

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

JUNE 30, 2007

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CEDAR COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Jon Bell	Board of Supervisors	Jan. 2009
Billy Campion	Board of Supervisors	Jan. 2009
Dennis Boedeker	Board of Supervisors	Jan. 2009
Dennis L. Weih	Board of Supervisors	Jan. 2007
LeRoy Moeller	Board of Supervisors	Jan. 2007
Cari Gritton	County Auditor	Jan. 2007
Gary R. Jedlicka	County Treasurer	Jan. 2007
Charline Thumm	County Recorder	Jan. 2007
Dan Hannes	County Sheriff	Jan. 2009
Lee Beine	County Attorney	Jan. 2007
Dan Lett	County Assessor	Jan. 2010
(After January 2007)		
Jon Bell	Board of Supervisors	Jan. 2009
Billy Campion	Board of Supervisors	Jan. 2009
Dennis Boedeker	Board of Supervisors	Jan. 2009
Dennis L. Weih	Board of Supervisors	Jan. 2011
LeRoy Moeller	Board of Supervisors	Jan. 2011
Cari Gritton	County Auditor	Jan. 2009
Gary R. Jedlicka	County Treasurer	Jan. 2011
Charline Thumm	County Recorder	Jan. 2011
Dan Hannes	County Sheriff	(resigned March 2007)
Warren Wethington	County Sheriff	(appointed March 2007) Jan. 2009
Sterling Benz	County Attorney	Jan. 2011
Dan Lett	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Cedar County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar 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 Cedar County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2008 on our consideration of Cedar County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 50 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cedar County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 4, 2008

**CEDAR COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2007**

Management of Cedar County provides this Management's Discussion and Analysis of Cedar County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

County governmental funds' revenue increased by 1.5% or \$222,331 from FY2006 to FY2007. Charges for services revenue decreased by \$152,987, primarily as a result of a decrease in charges for mental health services. Intergovernmental revenue increased by \$139,949 as a result of an increase in state grants for public health and the care of out of county prisoners. The County governmental fund expenditures were 2.7% lower (or \$402,797) in FY2007, than FY2006. Roads and transportation expenditures decreased by \$80,421 and mental health expenditures decreased by \$314,457.

USING THE ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Cedar County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cedar County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cedar County acts solely as an agent or custodian for the benefit of those outside the government. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison to the County's budget for the year.

Other supplementary information provides detailed information about the nonmajor governmental funds and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

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

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

2. Proprietary funds account for the County's employee group health insurance and cafeteria plan, which are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets of Governmental Activities

	<u>2007</u>	<u>2006</u>	<u>%Difference</u>
Current and other assets	14,409,515	13,818,234	4.28%
Capital assets	25,143,629	25,834,902	-2.68%
Total assets	39,553,144	39,653,136	-0.25%
Long-term liabilities	1,961,098	2,431,999	-19.36%
Other liabilities	6,905,937	6,805,826	1.47%
Total liabilities	8,867,035	9,237,825	-4.01%
Net assets			
Invested in capital assets, net of related debt	23,713,629	23,959,902	-1.03%
Restricted	5,111,121	5,182,205	-1.37%
Unrestricted	1,861,359	1,273,204	46.19%
Total net assets	30,686,109	30,415,311	0.89%

Changes in Net Assets of Governmental Activities

Revenues:	FY2007	FY2006	% Difference
Program revenue			
Charges for services	1,613,537	1,911,775	-15.60%
Operating grants	5,107,738	4,946,450	3.26%
Capital grants	663,517	3,202,143	-79.28%
General revenue:			
Property and other taxes	6,632,950	6,480,518	2.35%
Penalty/interest on property taxes	27,890	45,534	-38.75%
State tax credits	307,852	318,152	-3.24%
Unrestricted grants	16,410	9,702	69.14%
Unrestricted investment earnings	392,483	275,918	42.25%
Miscellaneous	(3,477)	12,997	126.75%
Total revenue	14,758,900	17,203,189	14.21%
 Program expenses:			
Public safety and legal services	2,504,557	2,446,641	2.37%
Physical health and social services	1,060,918	1,002,201	5.86%
Mental health	2,349,705	2,645,368	-11.18%
County environment and education	1,030,583	905,662	13.79%
Roads and transportation	5,701,245	5,633,792	1.20%
Government services to residents	440,635	467,950	-5.84%
Administration	1,309,518	1,323,665	-1.07%
Interest on long-term debt	71,335	85,732	-16.79%
Non program current	19,606	0	100.00%
Total expenses	14,488,102	14,511,011	.15%
 Increase in net assets	270,798	2,692,178	-89.94%
 Net assets at beginning of year	30,415,311	27,723,133	9.71%
 Net assets at end of year	30,686,109	30,415,311	.89%

As noted earlier, net assets may serve over time as a useful indicator of financial position.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of approximately \$7.4 million, as compared to last year's balance of approximately \$6.9 million. The County funds received \$222,331 more revenue than was received in operating revenues for the prior year. The following are reasons for the changes in fund balance:

- General Fund revenues increased \$285,922, when compared to the prior year. Expenditures decreased \$219,037 due to lower costs in the government services to residents and public safety functions. The ending fund balance showed an increase from the prior year of \$736,238 to \$2,452,465.

- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures decreased by approximately 12%, or \$314,457. The Mental Health Fund ending fund balance showed a decrease from the prior year of \$9,699 to \$298,578.
- Rural Services Fund revenues increased by \$297,535 for FY07. Expenditures increased \$201,552. The primary function for the fund is for transfers to the Secondary Road Fund. Transfers made to the Secondary Roads Fund totaled \$1,578,736 for fiscal year 2007, up \$53,567 from the prior year. County contributions to libraries increased by \$5,000 to \$55,000 for the fiscal year.
- Secondary Roads Fund expenditures decreased by \$183,217 over the prior year. Revenue increased by \$287,241. The Secondary Roads Fund ending balance for the year increased by \$181,070.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following the required public notice and hearing for all funds, except agency funds and internal service funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget twice. The amendments were made in November 2006 and May 2007, and resulted in a \$268,141 increase in revenues from the original certified budget. The increase is primarily attributable to the care of prisoners, interest on investments, Nursing Department-Empowerment Program and the sale of the County Care Facility. The amendments resulted in a \$356,531 increase in expenditures from the original certified budget. The increase is primarily attributable to costs associated with the increase in operating expenditures for the Sheriff's, Nursing and Conservation Departments. The County exceeded the amount budgeted in the non-program function prior to amending the budget for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY07, Cedar County had approximately \$25 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, net of approximately \$20 million of accumulated depreciation.

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

Long-Term Obligations

At year-end, the County had \$1,430,000 in bonds and notes payable compared to \$1,875,000 last year.

More detail is presented in Note 7 to the financial statements.

The County's general obligation bond rating of A2, as set in FY02, reflects the County's modest tax base, a satisfactory financial position defined by strong reserves and a low debt burden. The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below the limit.

Other obligations include early retirement, accrued vacation pay and sick leave, and landfill postclosure monitoring costs. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS, AND NEXT YEAR'S BUDGETS, AND RATES

Cedar County's elected and appointed officials and citizens considered many factors when setting the 2008 fiscal year budget, tax rates, and the fees that will be charged for the various County services. Factors include the economy; local option tax revenue and other counties' needs for prisoner room and board, as well as state funding expectations.

These indicators were taken into account when adopting the General Fund budget for FY2008.

The County has added no major new programs or initiatives to the FY2008 budget.

The rate of retirement of the debt for the construction of the Cedar County Law Center will be retired in June 2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Cedar 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, Cedar County, 400 Cedar Street, Tipton, IA 52772.

Basic Financial Statements

CEDAR COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,723,933
Receivables:	
Property tax:	
Delinquent	14,308
Succeeding year	6,094,000
Interest and penalty on property tax	26,028
Accounts	64,533
Accrued interest	80,048
Due from other governments	773,591
Inventories	631,800
Prepaid expenses	1,274
Capital assets, net of accumulated depreciation (note 5)	<u>25,143,629</u>
Total assets	<u>39,553,144</u>
Liabilities	
Accounts payable	221,651
Salaries and benefits payable	215,742
Due to other governments (note 6)	242,674
Accrued interest payable	4,670
Incurred but not reported claims	25,000
Deferred revenue:	
Succeeding year property tax	6,094,000
Other	102,200
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Early retirement	20,988
General obligation bonds	465,000
Estimated liability for landfill postclosure monitoring	14,000
Compensated absences	294,661
Portion due or payable after one year:	
Early retirement	31,941
General obligation bonds	965,000
Estimated liability for landfill postclosure monitoring	154,000
Compensated absences	<u>15,508</u>
Total liabilities	<u>8,867,035</u>

CEDAR COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 23,713,629
Restricted for:	
Supplemental levy purposes	366,094
Mental health purposes	273,259
Local option sales and services tax	1,933,162
Secondary roads	2,289,767
Other special revenue purposes	174,696
Resource enhancement and protection	69,037
Public health nurse trust	5,106
Unrestricted	<u>1,861,359</u>
Total net assets	<u>\$ 30,686,109</u>

See notes to financial statements.

CEDAR COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 2,504,557	\$ 682,152	\$ 76,348	\$ 3,900	\$ (1,742,157)
Physical health and social services	1,060,918	138,321	588,056	-	(334,541)
Mental health	2,349,705	18,499	1,345,361	-	(985,845)
County environment and education	1,030,583	373,299	65,700	-	(591,584)
Roads and transportation	5,701,245	46,851	3,015,945	659,617	(1,978,832)
Government services to residents	440,635	308,313	13,567	-	(118,755)
Administration	1,309,518	46,102	2,761	-	(1,260,655)
Non-program	19,606	-	-	-	(19,606)
Interest on long-term debt	71,335	-	-	-	(71,335)
Total	\$ 14,488,102	\$ 1,613,537	\$ 5,107,738	\$ 663,517	(7,103,310)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,063,202
Penalty and interest on property tax					27,890
State tax credits					307,852
Local option sales and services tax					569,748
Grants and contributions not restricted to a specific purpose					16,410
Unrestricted investment earnings					392,483
Miscellaneous					27,429
Special item:					
Loss on disposal of building					(30,906)
Total general revenues					7,374,108
Change in net assets					270,798
Net assets beginning of year					30,415,311
Net assets end of year					\$ 30,686,109

See notes to financial statements.

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CEDAR COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
Assets				
Cash and pooled investments	\$ 2,398,420	\$ 596,239	\$ 54,789	\$ 1,322,657
Receivables:				
Property tax:				
Delinquent	9,086	2,318	2,904	-
Succeeding year	3,627,000	925,000	1,481,000	-
Interest and penalty on property tax	26,028	-	-	-
Accounts	40,328	893	-	-
Accrued interest	55,344	-	-	-
Due from other funds (note 3)	-	-	-	15,000
Due from other governments	151,981	16,743	63,136	541,731
Inventories	-	-	-	631,800
Total assets	\$ 6,308,187	\$ 1,541,193	\$ 1,601,829	\$ 2,511,188

<u>Local Option Sales and Services Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,910,812	\$ 240,426	\$ 6,523,343
-	-	14,308
-	61,000	6,094,000
-	-	26,028
-	23,312	64,533
22,350	272	77,966
-	-	15,000
-	-	773,591
-	-	631,800
<u>\$ 1,933,162</u>	<u>\$ 325,010</u>	<u>\$ 14,220,569</u>

CEDAR COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 67,904	\$ 75,945	\$ 377	\$ 16,423
Salaries and benefits payable	116,369	8,077	6,459	80,420
Due to other funds (note 3)	-	-	-	-
Due to other governments (note 6)	13,935	227,930	-	809
Deferred revenue:				
Succeeding year property tax	3,627,000	925,000	1,481,000	-
Other	30,514	5,663	1,363	-
Total liabilities	3,855,722	1,242,615	1,489,199	97,652
Fund balance:				
Reserved for:				
Inventories	-	-	-	631,800
Supplemental levy purposes	365,694	-	-	-
Debt service	-	-	-	-
Resource enhancement and protection	69,037	-	-	-
Conservation trust	7,909	-	-	-
Public health/nursing trust	5,106	-	-	-
Unreserved:				
Designated for courthouse improvements	120,000	-	-	-
Undesignated, reported in:				
General fund	1,884,719	-	-	-
Special revenue funds	-	298,578	112,630	1,781,736
Total fund balances	2,452,465	298,578	112,630	2,413,536
Total liabilities and fund balances	\$ 6,308,187	\$ 1,541,193	\$ 1,601,829	\$ 2,511,188

See notes to financial statements.

<u>Local Option Sales and Services Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 50,902	\$ 211,551
-	4,417	215,742
-	15,000	15,000
-	-	242,674
-	61,000	6,094,000
-	-	37,540
<u>-</u>	<u>131,319</u>	<u>6,816,507</u>
-	-	631,800
-	-	365,694
-	3,269	3,269
-	-	69,037
-	-	7,909
-	-	5,106
-	-	120,000
-	-	1,884,719
1,933,162	190,422	4,316,528
<u>1,933,162</u>	<u>193,691</u>	<u>7,404,062</u>
<u>\$ 1,933,162</u>	<u>\$ 325,010</u>	<u>\$ 14,220,569</u>

CEDAR COUNTY

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

Total fund balances of governmental funds	\$ 7,404,062
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$45,679,744 and the accumulated depreciation is \$20,536,115.	25,143,629
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	37,540
The Internal Service Fund is used by management to charge the costs of the self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	66,646
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,670)
Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,961,098)</u>
Net assets of governmental activities	<u>\$ 30,686,109</u>
See notes to financial statements.	

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CEDAR COUNTY

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

	Special Revenue			
General	Mental Health	Rural Services	Secondary Roads	
Revenues:				
Property and other County tax	\$ 3,585,503	\$ 927,271	\$ 1,925,762	\$ 156,647
Interest and penalty on property tax	52,532	-	-	-
Intergovernmental	1,410,209	1,387,889	80,226	3,675,562
Licenses and permits	21,508	-	9,501	9,807
Charges for service	538,044	12,670	3,778	87
Use of money and property	314,969	-	-	-
Miscellaneous	28,904	5,829	-	34,460
Total revenues	5,951,669	2,333,659	2,019,267	3,876,563
Expenditures:				
Operating:				
Public safety and legal services	2,223,888	-	192,773	-
Physical health and social services	1,067,239	-	-	-
Mental health	-	2,343,358	-	-
County environment and education	292,935	-	124,437	-
Roads and transportation	-	-	-	4,326,007
Government services to residents	404,552	-	-	-
Administration	1,271,582	-	-	-
Non-program	19,606	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	950,872
Total expenditures	5,279,802	2,343,358	317,210	5,276,879
Excess (deficiency) of revenues over (under) expenditures	671,867	(9,699)	1,702,057	(1,400,316)
Other financing sources (uses):				
Sale of capital assets	107,897	-	-	2,650
Interfund transfers in (note 4)	-	-	-	1,578,736
Interfund transfers out (note 4)	(43,526)	-	(1,628,736)	-
Total other financing sources (uses)	64,371	-	(1,628,736)	1,581,386

<u>Local Option Sales and Services Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 4,127	\$ 50,796	\$ 6,650,106
-	-	52,532
-	60,000	6,613,886
-	-	40,816
-	326,230	880,809
114,370	51,354	480,693
-	26,933	96,126
<u>118,497</u>	<u>515,313</u>	<u>14,814,968</u>
-	26,117	2,442,778
-	-	1,067,239
-	-	2,343,358
-	551,432	968,804
-	-	4,326,007
-	16,961	421,513
1,395	21,112	1,294,089
-	-	19,606
-	517,725	517,725
-	42,000	992,872
<u>1,395</u>	<u>1,175,347</u>	<u>14,393,991</u>
<u>117,102</u>	<u>(660,034)</u>	<u>420,977</u>
-	-	110,547
-	611,251	2,189,987
<u>(517,725)</u>	<u>-</u>	<u>(2,189,987)</u>
<u>(517,725)</u>	<u>611,251</u>	<u>110,547</u>

CEDAR COUNTY

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

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 736,238	\$ (9,699)	\$ 73,321	\$ 181,070
Fund balances beginning of year	1,716,227	308,277	39,309	2,232,466
Fund balances end of year	\$ 2,452,465	\$ 298,578	\$ 112,630	\$ 2,413,536

See notes to financial statements.

<u>Local Option Sales and Services Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ (400,623)	\$ (48,783)	\$ 531,524
<u>2,333,785</u>	<u>242,474</u>	<u>6,872,538</u>
<u>\$ 1,933,162</u>	<u>\$ 193,691</u>	<u>\$ 7,404,062</u>

CEDAR COUNTY

RECONCILIATION OF THE STATEMENT 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 \$ 531,524

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

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

	Capital outlays	\$ 1,169,979	
	Depreciation expense	<u>(1,732,193)</u>	(562,214)

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

	Other financing sources	(98,153)	
	Loss on disposal of building	<u>(30,906)</u>	(129,059)

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:

	Interest and penalty on property tax	(24,642)	
	Property tax	(17,156)	
	Other	<u>4,242</u>	(37,556)

Repayment of bond principal and payments toward landfill monitoring are
expenditures in the governmental funds, but the repayment reduces
long-term liabilities in the Statement of Net Assets. 459,000

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

	Early retirement	(21,239)	
	Compensated absences	33,140	
	Interest on long-term debt	<u>1,390</u>	13,291

CEDAR COUNTY

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

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

\$ (4,188)

Change in net assets of governmental activities

\$ 270,798

See notes to financial statements.

CEDAR COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and investments	\$ 200,590
Accrued interest receivable	2,082
Prepaid expenses	<u>1,274</u>
Total assets	<u>203,946</u>
Liabilities	
Accounts payable	10,100
Incurred but not reported claims	25,000
Deferred revenue:	
Other	<u>102,200</u>
Total liabilities	<u>137,300</u>
Net Assets	
Unrestricted	<u><u>\$ 66,646</u></u>

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges for services	\$ <u>1,124,901</u>
Operating expenses:	
Medical claims	97,844
Dental claims	71,175
Insurance premiums	947,354
Administrative fees	<u>17,714</u>
Total operating expenses	<u>1,134,087</u>
Operating loss	(9,186)
Non-operating revenues:	
Interest on investments	<u>4,998</u>
Net loss	(4,188)
Net assets beginning of year	<u>70,834</u>
Net assets end of year	<u>\$ <u>66,646</u></u>

See notes to financial statements.

CEDAR COUNTY
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 charges	\$ 1,128,397
Cash payments to suppliers for services	<u>(1,044,928)</u>
Net cash provided by operating activities	<u>83,469</u>
Cash flows from investing activities:	
Interest on investments	4,538
Purchase of investments	<u>(100,000)</u>
Net cash used by investing activities	<u>(95,462)</u>
Net decrease in cash and cash equivalents	(11,993)
Cash and cash equivalents at beginning of year	<u>112,583</u>
Cash and cash equivalents at end of year	<u>\$ 100,590</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (9,186)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in accounts receivable	55
Decrease in prepaid expense	79,059
Increase in accounts payable	10,100
Increase in deferred revenues	<u>3,441</u>
Net cash provided by operating activities	<u>\$ 83,469</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:	
Cash and investments	\$ 200,590
Less items not meeting the definition of a cash equivalent:	
Certificate of deposit	<u>(100,000)</u>
Cash and cash equivalents at year end	<u>\$ 100,590</u>

See notes to financial statements.

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

Assets

Cash and pooled investments:		
County Treasurer	\$	1,297,386
Other County officials		72,766
Receivables:		
Property tax:		
Delinquent		42,214
Succeeding year		16,460,000
Accounts		43,605
Accrued interest		<u>108</u>
 Total assets	 \$	 <u><u>17,916,079</u></u>

Liabilities

Accounts payable	\$	23,704
Salaries and benefits payable		7,140
Due to other governments (note 6)		17,834,104
Trusts payable		41,497
Compensated absences		<u>9,634</u>
 Total liabilities	 \$	 <u><u>17,916,079</u></u>

See notes to financial statements.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies

Cedar 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 accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Cedar 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 Cedar 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.

One 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 Cedar County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Cedar County Auditor's office.

The Cedar County Solid Waste Commission has been established pursuant to Chapter 28E of the Code of Iowa for the disposal of solid waste and the acquisition, operation and use of public disposal areas. Although the Commission is legally separate from the County, the Commission provides services almost entirely to the County and it would be considered misleading to exclude the Commission due to its relationship with the County. The Solid Waste Commission's Solid Waste Disposal Fund is reported as a Special Revenue Fund. The Solid Waste Commission's Transfer Station Closure Fund, as required by Chapter 106.18 of the Iowa Administrative Code, is also reported as a Special Revenue Fund and is required to provide additional surety against any possible additional closure costs. Financial information of the Solid Waste Commission can be obtained from the Cedar County Auditor's Office.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

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: Cedar County Assessor's Conference Board, Cedar County Emergency Management Commission, and Cedar County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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

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

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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.

The Local Option Sales and Services Tax Fund is used to account for the County's share of the local option sales and services tax revenues.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. The County had \$100,000 in investments not meeting the definition of cash equivalents at June 30, 2007.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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 have been recorded in the fund financial statements.

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Equipment and vehicles	2,500

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

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

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

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

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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 health insurance premiums received which are not applicable until the fiscal year ending June 30, 2008.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Non-program function prior to amendment of the budget. Disbursements did not exceed the amounts appropriated in any department.

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. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 2. Cash and Pooled Investments (continued)

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$444,258 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Tax Increment Financing	\$ <u>15,000</u>

This balance represents a long-term loan between the Special Revenue, Secondary Roads Fund and the Special Revenue, Tax Increment Financing Fund.

Note 4. Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Conservation Land Acquisition	General	\$ 1,526
Secondary Roads	Special Revenue: Rural Services	1,578,736
Solid Waste Disposal	Rural Services	50,000
Debt Service	Local Option Sales and Services Tax	517,725
Capital Projects	General	<u>42,000</u>
		<u>\$ 2,189,987</u>

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 460,248	\$ -	\$ -	\$ 460,248
Construction in progress	22,817	827,700	621,835	228,682
Total capital assets not being depreciated	<u>483,065</u>	<u>827,700</u>	<u>621,835</u>	<u>688,930</u>
Capital assets being depreciated:				
Buildings	4,460,235	-	220,556	4,239,679
Improvements other than buildings	42,200	-	-	42,200
Machinery and equipment	6,206,507	342,279	287,294	6,261,492
Infrastructure	33,825,608	621,835	-	34,447,443
Total capital assets being depreciated	<u>44,534,550</u>	<u>964,114</u>	<u>507,850</u>	<u>44,990,814</u>
Less accumulated depreciation for:				
Buildings	1,300,742	84,340	91,497	1,293,585
Improvements other than buildings	24,354	1,719	-	26,073
Machinery and equipment	4,054,417	516,028	287,294	4,283,151
Infrastructure	13,803,200	1,130,106	-	14,933,306
Total accumulated depreciation	<u>19,182,713</u>	<u>1,732,193</u>	<u>378,791</u>	<u>20,536,115</u>
Total capital assets being depreciated, net	<u>25,351,837</u>	<u>(768,079)</u>	<u>129,059</u>	<u>24,454,699</u>
Governmental activities capital assets, net	<u>\$ 25,834,902</u>	<u>\$ 59,621</u>	<u>\$ 750,894</u>	<u>\$ 25,143,629</u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 140,244
Physical health and social services	8,805
Mental health	2,700
County environment and education	52,746
Roads and transportation	1,485,867
Government services to residents	20,156
Administration	<u>21,675</u>

Total depreciation expense - governmental activities	\$ <u><u>1,732,193</u></u>
--	----------------------------

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:

Fund	Description	Amount
General	Services	\$ 13,935
Special Revenue:		
Mental Health		227,930
Secondary Roads		<u>809</u>
Total for governmental funds		\$ <u><u>242,674</u></u>
Agency:		
County Assessor	Collections	\$ 905,944
Townships		310,388
Schools		11,174,524
Corporations		3,973,179
Area Schools		618,041
Auto License and Use Tax		344,073
Ag Extension		171,059
All Other		<u>336,896</u>
Total for agency funds		\$ <u><u>17,834,104</u></u>

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities

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

	Early Retirement	General Obligation Bonds	Estimated Liability for Landfill Postclosure Monitoring	Compensated Absences	Total
Balance beginning of year	\$ 31,690	\$ 1,875,000	\$ 182,000	\$ 343,309	\$ 2,431,999
Increases	34,846	-	-	293,004	327,850
Decreases	13,607	445,000	14,000	326,144	798,751
Balance end of year	<u>\$ 52,929</u>	<u>\$ 1,430,000</u>	<u>\$ 168,000</u>	<u>\$ 310,169</u>	<u>\$ 1,961,098</u>
Due within one year	<u>\$ 20,988</u>	<u>\$ 465,000</u>	<u>\$ 14,000</u>	<u>\$ 294,661</u>	<u>\$ 794,649</u>

Early Retirement

The County offers an early retirement plan to its employees. The early retirement incentive for each eligible employee is as follows: Employees between the ages of 55 and 61 with at least sixteen years of service will receive 50% of the cost of health insurance at the time of retirement until they become eligible for Medicare; employees between the ages of 62 and 65 with at least sixteen years service will receive 85% of the cost of health insurance at the time of retirement until they become eligible for Medicare. Early retirees who retire under IPERS eligibility rules will also receive a lump-sum payment for any unused sick leave pursuant to that employee's contract.

At June 30, 2007, the County had obligations to eight participants with a total liability of \$52,929. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$13,607. Early retirement is recorded as a long-term liability of the Governmental Activities in the County-wide financial statements.

General Obligation Bonds

A summary of the County's June 30, 2007, general obligation bonded indebtedness is as follows:

Year Ending June 30,	Refunding Issue of November 1, 2001		
	Interest Rates	Principal	Interest
2008	3.75 %	\$ 465,000	\$ 56,038
2009	4.00	475,000	38,600
2010	4.00	490,000	19,600
		<u>\$ 1,430,000</u>	<u>\$ 114,238</u>

During the year ended June 30, 2007, the County retired \$445,000 of the bonds.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

General Obligation Bonds (continued)

During the year ended June 30, 2002, the County entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation law enforcement center notes as they become due. After the principal and interest on all of the outstanding notes have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the County. The transactions, balances and liabilities of the escrow account are not recorded by the County. The amount of the refunded general obligation law enforcement center notes considered extinguished and, therefore, excluded from long-term liabilities was \$2,425,000 at June 30, 2007.

Landfill Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County closed the landfill in 1989 and plans to complete the period of postclosure monitoring in 2019. The County reports a portion of these postclosure care costs as a liability based on the remaining period of required monitoring as of each balance sheet date. The \$168,000 reported as estimated liability for landfill postclosure care costs at June 30, 2007, represents an estimate of \$14,000 per year for postclosure monitoring for the next twelve years (the remaining period of required postclosure monitoring). Actual postclosure care costs may be different due to inflation, changes in technology, or changes in regulations.

Note 8. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$289,077, \$294,525 and \$291,074, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Risk Pool:

Cedar County has entered into an agreement, as allowed by Chapter 331.301 of the Code of Iowa, to become a member in Heartland Insurance Risk Pool, a local government risk pool, to protect the County against tort liability, injuries to employees and other risks associated with County operation. The risk pool was created for the purpose of providing and maintaining self-insurance benefits on a group basis substantially at cost.

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 9. Risk Management (continued)

Risk Pool (continued)

Each member's annual contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County paid \$412,391 into the pool for the fiscal year ended June 30, 2007.

Initial risk of loss is retained by the risk pool. The risk pool is reinsured through commercial companies for 100% of claims in excess of \$400,000 per occurrence for general, automobile, law enforcement, legal liability, and public officials liabilities, \$750,000 for workers' compensation liabilities, and property losses in excess of \$100,000 per occurrence. The risk pool fund includes reserves established to account for the liability for claims reported but not yet paid. A liability is also factored in for claims incurred but not reported (referred to as IBNR claims). As of June 30, 2007 the risk pool maintained a surplus over the reserves and IBNR claims.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007 settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

The County has renewed its membership in the risk pool on an annual basis since July 1, 1989.

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

CEDAR COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 9. Risk Management (continued)

Self Insured Health and Dental Plan

The Cedar County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan and self funded dental plan. The plan is funded by both employee and County contributions and is administered through service agreements with Administrative Solutions and Delta Dental. The agreements are subject to automatic renewal provisions. The County assumes liability for the difference between the employee deductible (\$500 for single and \$1,000 for family) and the deductible on the policy purchased by the County (\$2,000 for single and \$4,000 for family) for the health plan and up to \$750 per year per person for the dental plan.

Monthly payments of service fees and plan contributions to the Cedar County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreements, monthly payments of service fees and weekly payments of claims processed are made to Administrative Solutions for the health plan and to Delta Dental for the dental plan from the Cedar County Employee Group Health Fund. The County records the plan assets and related liabilities of the Cedar County Health Insurance Fund as an Internal Service Fund. The total contributions to the fund for the year ended June 30, 2007 were \$1,128,397.

Amounts payable from the Employee Group Health Fund at June 30, 2007 includes \$25,000, which is for incurred but not reported (IBNR) claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$66,646 at June 30, 2007 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2006	\$	<u>25,000</u>
Incurred claims (including claims incurred but not reported at June 30, 2007):		
Total incurred claims		<u>158,919</u>
Payments:		
Claims attributable to current-year events where the County has retained risk of loss		<u>158,919</u>
Unpaid claims at June 30, 2007	\$	<u><u>25,000</u></u>

Note 10. Subsequent Event

In January, 2008, the County entered into a contract totaling \$1,007,593 for a road resurfacing project.

Note 11. Financial Condition

The Special Revenue Fund, Tax Increment Financing, reported within the nonmajor governmental funds, had an unreserved, undesignated fund deficit of \$6,292 at June 30, 2007.

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Required Supplementary Information

CEDAR COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2007

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>	<u>Net</u>
RECEIPTS:			
Property and other County tax	\$ 6,557,724	\$ -	\$ 6,557,724
Interest and penalty on property tax	51,526	-	51,526
Intergovernmental	6,732,295	-	6,732,295
Licenses and permits	40,521	-	40,521
Charges for service	872,673	-	872,673
Use of money and property	429,023	12	429,011
Miscellaneous	94,453	-	94,453
Total receipts	14,778,215	12	14,778,203
DISBURSEMENTS:			
Public safety and legal services	2,418,122	-	2,418,122
Physical health and social services	1,065,253	-	1,065,253
Mental health	2,297,885	-	2,297,885
County environment and education	950,119	-	950,119
Roads and transportation	4,454,068	-	4,454,068
Government services to residents	422,291	-	422,291
Administration	1,285,270	-	1,285,270
Non-program	19,606	-	19,606
Debt service	517,725	-	517,725
Capital projects	1,012,054	1,000	1,011,054
Total disbursements	14,442,393	1,000	14,441,393
Excess (deficiency) of receipts over (under) disbursements	335,822	(988)	336,810
Other financing sources, net	110,547	-	110,547
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	446,369	(988)	447,357
Balance beginning of year	6,076,974	7,937	6,069,037
Balance end of year	\$ 6,523,343	\$ 6,949	\$ 6,516,394

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 6,551,632	\$ 6,554,329	\$ 3,395
46,500	46,500	5,026
6,439,925	6,686,269	46,026
31,530	31,530	8,991
824,971	832,071	40,602
241,860	251,860	177,151
46,600	48,600	45,853
<u>14,183,018</u>	<u>14,451,159</u>	<u>327,044</u>
2,541,120	2,559,197	141,075
1,246,224	1,472,695	407,442
2,471,284	2,471,284	173,399
1,011,051	1,018,051	67,932
4,495,952	4,495,952	41,884
459,564	486,704	64,413
1,348,906	1,364,749	79,479
-	20,000	394
517,725	517,725	-
<u>1,315,000</u>	<u>1,357,000</u>	<u>345,946</u>
<u>15,406,826</u>	<u>15,763,357</u>	<u>1,321,964</u>
(1,223,808)	(1,312,198)	1,649,008
<u>30,000</u>	<u>137,741</u>	<u>(27,194)</u>
(1,193,808)	(1,174,457)	1,621,814
<u>5,132,382</u>	<u>5,132,382</u>	<u>936,655</u>
<u>\$ 3,938,574</u>	<u>\$ 3,957,925</u>	<u>\$ 2,558,469</u>

CEDAR COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,778,215	\$ 36,753	\$ 14,814,968
Expenditures	14,442,393	(48,402)	14,393,991
Net	335,822	85,155	420,977
Other financing sources	110,547	-	110,547
Beginning fund balances	6,076,974	795,564	6,872,538
Ending fund balances	<u>\$ 6,523,343</u>	<u>\$ 880,719</u>	<u>\$ 7,404,062</u>

See accompanying independent auditor's report.

CEDAR COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$356,531. These budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the non-program function prior to amending the budget. Disbursements did not exceed the amounts appropriated for any department.

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Other Supplementary Information

CEDAR COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	Special Revenue			
	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisition	Solid Waste Disposal
Assets				
Cash and pooled investments	\$ 13,239	\$ 6,949	\$ 37,833	\$ 112,547
Receivables:				
Property tax:				
Succeeding year	-	-	-	-
Accounts	429	-	-	10,736
Accrued interest	32	2	-	238
Total assets	<u>\$ 13,700</u>	<u>\$ 6,951</u>	<u>\$ 37,833</u>	<u>\$ 123,521</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 48,350
Salaries and benefits payable	-	-	-	4,417
Due to other funds	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Total liabilities				
	-	-	-	52,767
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Unreserved	13,700	6,951	37,833	70,754
Total fund equity				
	13,700	6,951	37,833	70,754
Total liabilities and fund equity	<u>\$ 13,700</u>	<u>\$ 6,951</u>	<u>\$ 37,833</u>	<u>\$ 123,521</u>

See accompanying independent auditor's report.

<u>Reserve Officer</u>	<u>Tax Increment Financing</u>	<u>Transfer Station Closure</u>	<u>Drug Forfeiture</u>	<u>Sheriff's Commissary</u>	<u>Debt Service</u>	<u>Total</u>
\$ 1,934	\$ 8,708	\$ 6,307	\$ 24,884	\$ 24,756	\$ 3,269	\$ 240,426
-	61,000	-	-	-	-	61,000
85	-	-	62	12,000	-	23,312
-	-	-	-	-	-	272
<u>\$ 2,019</u>	<u>\$ 69,708</u>	<u>\$ 6,307</u>	<u>\$ 24,946</u>	<u>\$ 36,756</u>	<u>\$ 3,269</u>	<u>\$ 325,010</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,552	\$ -	\$ 50,902
-	-	-	-	-	-	4,417
-	15,000	-	-	-	-	15,000
-	61,000	-	-	-	-	61,000
-	76,000	-	-	2,552	-	131,319
-	-	-	-	-	3,269	3,269
2,019	(6,292)	6,307	24,946	34,204	-	190,422
2,019	(6,292)	6,307	24,946	34,204	3,269	193,691
<u>\$ 2,019</u>	<u>\$ 69,708</u>	<u>\$ 6,307</u>	<u>\$ 24,946</u>	<u>\$ 36,756</u>	<u>\$ 3,269</u>	<u>\$ 325,010</u>

CEDAR COUNTY

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

	Special Revenue				
	County Recorder's Records Management	Drainage Districts	Conservation Land Acquisition	Solid Waste Disposal	Reserve Officer
Revenues:					
Property and other County tax	\$ -	\$ -	\$ -	\$ -	-
Intergovernmental	-	-	-	50,000	-
Charges for service	4,625	-	-	317,967	3,638
Use of money and property	206	11	-	3,895	-
Miscellaneous	-	-	-	26,848	85
Total revenues	<u>4,831</u>	<u>11</u>	<u>-</u>	<u>398,710</u>	<u>3,723</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	1,704
County environment and education	-	1,000	-	518,205	-
Government services to residents	16,961	-	-	-	-
Administration	-	-	-	2,500	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>16,961</u>	<u>1,000</u>	<u>-</u>	<u>520,705</u>	<u>1,704</u>
Excess (deficiency) of revenues over (under) expenditures	(12,130)	(989)	-	(121,995)	2,019
Other financing sources (uses):					
Interfund transfers in	-	-	1,526	50,000	-
Net change in fund balances	(12,130)	(989)	1,526	(71,995)	2,019
Fund balances beginning of year	<u>25,830</u>	<u>7,940</u>	<u>36,307</u>	<u>142,749</u>	<u>-</u>
Fund balances end of year	<u>\$ 13,700</u>	<u>\$ 6,951</u>	<u>\$ 37,833</u>	<u>\$ 70,754</u>	<u>\$ 2,019</u>

See accompanying independent auditor's report.

<u>Tax Increment Financing</u>	<u>Transfer Station Closure</u>	<u>Drug Forfeiture</u>	<u>Sheriff's Commissary</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 50,796	\$ -	\$ -	\$ -	\$ -	\$ -	50,796
-	-	10,000	-	-	-	60,000
-	-	-	-	-	-	326,230
-	-	242	47,000	-	-	51,354
-	-	-	-	-	-	26,933
<u>50,796</u>	<u>-</u>	<u>10,242</u>	<u>47,000</u>	<u>-</u>	<u>-</u>	<u>515,313</u>
-	-	2,983	21,430	-	-	26,117
32,227	-	-	-	-	-	551,432
-	-	-	-	-	-	16,961
18,612	-	-	-	-	-	21,112
-	-	-	-	517,725	-	517,725
-	-	-	-	-	42,000	42,000
<u>50,839</u>	<u>-</u>	<u>2,983</u>	<u>21,430</u>	<u>517,725</u>	<u>42,000</u>	<u>1,175,347</u>
(43)	-	7,259	25,570	517,725	42,000	(660,034)
-	-	-	-	517,725	42,000	611,251
(43)	-	7,259	25,570	-	-	(48,783)
(6,249)	6,307	17,687	8,634	3,269	-	242,474
<u>\$ (6,292)</u>	<u>\$ 6,307</u>	<u>\$ 24,946</u>	<u>\$ 34,204</u>	<u>\$ 3,269</u>	<u>\$ -</u>	<u>\$ 193,691</u>

CEDAR COUNTY

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

	County Offices			
	County Auditor	County Recorder	County Sheriff	Board of Supervisors
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	-
Other County officials	25,493	31,269	15,424	580
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	1,392	-	-
Accrued interest	-	-	-	-
Total assets	\$ 25,493	\$ 32,661	\$ 15,424	\$ 580
LIABILITIES				
Accounts payable	\$ -	15,825	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	16,836	-	-
Trusts payable	25,493	-	15,424	580
Compensated absences	-	-	-	-
Total liabilities	\$ 25,493	\$ 32,661	\$ 15,424	\$ 580

<u>Agricultural Extension Education</u>	<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911 Service Center</u>	<u>Corporations</u>
\$ 1,636	\$ 53,812	\$ 453,613	\$ 158,131	\$ 9,538	\$ 111,589	\$ 43,119
-	-	-	-	-	-	-
423	-	1,173	27,393	1,503	-	11,060
169,000	-	468,000	10,989,000	607,000	-	3,919,000
-	-	-	-	-	36,721	-
-	-	-	-	-	30	-
<u>\$ 171,059</u>	<u>\$ 53,812</u>	<u>\$ 922,786</u>	<u>\$ 11,174,524</u>	<u>\$ 618,041</u>	<u>\$ 148,340</u>	<u>\$ 3,973,179</u>
\$ -	\$ 2,234	\$ 68	\$ -	\$ -	\$ -	\$ -
-	-	7,140	-	-	-	-
171,059	51,578	905,944	11,174,524	618,041	148,340	3,973,179
-	-	-	-	-	-	-
-	-	9,634	-	-	-	-
<u>\$ 171,059</u>	<u>\$ 53,812</u>	<u>\$ 922,786</u>	<u>\$ 11,174,524</u>	<u>\$ 618,041</u>	<u>\$ 148,340</u>	<u>\$ 3,973,179</u>

CEDAR COUNTY

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

	<u>City Special Assessments</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 462	\$ 4,733	\$ 47	\$ 344,073
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	655	7	-
Succeeding year	-	305,000	3,000	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	<u>\$ 462</u>	<u>\$ 310,388</u>	<u>\$ 3,054</u>	<u>\$ 344,073</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	462	310,388	3,054	344,073
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 462</u>	<u>\$ 310,388</u>	<u>\$ 3,054</u>	<u>\$ 344,073</u>

See accompanying independent auditor's report.

Recorder's Electronic Transaction Fees	Empowerment Fund	Total
\$ 475	\$ 116,158	\$ 1,297,386
-	-	72,766
-	-	42,214
-	-	16,460,000
429	5,063	43,605
-	78	108
<u>\$ 904</u>	<u>\$ 121,299</u>	<u>\$ 17,916,079</u>
\$ -	\$ 5,577	\$ 23,704
-	-	7,140
904	115,722	17,834,104
-	-	41,497
-	-	9,634
<u>\$ 904</u>	<u>\$ 121,299</u>	<u>\$ 17,916,079</u>

CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	County Offices			
	County Auditor	County Recorder	County Sheriff	Board of Supervisors
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 24,880	\$ 25,129	\$ 15,051	\$ 1,564
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	16,855	368,751	104,774	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Interest on investments	-	-	-	-
Trusts	851	-	131,655	1
Miscellaneous	-	-	-	-
Total additions	17,706	368,751	236,429	1
Deductions:				
Agency remittances:				
To other funds	16,855	157,167	105,571	-
To other governments	-	204,052	402	-
Trusts paid out	238	-	130,083	985
Total deductions	17,093	361,219	236,056	985
Balances end of year	\$ 25,493	\$ 32,661	\$ 15,424	\$ 580

<u>Agricultural Extension Education</u>	<u>Emergency Management</u>	<u>County Assessor</u>	<u>Schools</u>	<u>Area Schools</u>	<u>E-911 Service Center</u>	<u>Corporations</u>
\$ 107,080	\$ 47,691	\$ 833,909	\$ 10,332,137	\$ 618,759	\$ 91,317	\$ 3,975,355
169,189	-	468,275	11,001,355	607,825	-	3,949,170
5,311	-	23,477	512,153	30,787	-	139,008
-	-	-	-	-	94,608	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	361	-
-	-	-	-	-	-	-
-	34,403	10,308	-	-	61,744	-
<u>174,500</u>	<u>34,403</u>	<u>502,060</u>	<u>11,513,508</u>	<u>638,612</u>	<u>156,713</u>	<u>4,088,178</u>
-	-	-	-	-	-	-
110,521	28,282	413,183	10,671,121	639,330	99,690	4,090,354
-	-	-	-	-	-	-
<u>110,521</u>	<u>28,282</u>	<u>413,183</u>	<u>10,671,121</u>	<u>639,330</u>	<u>99,690</u>	<u>4,090,354</u>
\$ <u>171,059</u>	\$ <u>53,812</u>	\$ <u>922,786</u>	\$ <u>11,174,524</u>	\$ <u>618,041</u>	\$ <u>148,340</u>	\$ <u>3,973,179</u>

CEDAR COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2007

	<u>City Special Assessments</u>	<u>Townships</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Auto License and Use Tax</u>
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 982	\$ 291,447	\$ 3,057	\$ 366,648
Additions:				
Property and other County tax	-	304,914	3,021	-
State tax credits	-	15,309	153	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	4,291,244
Assessments	44,917	-	-	-
Interest on investments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	44,917	320,223	3,174	4,291,244
Deductions:				
Agency remittances:				
To other funds	-	-	-	155,770
To other governments	45,437	301,282	3,177	4,158,049
Trusts paid out	-	-	-	-
Total deductions	45,437	301,282	3,177	4,313,819
Balances end of year	\$ 462	\$ 310,388	\$ 3,054	\$ 344,073

See accompanying independent auditor's report.

<u>Tax Sale Redemption Trust</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Empowerment Fund</u>	<u>Total</u>
\$ -	\$ 902	\$ 51,507	\$ 16,787,415
-	-	-	16,503,749
-	-	-	726,198
-	-	-	94,608
-	-	-	490,380
-	-	-	4,291,244
-	-	-	44,917
-	-	657	1,018
103,525	4,632	-	240,664
-	-	276,491	382,946
<u>103,525</u>	<u>4,632</u>	<u>277,148</u>	<u>22,775,724</u>
-	-	-	435,363
-	-	207,356	20,972,236
<u>103,525</u>	<u>4,630</u>	-	<u>239,461</u>
<u>103,525</u>	<u>4,630</u>	<u>207,356</u>	<u>21,647,060</u>
<u>\$ -</u>	<u>\$ 904</u>	<u>\$ 121,299</u>	<u>\$ 17,916,079</u>

CEDAR COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Property and other County tax	\$ 6,650,106	\$ 6,493,506	\$ 6,873,785	\$ 7,012,214
Interest and penalty on property tax	52,532	71,629	44,810	42,988
Intergovernmental	6,613,886	6,473,937	6,181,889	6,049,649
Licenses and permits	40,816	40,460	40,415	37,607
Charges for service	880,809	1,033,796	957,047	1,014,487
Use of money and property	480,693	335,215	191,763	133,402
Miscellaneous	96,126	144,094	104,475	92,648
Total revenues	\$ 14,814,968	\$ 14,592,637	\$ 14,394,184	\$ 14,382,995
Expenditures:				
Current:				
Public safety and legal services	\$ 2,442,778	\$ 2,410,045	\$ 2,325,998	\$ 2,096,878
Physical health and social services	1,067,239	1,010,583	1,054,518	1,093,385
Mental health	2,343,358	2,657,815	2,404,162	2,306,745
County environment and eradication	968,804	895,988	824,677	884,024
Roads and transportation	4,326,007	4,406,428	4,250,121	4,110,795
Government services to residents	421,513	549,782	427,995	400,840
Administration	1,294,089	1,295,564	1,276,444	1,274,758
Nonprogram	19,606	-	-	-
Debt service	517,725	516,915	520,565	694,515
Capital projects	992,872	1,053,668	971,899	744,764
Total expenditures	\$ 14,393,991	\$ 14,796,788	\$ 14,056,379	\$ 13,606,704

See accompanying independent auditor's report.

CEDAR COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administration Reimbursements:			
State Administration Matching Grants for Food Stamp Program	10.561	FY 07	\$ <u>3,314</u>
U.S. Department of Public Safety:			
Iowa Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	06-163, Task 09	900
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	06-157, Task 26	<u>3,000</u>
			<u>3,900</u>
U.S. General Services Administration:			
Iowa Department of Secretary of State:			
Election Reform Payments	39.011	06-HAVA	<u>2,200</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS CO16(65)	87,908
Highway Planning and Construction	20.205	BROS CO16(56)	217,171
Highway Planning and Construction	20.205	BROS CO16(58)	171,592
Highway Planning and Construction	20.205	BROS CO16(61)	<u>182,946</u>
			<u>659,617</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	EMPG(06)	6,571
Emergency Management Performance Grants	97.042	EMPG(07)	<u>5,257</u>
			<u>11,828</u>

CEDAR COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558	FY 07	\$ <u>4,490</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 07	<u>998</u>
Foster Care - Title IV-E	93.658	FY 07	<u>2,463</u>
Adoption Assistance	93.659	FY 07	<u>501</u>
State Children's Insurance Program	93.767	FY 07	<u>31</u>
Medical Assistance Program	93.778	FY 07	<u>5,865</u>
Child Care block Grant	93.037	FY 07	<u>2</u>
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 07	<u>7</u>
Social Services Block Grant	93.667	FY 07	<u>2,951</u>
Social Services Block Grant	93.667	FY 07	<u>49,923</u>
			<u>52,874</u>
Iowa Department of Public Health:			
Immunization Grants	93.268	5886I440	820
Immunization Grants	93.268	5887I440	<u>1,635</u>
			<u>2,455</u>
Total			\$ <u><u>750,545</u></u>

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

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Cedar County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar 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 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar 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 an opinion on the effectiveness of Cedar County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar 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.

A control deficiency exists when the design or operation of a 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 Cedar County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Cedar County's financial statements that is more than inconsequential will not be prevented or detected by Cedar County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Cedar 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 II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

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

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

Cedar County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Cedar 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 Cedar County and other parties to whom Cedar County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa
March 4, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Cedar County:

Compliance

We have audited the compliance of Cedar County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Cedar County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Cedar County's management. Our responsibility is to express an opinion on Cedar County's compliance based on our audit.

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

In our opinion, Cedar County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Cedar County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Cedar County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cedar County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Oskaloosa, Iowa
March 4, 2008

CEDAR COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Cedar County did not qualify as a low-risk auditee.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties

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

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

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

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

II-A-07 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

II-B-07 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the County's financial statements. In addition, we noted the addition of old items not previously capitalized to the capital asset listing, several capital assets were depreciated beyond the original cost, some items were not depreciated, and some assets that were disposed of were not removed from the capital asset listing. Adjustments were subsequently made by the County to properly include or exclude these amounts in the financial statements, as necessary.

Recommendation – The County should implement procedures to ensure all receivables and capital asset additions and disposals are identified and included in the County's financial statements. All capital asset depreciation calculations should be tested for accuracy.

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

Conclusion – Response accepted.

II-C-07 Care Facility Memorial Savings Account – We noted that one former care facility administrator was still listed as an authorized signer on the care facility memorial savings account.

Recommendation – The County should update the authorized signature card for this account and maintain any future changes in a timely manner for all County accounts. Since the County has now closed the care facility, the Board should decide how to use the remaining funds in the care facility memorial savings account.

Response – We will update the signature cards as necessary and maintain all future changes in a timely manner. We will also decide on how to use the remaining memorial savings funds.

Conclusion – Response accepted.

CEDAR COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

CEDAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the non-program function prior to amending the budget. Disbursements did not exceed the amounts appropriated in any department.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required.

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Loren Gritton, spouse of Cari Gritton, County Auditor	Repairs	\$3,906

These transactions do not appear to represent a conflict of interest since they were competitively bid.

IV-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

CEDAR COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

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

IV-J-07 Financial Condition – The Special Revenue, Tax Increment Financing fund had an unreserved, undesignated fund deficit of \$6,292 at June 30, 2007.

Recommendation – The County should investigate alternatives to return this Fund to a sound financial condition.

Response – The Tax Increment Financing Fund has yet to collect enough assessed revenues and is currently operating with a loan from the Secondary Road Fund. We expect the needed revenues to be available soon. We will try to maintain a positive balance in the Tax Increment Financing Fund in the future.

Conclusion – Response accepted.

IV-K-07 Cedar County Solid Waste Commission – We noted that the minutes of the Cedar County Solid Waste Commission (reported as a component unit of the County) were not signed. The minutes were not published as required by Chapter 28E.6(3) of the Code of Iowa.

Recommendation – All minutes should be signed in the future and published as required.

Response – This was an oversight on our part this year. We will properly sign and publish the minutes in the future as required.

Conclusion – Response accepted.