE COUNTY

Waukon, Iowa

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2007

ALLAMAKEE COUNTY
Waukon, Iowa

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ALLAMAKEE COUNTY, IOWA

OFFICIALS

(Before January 2007)

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

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathy Campbell	Board of Supervisors	Jan 2011
William Clark.....	Board of Supervisors	Jan 2009
Lennie Burke.....	Board of Supervisors	Jan 2011
Mary O'Neill.....	County Auditor.....	Jan 2009
Lori Hesse.....	County Treasurer	Jan 2011
Deb Winke	County Recorder	Jan 2011
Tim Heiderscheid.....	County Sheriff	Jan 2009
William Shafer	County Attorney.....	Jan 2011
Ann Burckart.....	County Assessor.....	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Allamakee County
Waukon, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allamakee County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County at June 30, 2007, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with the *Government Auditing Standards*, we have also issued our report dated March 19, 2008, on our consideration of Allamakee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4-9 and 33-35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allamakee County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions for fiscal 2006, 2005 and 2004, and a qualified opinion for fiscal 2003, due to the lack of fixed asset records and material and supplies inventories pertaining to Special Revenue funds. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 19, 2008

Gardiner Thomson, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Allamakee County provides this Management's Discussion and Analysis of the Allamakee County FY2006-2007 financial statements. The purpose of this portion of the financial report is to discuss an overview of the activities of the year to augment the numbers presented in the balance of the report. It is hoped that this section will assist you in understanding the events that significantly affected the financial position of Allamakee County as a whole.

This is the fourth year that Allamakee County was required to report all activities on a full accrual basis, as required by the reporting standards of GASB 34. A comprehensive comparison to fiscal year 2005-2006 is included.

2007 FINANCIAL HIGHLIGHTS

- Allamakee County governmental funds revenue decreased by \$4.3 million, or 31% compared to FY2006. Taxes levied on property and other County tax increased \$472,000, or 14%, from FY2006.
- Allamakee County program expenditures decreased \$1,422,359, or 13%, compared to FY2006. Capital project expenditures were \$240,888 less than in FY2006.
- Allamakee County's net assets increased approximately \$700,000 from 2006.

USING THIS REPORT

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

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

The financial statements also include notes to explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of Allamakee County's budget for FY2007. Other supplementary information provides detailed information about the nonmajor special revenue funds and agency funds.

REPORTING THE COUNTY AS A WHOLE

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

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

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

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

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

Fund Financial Statements

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

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

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

ALLAMAKEE COUNTY FINANCIAL ANALYSIS AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. Allamakee County's net assets for FY2007 totaled \$20,453,702. Net assets on June 30, 2006 were \$19,753,110. Net assets increased 4% as a result of FY2007 Allamakee County operations.

Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)		
	2007	2006
Current and Other Assets	\$10,122	\$9,003
Capital Assets	15,624	15,776
Total Assets	25,746	24,779
Long-term Debt (Compensated Absences)	167	335
Other Liabilities	5,126	4,770
Total Liabilities	5,293	5,105
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,624	15,776
Restricted	2,223	1,551
Unrestricted	2,606	2,347
Total Net Assets	\$20,453	\$19,674

Net assets increased by \$700,592 compared to FY2006. The largest portion of Allamakee County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they may be used. Unrestricted net assets – the part of net assets that can be used to finance day to day operations without constraints established by debt covenants, legislation, or other legal requirements - is \$2.6 million.

Changes In Net Assets of Allamakee County Governmental Activities (Expressed in Thousands)		
	2007	2006
Revenues:		
Program Revenues:		
Charges for Service	\$741	\$615
Operating Grants and Contributions	3,197	3,004
Capital Grants and Contributions	236	4,616
General Revenues:		
Property Tax	4,725	4,153
Penalty and Interest on Property Taxes	49	52
State Tax Credits	259	238
Local Option Sales Tax	271	220
Unrestricted Investment Earnings	307	215
Loss on Sale of Capital Assets	(164)	(43)
Miscellaneous	92	965
Total Revenues	\$9,713	\$14,035

	2007	2006
Program Expenses:		
Public Safety and Legal Services	\$1,181	\$1,179
Physical Health and Social Services	536	534
Mental Health	1,788	1,661
County Environment and Education	772	2,018
Roads and Transportation	3,531	4,125
Governmental Services to Residents	315	430
Administration	829	731
Non-program	60	60
Total Expenses	<u>9,012</u>	<u>10,738</u>
Increase in Net Assets	701	3,297
Net Assets July 1, 2006 (restated)	<u>19,753</u>	<u>16,377</u>
Net Assets June 30, 2006	<u><u>\$20,454</u></u>	<u><u>\$19,674</u></u>

Allamakee County increased property tax rates by \$.56639 per \$1,000 of valuation in the rural levy and increased property tax rates by \$1.20358 per \$1,000 of valuation in the county-wide levy.

Governmental Activities

As stated earlier, this is the 4th year Allamakee County was required to prepare financial statements on a full accrual basis.

- Revenues for governmental activities were \$9,714,603 while expenses amounted to \$9,014,011. In a difficult budgeting year, Allamakee County was able to keep expenses under available revenues.
- The local option tax sales tax revenue totaled \$271,291. Allamakee County uses 33% of the sales tax revenue to township financial responsibilities, 22% property tax relief (rural services), 25% E911 signs and equipment, and 20% construction and/or repair secondary roads.
- The cost of all governmental activities this year was \$9,014,011.
- The portion of the cost financed by users of Allamakee County programs was \$741,412.
- The federal and state government and private contributors subsidized certain programs with operating grants and contributions totaling \$3,197,252 and capital grants of \$236,401, which is farm to market funding that was used for road resurfacing projects whose expenditures were capitalized and depreciated. These funds did not flow through the county.
- The net cost portion of governmental activities was financed with property tax of \$4,724,953, \$271,291 of local option sales tax, and \$307,138 of unrestricted investment earnings. Miscellaneous revenue totaled \$92,432. Governmental activities revenues exceeded expenses by \$700,592.

MAJOR GOVERNMENTAL FUND ANALYSIS AND HIGHLIGHTS

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

The financial performance of Allamakee County as a whole is reflected in its governmental funds as well. As Allamakee County completed the year, its governmental funds reported combined fund balances of \$4,966,230, 17% above last year's balance of \$4,229,503.

General Fund

Total dollars from property and other county tax revenue increased 9%. It is estimated the increase is due to the increased levy rates. Several state grants and other state funding were reduced.

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

Total expenditures and uses decreased by 26%, or \$1,235,193, compared to FY2006. This decrease was due primarily to the TASC project construction cost and administration in fiscal 2006.

Mental Health Fund

The Allamakee County Mental Health Fund balance was 13% of the FY2007 expenditures on June 30, 2007. During FY2007, revenues increased 25% and expenditures increased by 9%. Allamakee County's ending fund balance for FY2007, expressed as a percent of total expenditures, is 13%. Allamakee County should qualify for 100% distribution of growth and community services allocation dollars by meeting the criteria of levying at 100% of maximum levy allowed.

Rural Services Fund

There was a 19% increase in revenues and slight changes in expenditures and ending fund balance in the Rural Services Fund in fiscal 2007.

Secondary Roads Fund

Secondary Roads Fund revenue increased by 27% or \$697,773. Transfers in were \$1,100,000. Intergovernmental revenue increased about \$290,420 or 12%.

Secondary Roads Fund expenditures decreased approximately \$341,387 or 8% overall. The decrease was in the general roadway expenses and capital projects.

Total ending fund balance compared to total uses increased to 37% in FY2007 from 21% in FY2006.

BUDGETARY HIGHLIGHTS

A budget amendment on May 7, 2007 resulted in the following changes:

- Increased revenue by \$129,196.
- Expenditure increases totaling \$169,286 and increased transfers in and out by \$45,380.

A budget amendment on May 29, 2007 resulted in the following changes:

- Increased Non-program expenditures by \$19,000 and decreased Capital projects expenditures by \$19,000.

CAPITAL ASSETS

Allamakee County concluded FY2007 with \$21,098,625 invested in a broad range of capital assets, including public safety equipment, buildings, parks facilities, landfill, and roads and bridges. GASB 34 required the addition of infrastructure assets and required depreciation of all capital assets.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)	2007	2006
Land	\$845	\$845
Buildings	1,648	1,647
Improvements Other Than Buildings	199	199
Machinery	3,979	4,025
Vehicles	2,032	1,881 (restated)
Infrastructure	12,396	11,945
	<u>\$21,099</u>	<u>\$20,542</u>
This Year's Major Additions Include		
Capital Assets Contributed by the		
Iowa Department of Transportation	\$231	\$3,997
Secondary Road Machinery	421	370
County Vehicles	103	43
	<u>\$755</u>	<u>\$4,410</u>

The county had depreciation expense of \$1,049,595 in FY07 and total accumulated depreciation of \$5,474,659 at June 30, 2007.

The county's fiscal year 2007 capital budget included \$481,000 of which \$453,243 was used for county roads and bridges.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The county begins the 2008 fiscal year with a balance of 25% when compared to expected expenditures. This balance is possible because departments have been fiscally responsible. The budgeted ending cash balance for FY2008 is \$1.7 million less than the actual cash balance for FY2007. This is due to increased overall expenses for FY2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF NET ASSETS
June 30, 2007**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$4,909,235
Receivables:	
Property Tax:	
Delinquent	3,318
Succeeding Year	4,228,838
Interest & Penalty On Property Tax	262
Accounts	46,744
Accrued Interest	27,987
Due From Other Governments	263,676
Notes Receivable	84,297
Inventories	526,486
Prepaid Insurance	31,808
Capital Assets (Net of Accumulated Depreciation)	15,623,965
TOTAL ASSETS	25,746,616
LIABILITIES	
Accounts Payable	535,151
Salaries & Benefits Payable	29,625
Due to Other Governments	247,294
Deferred Revenue:	
Succeeding Year Property Tax	4,228,838
Other	84,296
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
Compensated Absences	167,710
TOTAL LIABILITIES	5,292,914
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	15,623,965
Restricted For:	
Mental Health Purposes	249,627
Secondary Roads Purposes	1,299,352
Other Purposes	674,925
Unrestricted	2,605,833
TOTAL NET ASSETS	\$20,453,702

See Notes To Financial Statements

**ALLAMAKEE COUNTY
Waukon, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2007**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes In Net Assets
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety & Legal Services	\$1,180,910	\$75,948	\$19,414	\$0	\$(1,085,548)
Physical Health & Social Services	536,428	59,163	43,883	0	(433,382)
Mental Health	1,788,618	253,055	638,980	0	(896,583)
County Environment & Education	772,229	55,981	27,378	4,962	(683,908)
Roads & Transportation	3,531,040	4,111	2,459,823	231,439	(835,667)
Governmental Services to Residents	315,205	224,997	0	0	(90,208)
Administration	829,760	15,189	7,774	0	(806,797)
Non-program	59,821	52,968	0	0	(6,853)
	<u>\$9,014,011</u>	<u>\$741,412</u>	<u>\$3,197,252</u>	<u>\$236,401</u>	<u>(4,838,946)</u>

GENERAL REVENUES:

Property and Other County Tax Levied For:	
General Purposes	4,724,953
Penalty & Interest on Property Tax	49,838
State Tax Credits	258,730
Local Option Sales Tax	271,291
Grants & Contributions Not Restricted to Specific Purpose	3,500
Unrestricted Investment Earnings	307,138
Miscellaneous	88,932
Loss on Disposal of Capital Assets	(164,844)
TOTAL GENERAL REVENUES	<u>5,539,538</u>

CHANGE IN NET ASSETS

700,592

NET ASSETS BEGINNING OF YEAR (Restated – See Note 13)

19,753,110

NET ASSETS END OF YEAR

\$20,453,702

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$2,638,300	\$456,974	\$356,994
Receivables:			
Property Tax:			
Delinquent	2,066	568	684
Succeeding Year	2,429,100	667,589	1,132,149
Interest & Penalty on Property Tax	262	0	0
Accounts	21,022	25,426	0
Notes	0	0	0
Accrued Interest	27,590	0	0
Due From Other Funds	8,200	0	0
Due From Other Governments	5,443	37,947	10,186
Inventories	0	0	0
Prepaid Insurance	24,834	0	0
TOTAL ASSETS	\$5,156,817	\$1,188,504	\$1,500,013
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$24,183	\$28,336	\$17,237
Salaries & Benefits Payable	3,006	1,081	184
Due To Other Governments	5,648	241,394	0
Deferred Revenue:			
Succeeding Year Property Tax	2,429,100	667,589	1,132,149
Other	7,178	23,399	639
Total Liabilities	2,469,115	961,799	1,150,209
Fund Balances			
Reserved For:			
Inventories	0	0	0
Unreserved, Reported In:			
General Fund	2,687,702	0	0
Special Revenue Funds	0	226,705	349,804
Total Fund Balances	2,687,702	226,705	349,804
TOTAL LIABILITIES & FUND BALANCES	\$5,156,817	\$1,188,504	\$1,500,013

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>		
<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$1,127,282	\$321,485	\$4,901,035
0	0	3,318
0	0	4,228,838
0	0	262
0	296	46,744
0	84,297	84,297
0	397	27,987
207,135	0	8,200
0	2,965	263,676
526,486	0	526,486
6,974	0	31,808
<u>\$1,867,877</u>	<u>\$409,440</u>	<u>\$10,122,651</u>
\$465,373	\$22	\$535,151
25,354	0	29,625
252	0	247,294
0	0	4,228,838
0	84,297	115,513
<u>490,979</u>	<u>84,319</u>	<u>5,156,421</u>
526,486	0	526,486
0	0	2,687,702
850,412	325,121	1,752,042
<u>1,376,898</u>	<u>325,121</u>	<u>4,966,230</u>
<u>\$1,867,877</u>	<u>\$409,440</u>	<u>\$10,122,651</u>

ALLAMAKEE COUNTY
Waukon, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Governmental Fund Balances (page 13, Exhibit C) \$4,966,230

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 the assets is \$21,098,625 and the accumulated depreciation is \$5,474,658. 15,623,965

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 31,217

Long-term liabilities, including compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (167,710)

Net Assets of Governmental Activities (page 10, Exhibit A) \$20,453,702

See Notes to Financial Statements.

ALLAMAKEE COUNTY
Waukon, Iowa

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$2,717,932	\$748,734	\$1,399,148
Interest & Penalty on Property Tax	49,838	0	0
Intergovernmental	229,987	859,489	71,169
Licenses & Permits	42,481	0	0
Charges for Services	294,978	72,962	10,364
Use of Money & Property	331,103	0	0
Miscellaneous	70,016	0	49
Total Revenues	<u>3,736,335</u>	<u>1,681,185</u>	<u>1,480,730</u>
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,208,041	0	0
Physical Health & Social Services	511,234	0	0
Mental Health	0	1,806,281	0
County Environment & Education	414,722	0	324,445
Roads & Transportation	147,193	0	0
Governmental Services to Residents	325,009	0	0
Administrative Services	833,405	0	0
Non-program	38,839	0	0
Capital Projects	0	0	0
Total Expenditures	<u>3,478,443</u>	<u>1,806,281</u>	<u>324,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>257,892</u>	<u>(125,096)</u>	<u>1,156,285</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	7,235	0	0
Operating Transfers In	45,380	0	0
Operating Transfers Out	(105,056)	0	(1,003,994)
Total Other Financing Sources (Uses)	<u>(52,441)</u>	<u>0</u>	<u>(1,003,994)</u>
Net Change in Fund Balances	205,451	(125,096)	152,291
Fund Balances – Beginning of Year	2,482,251	351,801	197,513
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	<u>\$2,687,702</u>	<u>\$226,705</u>	<u>\$349,804</u>

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$129,186	\$0	\$4,995,000
0	0	49,838
2,691,262	40,829	3,892,736
390	0	42,871
1,429	9,737	389,470
15,675	40,830	387,608
8,070	12,816	90,951
<u>2,846,012</u>	<u>104,212</u>	<u>9,848,474</u>
0	0	1,208,041
0	19,053	530,287
0	0	1,806,281
0	28,232	767,399
3,296,550	0	3,443,693
0	2,927	327,936
0	150	833,555
0	14,937	53,776
453,243	0	453,243
<u>3,749,743</u>	<u>65,299</u>	<u>9,424,211</u>
(903,731)	38,913	424,263
0	0	7,235
1,100,000	9,050	1,154,430
0	(45,380)	(1,154,430)
<u>1,100,000</u>	<u>(36,330)</u>	<u>7,235</u>
196,269	2,583	431,498
875,400	322,538	4,229,503
305,229	0	305,229
<u>\$1,376,898</u>	<u>\$325,121</u>	<u>\$4,966,230</u>

**ALLAMAKEE COUNTY
Waukon, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds (pages 15-16) \$736,727

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	\$991,197	
Depreciation Expense	<u>(1,049,595)</u>	(58,398)

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (172,079)

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	1,244	
Other	<u>26,119</u>	27,363

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

Compensated Absences		<u>166,979</u>
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Change in Net Assets of Governmental Activities (page 11) \$700,592

See Notes to Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007

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

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>Internal Service Employee Group Health</u>
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$434,336
Reimbursements From Employees	59,262
Insurance Reimbursements	<u>28,551</u>
Total Operating Revenues	<u>522,149</u>
OPERATING EXPENSES:	
Insurance Premiums	<u>522,149</u>
Operating Income	0
Net Assets Beginning of Year	<u>0</u>
Net Assets End of Year	<u><u>\$0</u></u>

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>Internal Service Employee Group Health</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$434,336
Cash Received From Employees & Others	87,813
Cash Payments To Suppliers For Services	<u>(522,149)</u>
Net Cash Used in Operating Activities	<u>0</u>
 Net Change in Cash & Cash Equivalents	 0
 Cash & Cash Equivalents at Beginning of Year	 <u>0</u>
 Cash & Cash Equivalents at End of Year	 <u><u>\$0</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
 Operating Income	 \$0
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	 <u>0</u>
 Net Cash Provided by Operating Activities	 <u><u>\$0</u></u>

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$1,507,671
Other County Officials	37,312
Receivables:	
Property Tax:	
Delinquent	1,578
Succeeding Year	9,673,430
Accounts	2,156
Accrued Interest	94
Due from Other Governments	39,965
TOTAL ASSETS	<u>11,262,206</u>

LIABILITIES

Accounts Payable	1,075
Due To Other Governments	11,231,632
Trusts Payable	20,388
Compensated Absences	9,111
TOTAL LIABILITIES	<u>11,262,206</u>

NET ASSETS \$0

See Notes To Financial Statements

ALLAMAKEE COUNTY
Waukon, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

A drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Allamakee County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the individual drainage district can be obtained from the Allamakee County Auditor's office.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Special Revenue

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

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

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

Additionally the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

E. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable has been recorded in the fund financial statements.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings and Improvements	25,000
Equipment and vehicles	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50
Building Improvements	20-50
Infrastructure	30-65
Equipment	2-20
Vehicles	3-10

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

F. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed amounts budgeted in any function, however disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

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

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Agency: Auto License and Use Tax	\$8,200

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

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue: Prisoner Room & Board	\$45,380
Special Revenue Secondary Roads	Special Revenue Rural Services	1,003,994
Secondary Roads	General	96,006
Emergency Medical Services	General	9,050
Agency Special Appraisers	Agency Assessor	118,443
		<u>\$1,272,873</u>

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

Notes to Financial Statements (Continued)

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$845,228	\$0	\$0	\$845,228
Construction in Process	0	167,014	0	167,014
Total Capital Assets not being depreciated	845,228	167,014	0	1,012,242
Capital assets being depreciated:				
Buildings	1,646,902	0	0	1,646,902
Improvements Other than Buildings	199,436	0	0	199,436
Machinery and Equipment	4,025,130	436,717	482,940	3,978,907
Vehicles	1,971,930	103,042	42,635	2,032,337
Infrastructure, Road Network	11,944,377	284,424	0	12,228,801
Total Capital Assets being Depreciated	19,787,775	824,183	525,575	20,086,383
Less Accumulated Depreciation for:				
Buildings	820,809	26,284	0	847,094
Improvements Other than Buildings	59,831	9,972	0	69,803
Machinery and Equipment	1,955,261	368,714	319,072	2,004,902
Vehicles	1,323,950	178,037	34,425	1,467,563
Infrastructure, Road Network	618,710	466,588	0	1,085,298
Total Accumulated Depreciation	4,778,561	1,049,595	353,497	5,474,659
Total Capital Assets being Depreciated, Net	15,009,214	(225,412)	172,079	14,611,724
Governmental Activities Capital Assets, Net	\$15,854,442	\$(58,398)	\$172,079	\$15,623,966

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$39,041
Physical Health and Social Services	10,343
Mental Health	3,724
County Environment and Education	15,298
Roads and Transportation	950,974
Governmental Services to Residents	2,801
Administration	21,370
Non-program	6,045
Total Depreciation Expense – Governmental Activities	<u>\$1,049,595</u>

Notes to Financial Statements (Continued)

Note 6: Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$5,648
Special Revenue		
Mental Health	Services	241,394
Secondary Roads		252
Total for Governmental Funds		<u>\$247,294</u>
Agency		
Recorder		\$18,784
Agricultural Extension	Collections	116,904
Assessor		233,408
Schools		6,273,412
Community Colleges		302,770
Corporations		2,811,123
Auto License & Use Tax		237,472
All Others		1,237,759
Total for Agency Funds		<u>11,231,632</u>

Note 7: Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	<u>Compensated Absence</u>
Beginning Balance	\$341,380
Increases	0
Decreases	173,670
Ending Balance	<u>\$167,710</u>
Due Within One Year	<u>\$167,710</u>

Sick Leave Conversion

During the year ended June 30, 2004, the County established a plan to allow employees who were retiring to convert accumulated sick leave to insurance premiums. During fiscal 2007, no sick leave was converted to insurance premiums, no premiums had been used at June 30, 2007.

Notes to Financial Statements (Continued)

Note 8: Loans Receivable

Loans receivable represent economic development loans from the County's Revolving Loan Fund made to qualifying businesses. These loans are to be paid back with interest over a period ranging from two to four years. Interest rates on the loans receivable range from 3.90% to 6.50%. The balance of the loans receivable at June 30, 2007 was \$84,297 and is recorded in the Special Revenue Funds.

On October 1, 1999, the County entered into an agreement with Waukon Economic Development Corporation, the Waukon Chamber of Commerce, and Allamakee County Economic Development. The County paid \$140,000 for improvements made to the building. The other three parties share in the use of the property and reimburse the County through the monthly payments. The Waukon Economic Development Corporation will reimburse the County for 35% of the initial cost of the improvements. The Waukon Chamber of Commerce will reimburse the County for 20% of the total improvements, and the Allamakee County Economic Development will reimburse the County for 45% of the initial cost of the improvements. Monthly payments of \$1,869 started on October 1, 1999 and will continue until the total amount due is paid in full. Interest accrues on the unpaid balance at 4%. The balance of the loan receivable was paid in full during the year ended June 30, 2007.

Note 9: Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$181,475, \$174,867, and \$163,632, respectively, equal to the required contributions for each year.

Note 10: Risk Management

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County carries commercial insurance purchased from other insurers for coverage associated with these risks. During the year ended June 30, 2007, there were no significant changes in insurance coverage from prior years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11: Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Allamakee County Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross from the Allamakee County Group Health Fund. The County records the plan assets and related liabilities of the Allamakee County Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$434,336.

Notes to Financial Statements (Continued)

Note 12: Business Transactions

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

Note 13: Restatement of Beginning Net Assets

The beginning balance of Capital Assets and Accumulated Depreciation have been restated to reflect an asset that was not reported in prior years. The effect on Capital Assets was an increase of \$90,893 and on Accumulated Depreciation of \$12,119, a net increase in Beginning Net Assets of \$78,774.

Note 14: Financial Condition

We noted a deficit fund balance of \$1,202 in the Special Revenue – Drainage Districts Fund at June 30, 2007.

ALLAMAKEE COUNTY
Waukon, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2007**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$4,995,851	\$0	\$4,995,851	\$4,922,450	\$4,922,450	\$73,401
Interest & Penalty on Property Tax	49,728	0	49,728	35,800	35,800	13,928
Intergovernmental	3,880,990	0	3,880,990	4,071,556	4,069,793	(188,803)
Licenses & Permits	42,078	0	42,078	46,236	66,054	(23,976)
Charges for Services	368,726	0	368,726	247,775	247,775	120,951
Use of Money & Property	381,006	15	380,991	221,336	321,336	59,655
Miscellaneous	91,157	12,522	78,635	57,874	69,015	9,620
Total Receipts	9,809,536	12,537	9,796,999	9,603,027	9,732,223	64,776
DISBURSEMENTS:						
Public Safety & Legal Services	1,211,414	0	1,211,414	1,205,100	1,253,748	42,334
Physical Health & Social Services	529,796	0	529,796	632,767	649,370	119,574
Mental Health	1,769,167	0	1,769,167	1,942,826	1,942,826	173,659
County Environment & Education	761,566	0	761,566	745,821	827,074	65,508
Roads & Transportation	3,189,533	0	3,189,533	3,540,893	3,559,893	370,360
Governmental Services to Residents	328,069	0	328,069	363,218	366,308	38,239
Administrative Services	844,725	0	844,725	886,313	906,005	61,280
Non-program	54,554	14,937	39,617	56,420	56,420	16,803
Capital Projects	453,243	0	453,243	500,000	481,000	27,757
Total Disbursements	9,142,067	14,937	9,127,130	9,873,358	10,042,644	915,514
Excess (Deficiency) of Receipts Under Disbursements	667,469	(2,400)	669,869	(270,331)	(310,421)	980,290
Other Financing Sources, Net	7,235	0	7,235	7,800	7,800	(565)
Excess (Deficiency) of Receipts & Other Financing Sources Under Disbursements & Other Financing Uses	674,704	(2,400)	677,104	(262,531)	(302,621)	979,725
Balance Beginning of Year	4,227,331	1,198	4,226,133	3,125,319	3,125,319	1,100,814
Balance End of Year	\$4,902,035	\$(1,202)	\$4,903,237	\$2,862,788	\$2,822,698	\$2,080,539

See Accompanying Independent Auditors' Report

ALLAMAKEE COUNTY
Waukon, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$9,809,536	\$38,938	\$9,848,474
Expenditures	9,142,067	282,144	9,424,211
Net	667,469	(243,206)	424,263
Other financing sources, net	7,235	0	7,235
Beginning Fund Balances	4,227,331	2,172	4,229,503
Increase (Decrease) in Reserve For: Inventories	0	305,229	305,229
Ending Fund Balances	\$4,902,035	\$64,195	\$4,966,230

See Accompanying Independent Auditors' Report

**Allamakee County
Waukon, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 comparison for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$139,286. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in any function, however disbursements in certain departments exceeded the amounts appropriated.

**ALLAMAKEE COUNTY
Waukon, Iowa**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007**

	Well Grant	Prisoner Room & Board	Recorder's Records Management	Resource Enhancement & Protection	Conservation Special Project	Attorney's Forfeiture
ASSETS						
Cash & Pooled Investments	\$43,306	\$32,891	\$12,076	\$103,060	\$14,182	\$1,424
Receivables:						
Accounts	0	0	296	0	0	0
Due from Other Governments	0	0	0	2,965	0	0
Notes	0	0	0	0	0	0
Accrued Interest	0	0	2	395	0	0
TOTAL ASSETS	\$43,306	\$32,891	\$12,374	\$106,420	\$14,182	\$1,424
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$22	\$0	\$0	\$0	\$0	\$0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	22	0	0	0	0	0
Fund Balances:						
Fund Balance Unreserved	43,284	32,891	12,374	106,420	14,182	1,424
TOTAL LIABILITIES AND FUND BALANCES	\$43,306	\$32,891	\$12,374	\$106,420	\$14,182	\$1,424

See Accompanying Independent Auditors' Report

Schedule 1

<u>Drainage Districts</u>	<u>Revolving Loan Fund</u>	<u>Emergency Medical Services</u>	<u>Conservation Reserve</u>	<u>Total</u>
\$(1,202)	\$110,893	\$10	\$4,845	\$321,485
0	0	0	0	296
0	0	0	0	2,965
0	84,297	0	0	84,297
0	0	0	0	397
<u>\$(1,202)</u>	<u>\$195,190</u>	<u>\$10</u>	<u>\$0</u>	<u>\$409,440</u>
\$0	\$0	\$0	\$0	\$22
0	84,297	0	0	84,297
0	84,297	0	0	84,319
<u>(1,202)</u>	<u>110,893</u>	<u>10</u>	<u>4,845</u>	<u>325,121</u>
<u>\$(1,202)</u>	<u>\$195,190</u>	<u>\$10</u>	<u>\$4,845</u>	<u>\$409,440</u>

ALLAMAKEE COUNTY
Waukon, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	Well Grant	Prisoner Room & Board	Recorders Records Management	Resource Enhancement & Protection	Conservation Special Project	Attorney's Forfeiture
Revenues:						
Intergovernmental	\$13,451	\$0	\$0	\$15,880	\$11,498	\$0
Charges for Services	0	6,490	3,247	0	0	0
Use of Money & Property	0	0	46	5,117	0	0
Miscellaneous	0	0	0	0	250	0
Total Revenues	13,451	6,490	3,293	20,997	11,748	0
Expenditures:						
Operating:						
Physical Health & Social Services	10,005	0	0	0	0	0
County Environment & Education	0	0	0	15,687	0	0
Governmental Services to Residents	0	0	2,927	0	0	0
Administration	0	0	0	0	0	0
Non-program	0	0	0	0	0	0
Total Expenditures	10,005	0	2,927	15,687	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,446	6,490	366	5,310	11,748	0
Other Financing Sources(Uses):						
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	(45,380)	0	0	0	0
	0	(45,380)	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures And Other Financing Uses	3,446	(38,890)	366	5,310	11,748	0
Fund Balances – Beginning of Year	39,838	71,781	12,008	101,110	2,434	1,424
Fund Balances – End of Year	\$43,284	\$32,891	\$12,374	\$106,420	\$14,182	\$1,424

See Accompanying Independent Auditors' Report

Schedule 2

Drainage Districts	Revolving Loan Fund	Historic Preservation	Bankruptcy Tax Escrow	Emergency Medical Services	Conservation Reserve	Clearing Fund	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,829
0	0	0	0	0	0	0	9,737
15	35,652	0	0	0	0	0	40,830
12,522	0	0	0	0	0	44	12,816
12,537	35,652	0	0	0	0	44	104,212
0	0	0	0	9,048	0	0	19,053
0	10,000	2,545	0	0	0	0	28,232
0	0	0	0	0	0	0	2,927
0	0	0	106	0	0	44	150
14,937	0	0	0	0	0	0	14,937
14,937	10,000	2,545	106	9,048	0	44	65,299
(2,400)	25,652	(2,545)	(106)	(9,048)	0	0	38,913
0	0	0	0	9,050	0	0	9,050
0	0	0	0	0	0	0	(45,380)
0	0	0	0	9,050	0	0	(36,330)
(2,400)	25,652	(2,545)	(106)	2	0	0	2,583
1,198	85,241	2,545	106	8	4,845	0	322,538
\$(1,202)	\$110,893	\$0	\$0	\$10	\$4,845	\$0	\$325,121

ALLAMAKEE COUNTY
Waukon, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,338	\$102,400	\$128,543
Other County Officials	37,312	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	16	18	836
Succeeding Year	0	114,550	137,519	6,144,033
Accounts	1,860	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$39,172	\$116,904	\$239,937	\$6,273,412
LIABILITIES				
Accounts Payable	\$0	\$0	\$567	\$0
Due to Other Governments	18,784	116,904	233,408	6,273,412
Trusts Payable	20,388	0	0	0
Compensated Absences	0	0	5,962	0
TOTAL LIABILITIES	\$39,172	\$116,904	\$239,937	\$6,273,412

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$6,255	\$44,681	\$34,994	\$1,658	\$237,472	\$949,330	\$1,507,671
0	0	0	0	0	0	37,312
40	644	5	0	0	19	1,578
296,475	2,765,798	79,272	0	0	135,783	9,673,430
0	0	0	0	0	296	2,156
0	0	0	0	0	94	94
0	0	15,279	0	0	24,686	39,965
\$302,770	\$2,811,123	\$129,550	\$1,658	\$237,472	\$1,110,208	\$11,262,206
\$0	\$0	\$0	\$0	\$0	\$508	\$1,075
302,770	2,811,123	129,550	1,658	237,472	1,106,551	11,231,632
0	0	0	0	0	0	20,388
0	0	0	0	0	3,149	9,111
\$302,770	\$2,811,123	\$129,550	\$1,658	\$237,472	\$1,110,208	\$11,262,206

ALLAMAKEE COUNTY
Waukon, Iowa

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

Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$28,756	\$111,615	\$232,380	\$6,151,048
Additions:				
Property & Other County Tax	0	128,917	156,751	6,899,081
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,764	9,058	373,276
Drivers License Fees	0	0	0	0
Office Fees & Collections	382,255	0	1,703	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	108,798	0	0	0
Miscellaneous	0	66	590	3,527
Total Additions	491,053	135,747	168,102	7,275,884
Deductions:				
Agency Remittances:				
To Other Funds	159,350	0	0	0
To Other Governments	214,301	130,458	278,988	7,153,520
Trusts Paid Out	106,986	0	0	0
Total Deductions	480,637	130,458	278,988	7,153,520
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	118,443	0
Balances End of Year	\$39,172	\$116,904	\$239,937	\$6,273,412

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$298,556	\$2,741,982	\$109,148	\$8,137	\$243,151	\$1,073,341	\$10,998,114
334,893	2,856,197	326,063	0	0	321,816	11,023,718
0	0	0	0	0	117,360	117,360
18,094	131,357	4,310	0	0	11,564	554,423
0	0	0	0	32,745	0	32,745
0	0	0	0	0	0	383,958
0	0	0	0	0	3,247	3,247
0	0	0	0	2,876,821	0	2,876,821
0	0	0	20,067	0	0	20,067
0	0	0	0	0	0	108,798
178	0	146	0	0	359,150	363,657
353,165	2,987,554	330,519	20,067	2,909,566	813,137	15,484,794
0	0	0	0	118,600	0	277,950
348,951	2,918,413	310,117	26,546	2,796,645	655,191	14,833,130
0	0	0	0	0	2,636	109,622
348,951	2,918,413	310,117	26,546	2,915,245	657,827	15,220,702
0	0	0	0	0	(118,443)	0
\$302,770	\$2,811,123	\$129,550	\$1,658	\$237,472	\$1,110,208	\$11,262,206

ALLAMAKEE COUNTY
Waukon, Iowa

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

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Property & Other County Tax	\$4,995,000	\$4,372,320	\$4,343,017	\$3,327,392	\$3,126,425
Interest & Penalty On Property Tax	49,838	52,497	54,286	28,902	30,227
Intergovernmental	3,892,736	4,001,987	4,051,657	2,788,622	2,664,971
Licenses & Permits	42,871	44,272	44,341	3,895	4,733
Charges For Service	389,470	376,677	357,358	356,000	314,652
Use of Money & Property	387,608	303,211	260,670	64,405	94,381
Miscellaneous	90,951	964,671	139,065	193,443	182,480
Total	<u>\$9,848,474</u>	<u>\$10,115,635</u>	<u>\$9,250,394</u>	<u>\$6,762,659</u>	<u>\$6,417,869</u>
Expenditures:					
Operating:					
Public Safety & Legal Services	\$1,208,041	\$1,142,122	\$1,088,415	\$879,651	\$887,697
Physical Health & Social Services	530,287	512,612	567,575	450,526	465,631
Mental Health	1,806,281	1,655,661	1,559,726	1,099,206	1,004,410
County Environment & Education Services	767,399	2,007,914	687,490	641,948	641,870
Roads and Transportation	3,443,693	3,544,348	3,496,989	2,655,035	2,382,111
Governmental Services To Residents	327,936	419,335	346,985	211,876	214,051
Administrative Services	833,555	816,362	728,677	696,011	579,142
Non-program	53,776	54,085	131,532	4,110	7,870
Debt Service	0	0	0	30,408	113,408
Capital Projects	453,243	694,131	959,555	29,817	124,409
Total	<u>\$9,424,211</u>	<u>\$10,846,570</u>	<u>\$9,566,944</u>	<u>\$6,698,588</u>	<u>\$6,420,599</u>

See Accompanying Independent Auditors' Report



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Allamakee County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allamakee County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allamakee County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Allamakee County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Allamakee County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Allamakee County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Allamakee County's financial statements that is more than inconsequential will not be prevented or detected by Allamakee County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Allamakee County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items A, B, and C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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.

Allamakee County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Allamakee County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Allamakee County and other parties to whom Allamakee County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

March 19, 2008

Gardiner Thompson, P.C.

ALLAMAKEE COUNTY
Waukon, Iowa

Schedule of Findings
Year ended June 30, 2007

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

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

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

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

Conclusion – Response accepted.

- B **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, inventory, and capital assets not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payable, inventory, and capital assets are identified and included in the County's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

- C **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Allamakee County does not have the internal resources to prepare the full – disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle the all aspects of external financial reporting, rather than rely on external assistance.

ALLAMAKEE COUNTY
Waukon, Iowa

Schedule of Findings (Continued)
Year ended June 30, 2007

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2007 did not exceed the amount budgeted. Disbursements in certain departments exceeded the amounts appropriated.

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

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

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Brickoven Pizza & Eatery	JEC Coalition Meeting	\$52
Gus ‘n Tony’s	Tobacco Meeting	64

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

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

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

Conclusion – Response accepted.

3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

ALLAMAKEE COUNTY
Waukon, Iowa

Schedule of Findings (Continued)
Year ended June 30, 2007

4 **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

Name and Title	Description	Amount
Clark Tire Center Owned by Bill Clark, Supervisor	Tires and tire services	\$13,384
Welch Inc. Owned by Terry Welch, Laurie Welch's husband (Recorder's Office)	Propane and County farm supplies.	\$6,971
Waterville Store Owned by Bob Schlitter, Secondary Roads Employee	Shop Materials and Saw Supplies	\$232
Severson Video Owned by Dan Severson, Mary Severson's husband (Sheriff's Office)	Video tapes and copying	\$127

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

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

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

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

Conclusion – Response accepted.

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

6 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, not all minutes were provided to the publisher within 7 days as required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure that all minutes are published within the required time frame.

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

Conclusion – Response accepted.

ALLAMAKEE COUNTY
Waukon, Iowa

Schedule of Findings (Continued)
Year ended June 30, 2007

7 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

8 **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).

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

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amounts budgeted.

10 **Economic Development** – During the year ended June 30, 2007, the County spent \$60,000 for economic development, which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

11 **Disbursements** – Not all invoices submitted to the Auditor’s office for payment were supported by an invoice, including gas card charges.

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

Response – The departments will supply supporting documentation for each claim submitted. The departments will comply with the requirements for credit card statements.

Conclusion – Response accepted.

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

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

Response – We will consider this recommendation.

Conclusion – Response acknowledged.

ALLAMAKEE COUNTY
Waukon, Iowa

Schedule of Findings (Continued)
Year ended June 30, 2007

13 **Financial Condition** – We noted a deficit fund balance of \$1,202 in the Special Revenue – Drainage Districts Fund at June 30, 2007.

Recommendation – The County should determine a method by which the deficit will be eliminated.

Response – We will eliminate the deficit through assessments.

Conclusion – Response accepted.

News Release

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

The County had local tax revenue of \$16,301,850 for the year ended June 30, 2007, which included \$813,153 in tax credits from the state. The County forwarded \$11,142,723 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,159,127 of the local tax revenue to finance County operations, a 19% increase from the prior year. Other revenues included charges for service of \$741,412, operating grants, contributions and restricted interest of \$3,197,252, unrestricted investment earnings of \$307,138 and other general revenues of \$92,432.

Expenses for County operations totaled \$9,014,011, a 16% decrease from the prior year. Expenses included \$3,531,040 for Roads and Transportation, \$1,788,618 for County Environment and Education and \$1,180,910 for Public Safety & Legal Services.

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

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

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