



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

May 3, 2007

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$15,096,689 for the year ended June 30, 2006, which included \$1,004,664 in tax credits from the state. The County forwarded \$11,687,508 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,409,181 of the local tax revenue to finance County operations, a one percent increase over the prior year. Other revenues included charges for service of \$535,739, operating grants, contributions and restricted interest of \$3,582,375, capital grants, contributions and restricted interest of \$1,812,533, unrestricted investment earnings of \$86,532, local option sales tax of \$380,748 and other general revenues of \$143,105.

Expenses for County operations totaled \$8,339,415, a five percent increase over the prior year. Expenses included \$3,373,133 for roads and transportation, \$1,575,106 for mental health and \$1,235,091 for public safety and legal services.

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

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**PAGE COUNTY**

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

**JUNE 30, 2006**

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**Page County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James D. Richardson	Board of Supervisors	Jan 2007
Jon W. Herzberg	Board of Supervisors	Jan 2009
Elaine Armstrong	Board of Supervisors	Jan 2009
Judy Clark	County Auditor	Jan 2009
Kim Behrens	County Treasurer	Jan 2007
Brenda Esaias	County Recorder	Jan 2007
Mike Williams	County Sheriff	Jan 2009
Richard Davidson	County Attorney	Jan 2009
Peggy Smith	County Assessor	Jan 2010

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Independent Auditor's Report

To the Officials of Page County:

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

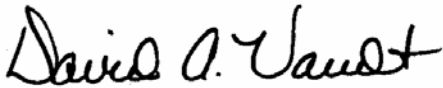
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2006 on our consideration of Page County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Page 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 two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 31, 2006



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **2006 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 10%, or approximately \$1,138,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$41,000, operating grants and contributions decreased approximately \$143,000 and capital grants and contributions decreased approximately \$1,169,000.
- Program expenses of the County's governmental activities were 5%, or approximately \$395,000, more in fiscal 2006 than in fiscal 2005. Roads and transportation expenses increased approximately \$69,000.
- The County's net assets increased 11.8%, or approximately \$1,611,000, from June 30, 2005 to June 30, 2006.

### **USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Page 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 Page 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 Page County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **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 or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about 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. This 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 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. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

### *The Fund Financial Statements*

The County has two 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, and 3) 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 financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Page County's combined net assets increased approximately \$1.6 million over a year ago to \$15.2 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 8,204,255	8,236,154
Capital assets	11,276,278	9,457,729
Total assets	<u>19,480,533</u>	<u>17,693,883</u>
Long-term liabilities	294,514	271,208
Other liabilities	3,956,918	3,804,372
Total liabilities	<u>4,251,432</u>	<u>4,075,580</u>
Net assets:		
Invested in capital assets	11,276,278	9,457,729
Restricted	2,763,842	3,178,874
Unrestricted	<u>1,188,981</u>	<u>981,700</u>
Total net assets	<u>\$ 15,229,101</u>	<u>13,618,303</u>

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, equipment and construction in progress). This net asset component increased over the prior year by approximately \$1.8 million, or 19.2%. This increase is the result of capital contributions from the Iowa Department of Transportation for road projects.

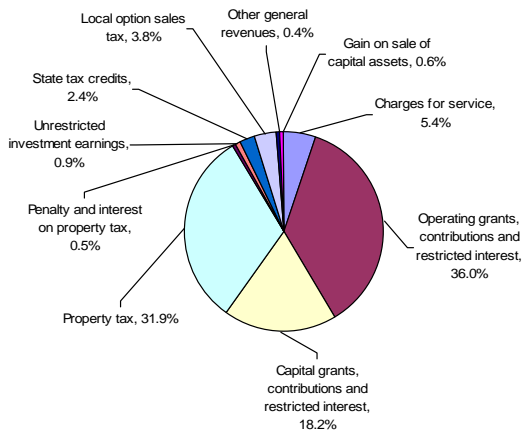
Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. This net asset component decreased approximately \$400,000, or 13%, from the prior year. This decrease is primarily due to a decrease in the amount restricted for mental health purposes.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from approximately \$982,000 at June 30, 2005 to approximately \$1,189,000 at the end of this year, an increase of 21.1%. This increase is primarily related to an increase in funds available in the General Fund.

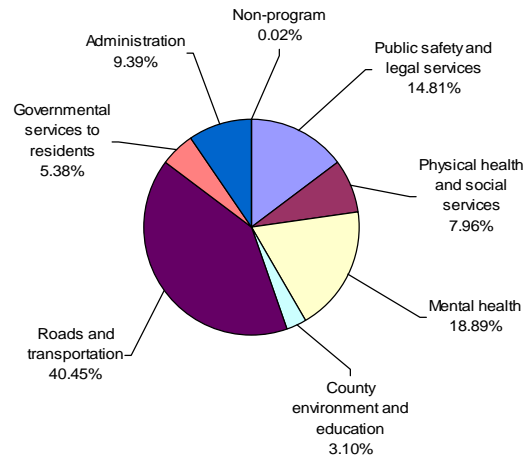
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2006	2005
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 535,739	487,395
Operating grants, contributions and restricted interest	3,582,375	3,725,806
Capital grants, contributions and restricted interest	1,812,533	2,981,214
<b>General revenues:</b>		
Property tax	3,172,900	3,131,942
Penalty and interest on property tax	46,207	41,424
State tax credits	236,281	240,393
Local option sales tax	380,748	331,194
Unrestricted investment earnings	86,532	52,123
Gain on sale of capital assets	58,751	71,516
Other general revenues	38,147	25,583
<b>Total revenues</b>	<b>9,950,213</b>	<b>11,088,590</b>
<b>Program expenses:</b>		
Public safety and legal services	1,235,091	1,234,648
Physical health and social services	664,134	950,663
Mental health	1,575,106	1,086,213
County environment and education	258,585	242,198
Roads and transportation	3,373,133	3,304,568
Governmental services to residents	448,907	329,054
Administration	783,188	794,375
Non-program	1,271	2,470
<b>Total expenses</b>	<b>8,339,415</b>	<b>7,944,189</b>
<b>Increase in net assets</b>	<b>1,610,798</b>	<b>3,144,401</b>
<b>Net assets beginning of year</b>	<b>13,618,303</b>	<b>10,473,902</b>
<b>Net assets end of year</b>	<b>\$ 15,229,101</b>	<b>13,618,303</b>

**Revenue by Source**



**Expenses by Functions**



Page County's countywide property tax rate increased moderately by \$.0629 per \$1,000 of valuation while the rural levy remained the same. The rural assessed property taxable valuation increased approximately \$416,000. The countywide assessed property taxable valuation decreased approximately \$1,575,000.

The cost of all governmental activities this year was \$8.3 million compared to \$7.9 million last year, a 5% increase. Expenses in the physical health and social services function decreased approximately \$287,000, or 30%, from the prior year. This decrease was primarily due to a Community Development Block grant passed through the County in the prior year. Expenses in the mental health function increased approximately \$489,000, or 45%, over the prior year. This increase was due to an increase in the number of clients served as well as an increase in the services provided to current clients. The Mental Health Fund also purchased two new vehicles and new computers during fiscal 2006.

As shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for governmental activities was only \$2.4 million because some of the cost was paid by those directly benefited from the programs (\$536,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,395,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in 2006 from approximately \$7,194,000 to \$5,931,000, principally due to receiving more state contributions for secondary road projects in the prior year. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,173,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Page County completed the year, its governmental funds reported a total fund balance of \$4.2 million, a decrease of more than \$176,000 from last year's total of \$4.4 million.

The General Fund, the operating fund for Page County, ended the current year with a balance of \$1,236,422, up from the prior year ending balance of \$1,004,798. The increase is primarily due to a decrease in expenditures in the physical health and social services function, offset by an increase in governmental services to residents. The decrease in physical health and social services expenditures is due to a Community Development Block grant passed through the County in the prior year. The increase in expenditures in the governmental services to residents function is related to the purchase of new voting equipment in the current fiscal year. The taxable property valuation decreased from \$463,580,352 in FY05 to \$461,965,245 in FY06. The General Fund levy rate remained the same in FY06 as in FY05--\$3.90724 per \$1,000 of taxable valuation.

Page County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY06 ended with a \$210,898 fund balance, whereas FY05 ended with a fund balance of \$590,893. FY06 non-property tax revenues increased \$74,428 from FY05 while FY06 expenditures increased \$515,049. The FY06 mental health levy rate of \$.90000 per \$1,000 of taxable valuation remained the same as the FY05 levy rate. The increase in expenditures over the prior year was primarily due to an increase in the number of clients served and an increase in the services provided to current clients.

The Rural Services Fund ended with a \$200,218 balance compared to the prior year ending fund balance of \$195,936, a moderate increase of \$4,282, or 2%. Revenues and expenditures remained relatively consistent from FY05 to FY06. The local option sales tax received and credited to the Rural Services Fund meets the requirements of the referendum for property tax relief.

The Secondary Roads Fund ended FY06 with a \$2,153,738 balance compared to the prior year ending fund balance of \$2,282,294, a \$128,556, or 5.6%, decrease. Revenues increased approximately \$299,000, primarily due to the collection of \$365,000 from the County's farm-to-market account. Expenditures increased approximately \$253,000 from FY05, primarily due to an increase in bridge replacement and other road projects. Page County maintained approximately 923 miles of gravel, dirt, and paved roads with the resources of this fund.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Page County amended its budget two times. The first amendment was in April 2006 and resulted in an increase in budgeted disbursements related to public and environmental health and additional expenses for juvenile shelter care and court services. The second amendment was in June 2006. This amendment was primarily for increased revenues and expenses related to environmental health.

Overall, the County's receipts were \$685,988 less than budgeted, a variance of 7.5%. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were \$2,003,076 less than the amended budget. Actual disbursements for the governmental services to residents, roads and transportation and capital projects functions were \$140,883, \$600,008 and \$1,006,794, respectively, less than budgeted. This was primarily due to slower progress than anticipated on secondary roads projects along with cost-cutting measures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of FY06, Page County had approximately \$11.3 million invested in a broad range of capital assets, including public safety equipment, buildings, roads, and bridges. This is an increase of \$1.8 million, or 19.2%, over the prior year. This increase is primarily related to an increase in road infrastructure.

Page County had depreciation expense of \$646,574 in FY06 and total accumulated depreciation of \$4,587,324 at June 30, 2006. Additional information about the County's capital assets is included in Note 4 to the financial statements.

### **Long-term Debt**

Page County had no long-term debt outstanding at June 30, 2006.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Page County's elected and appointed officials and citizens consider many factors when setting the county budget, tax rates and fees that apply for the various county services. One of those factors is the economy. Unemployment in the County now stands at 3.9% versus 4.4% a year ago. This compares to the State's unemployment rate of 3.6% and the national rate of 4.5% for the period ended June 30, 2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$9.5 million, an increase of 3.3 percent over the final 2006 budget. Property tax and miscellaneous receipts are expected to lead this increase. Page County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to decrease by approximately \$487,000, or 4.5%. Cost-cutting measures instituted represent the main reason for the decrease. The County has added no major new programs or initiatives to the 2007 budget.

If the budget estimates are realized, the County's budgetary operating balance is expected to decrease by the close of 2007 by approximately \$641,000.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Page 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 Judy Clark at the Page County Auditor's Office, by mail at 112 E. Main, Clarinda, Iowa 51632, or by telephone at (712) 542-3219.

**Page County**



## **Basic Financial Statements**

Page County  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,782,227
Receivables:	
Property tax:	
Delinquent	16,368
Succeeding year	3,322,000
Interest and penalty on property tax	6,342
Accounts	29,668
Accrued interest	16,900
Due from other governments	453,004
Inventories	577,746
Capital assets (net of accumulated depreciation)	<u>11,276,278</u>
<b>Total assets</b>	<u>19,480,533</u>
<b>Liabilities</b>	
Accounts payable	353,466
Salaries and benefits payable	114,488
Due to other governments	166,964
Deferred revenue:	
Succeeding year property tax	3,322,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	88,549
Portion due or payable after one year:	
Compensated absences	<u>205,965</u>
<b>Total liabilities</b>	<u>4,251,432</u>
<b>Net Assets</b>	
Invested in capital assets	11,276,278
Restricted for:	
Supplemental levy purposes	158,788
Mental health purposes	224,367
Secondary roads purposes	1,985,347
Debt service	529
Other purposes	394,811
Unrestricted	<u>1,188,981</u>
<b>Total net assets</b>	<u>\$ 15,229,101</u>

See notes to financial statements.

Page County

Statement of Activities

Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,235,091	96,914	33,390	-	(1,104,787)
Physical health and social services	664,134	58,441	269,273	-	(336,420)
Mental health	1,575,106	3,878	774,116	-	(797,112)
County environment and education	258,585	23,787	11,962	-	(222,836)
Roads and transportation	3,373,133	43,329	2,366,144	1,812,533	848,873
Governmental services to residents	448,907	250,461	111,779	-	(86,667)
Administration	783,188	58,929	15,711	-	(708,548)
Non-program	1,271	-	-	-	(1,271)
<b>Total</b>	<b>\$ 8,339,415</b>	<b>535,739</b>	<b>3,582,375</b>	<b>1,812,533</b>	<b>(2,408,768)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,145,691
Debt service					27,209
Penalty and interest on property tax					46,207
State tax credits					236,281
Local option sales tax					380,748
Unrestricted investment earnings					86,532
Gain on sale of capital assets					58,751
Miscellaneous					38,147
<b>Total general revenues</b>					<b>4,019,566</b>
Change in net assets					1,610,798
Net assets beginning of year					13,618,303
Net assets end of year					<b>\$ 15,229,101</b>

See notes to financial statements.

Page County  
Balance Sheet  
Governmental Funds

June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,202,973	401,601	197,856	1,619,892
Receivables:				
Property tax:				
Delinquent	10,778	2,917	2,673	-
Succeeding year	2,120,000	574,000	628,000	-
Interest and penalty on property tax	6,342	-	-	-
Accounts	11,725	12,180	1,045	4,718
Accrued interest	16,900	-	-	-
Due from other governments	116,465	16,474	3,454	280,676
Inventories	-	-	-	577,746
<b>Total assets</b>	<b>\$ 3,485,183</b>	<b>1,007,172</b>	<b>833,028</b>	<b>2,483,032</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 30,860	41,683	479	279,944
Salaries and benefits payable	62,367	5,315	1,233	45,573
Due to other governments	4,051	159,986	100	2,827
Deferred revenue:				
Succeeding year property tax	2,120,000	574,000	628,000	-
Other	31,483	15,290	2,998	950
Total liabilities	2,248,761	796,274	632,810	329,294
Fund balances:				
Reserved for:				
Supplemental levy purposes	171,855	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,064,567	-	-	-
Special revenue funds	-	210,898	200,218	2,153,738
Total fund balances	1,236,422	210,898	200,218	2,153,738
<b>Total liabilities and fund balances</b>	<b>\$ 3,485,183</b>	<b>1,007,172</b>	<b>833,028</b>	<b>2,483,032</b>

See notes to financial statements.

Nonmajor	Total
359,905	3,782,227
-	16,368
-	3,322,000
-	6,342
-	29,668
-	16,900
35,935	453,004
-	577,746
<u>395,840</u>	<u>8,204,255</u>
500	353,466
-	114,488
-	166,964
-	3,322,000
-	50,721
<u>500</u>	<u>4,007,639</u>
-	171,855
529	529
-	1,064,567
394,811	2,959,665
<u>395,340</u>	<u>4,196,616</u>
<u>395,840</u>	<u>8,204,255</u>

**Page County**

Page County

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

June 30, 2006

<b>Total governmental fund balances (page 19)</b>	\$ 4,196,616
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$15,863,602 and the accumulated depreciation is \$4,587,324.	11,276,278
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	50,721
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(294,514)</u>
<b>Net assets of governmental activities (page 16)</b>	<u><u>\$ 15,229,101</u></u>

See notes to financial statements.

Page County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,222,924	387,489	752,365	42,407
Interest and penalty on property tax	39,989	-	-	-
Intergovernmental	602,715	831,182	63,984	2,934,607
Licenses and permits	468	-	31,819	595
Charges for service	369,565	-	-	8,834
Use of money and property	111,523	-	-	-
Miscellaneous	54,850	3,878	568	33,575
Total revenues	<u>3,402,034</u>	<u>1,222,549</u>	<u>848,736</u>	<u>3,020,018</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	1,256,693	-	-	-
Physical health and social services	604,418	-	52,675	-
Mental health	-	1,602,544	-	-
County environment and education	187,423	-	23,813	-
Roads and transportation	-	-	-	3,271,749
Governmental services to residents	438,336	-	1,808	-
Administration	702,943	-	-	-
Non-program	1,271	-	-	-
Capital projects	-	-	-	642,983
Total expenditures	<u>3,191,084</u>	<u>1,602,544</u>	<u>78,296</u>	<u>3,914,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>210,950</u>	<u>(379,995)</u>	<u>770,440</u>	<u>(894,714)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	28,674	-	-	766,158
Operating transfers out	(8,000)	-	(766,158)	-
Total other financing sources (uses)	<u>20,674</u>	<u>-</u>	<u>(766,158)</u>	<u>766,158</u>
Net change in fund balances	231,624	(379,995)	4,282	(128,556)
Fund balances beginning of year	1,004,798	590,893	195,936	2,282,294
Fund balances end of year	<u>\$ 1,236,422</u>	<u>210,898</u>	<u>200,218</u>	<u>2,153,738</u>

See notes to financial statements.



Nonmajor	Total
143,984	3,549,169
-	39,989
13,631	4,446,119
-	32,882
3,314	381,713
761	112,284
250	93,121
161,940	8,655,277
-	1,256,693
-	657,093
-	1,602,544
31,432	242,668
-	3,271,749
5,000	445,144
8,749	711,692
-	1,271
-	642,983
45,181	8,831,837
116,759	(176,560)
8,000	802,832
(28,674)	(802,832)
(20,674)	-
96,085	(176,560)
299,255	4,373,176
395,340	4,196,616

Page County

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

Year ended June 30, 2006

**Net change in fund balances - Total governmental funds (page 23)** \$ (176,560)

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

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

Expenditures for capital assets	\$ 1,162,302	
Capital assets contributed by the Iowa Department of Transportation	1,244,070	
Depreciation expense	<u>(646,574)</u>	1,759,798

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 58,751

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

Property tax	4,479	
Other	<u>(12,364)</u>	(7,885)

Compensated absences 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. (23,306)

**Change in net assets of governmental activities (page 17)** \$ 1,610,798

See notes to financial statements.

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

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 876,549
Other County officials	12,626
Receivables:	
Property tax:	
Delinquent	56,045
Succeeding year	10,903,000
Accounts	27,544
<b>Total assets</b>	11,875,764

**Liabilities**

Accounts payable	786
Salaries and benefits payable	4,192
Due to other governments	11,786,067
Trusts payable	76,711
Compensated absences	8,008
<b>Total liabilities</b>	11,875,764

<b>Net assets</b>	\$ -
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See notes to financial statements.

Page County

Notes to Financial Statements

June 30, 2006

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Page 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 Page 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 they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Eleven drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Page County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Page County Auditor's Office.

Jointly Governed Organizations – The County 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: Page County Assessor’s Conference Board, Page County Emergency Management Commission, Page County Joint E911 Service Board and Corner Counties Empowerment Area. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Page County Landfill, Juvenile Detention Center and Jobs Training Partnership Act Quality Jobs Program. The County also participates in the following jointly governed organizations: Alcohol Assistance Agency, 4th Judicial District Department of Correctional Services, Golden Hills Resource Conservation and Development, Southwest Iowa Planning Council and West Central Development Corporation.

#### 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* consists of capital assets, net of accumulated depreciation.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, 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.

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

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

#### D. Assets, Liabilities and Fund Equity

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

Cash and Pooled Investments – 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 consist of non-negotiable certificates of deposit which are stated at cost.

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

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	40 - 50
Infrastructure, road network	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

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



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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

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

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue: Debt Service	\$ 28,674
Special Revenue: Secondary Roads	Special Revenue: Rural Services	766,158
Conservation Land Acquisition	General	8,000
Total		\$ 802,832

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

**(4) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 592,603	-	-	592,603
Construction in progress	976,299	1,906,570	(2,632,915)	249,954
Total capital assets not being depreciated	<u>1,568,902</u>	<u>1,906,570</u>	<u>(2,632,915)</u>	<u>842,557</u>
Capital assets being depreciated:				
Buildings and improvements	4,510,501	-	-	4,510,501
Equipment and vehicles	4,807,774	652,502	(498,133)	4,962,143
Infrastructure, road network	2,915,486	2,632,915	-	5,548,401
Total capital assets being depreciated	<u>12,233,761</u>	<u>3,285,417</u>	<u>(498,133)</u>	<u>15,021,045</u>
Less accumulated depreciation for:				
Buildings and improvements	1,484,075	105,221	-	1,589,296
Equipment and vehicles	2,772,654	424,738	(404,184)	2,793,208
Infrastructure, road network	88,205	116,615	-	204,820
Total accumulated depreciation	<u>4,344,934</u>	<u>646,574</u>	<u>(404,184)</u>	<u>4,587,324</u>
Total capital assets being depreciated, net	<u>7,888,827</u>	<u>2,638,843</u>	<u>(93,949)</u>	<u>10,433,721</u>
Governmental activities capital assets, net	<u>\$ 9,457,729</u>	<u>4,545,413</u>	<u>(2,726,864)</u>	<u>11,276,278</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 43,785
Physical health and social services	2,849
Mental health	3,999
County environment and education	13,909
Roads and transportation	479,155
Governmental services to residents	1,643
Administration	<u>101,234</u>
Total depreciation expense - governmental activities	<u>\$ 646,574</u>

**(5) Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 4,051
Special Revenue:		
Mental Health	Services	159,986
Rural Services	Services	100
Secondary Roads	Services	2,827
		<u>162,913</u>
Total for governmental funds		<u>\$ 166,964</u>
Agency:		
County Assessor	Collections	\$ 407,746
Schools		6,527,946
Community Colleges		272,766
Corporations		3,815,639
Auto License and Use Tax		245,555
All other		516,415
Total for agency funds		<u>\$ 11,786,067</u>

**(6) Changes in Long-Term Liabilities**

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

	<u>Compen- sated Absences</u>
Balance beginning of year	\$ 271,208
Increases	166,749
Decreases	143,443
	<u>\$ 294,514</u>
Balance end of year	<u>\$ 294,514</u>
Due within one year	<u>\$ 88,549</u>

**(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$168,439, \$167,370 and \$165,367, respectively, equal to the required contributions for each year.

## **(8) Risk Management**

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

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$80,471.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of

reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

**(9) Subsequent Event**

In January 2007, the County issued \$995,000 of general obligation capital loan notes on behalf of the Page County Landfill for a recycling project.

**Page County**

**Required Supplementary Information**

Page County

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

Required Supplementary Information

Year ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 3,516,034	-	3,516,034
Interest and penalty on property tax	44,002	-	44,002
Intergovernmental	4,295,218	-	4,295,218
Licenses and permits	31,522	-	31,522
Charges for service	415,980	-	415,980
Use of money and property	100,667	280	100,387
Miscellaneous	90,644	25	90,619
Total receipts	8,494,067	305	8,493,762
<b>Disbursements:</b>			
Public safety and legal services	1,256,153	-	1,256,153
Physical health and social services	667,055	-	667,055
Mental health	1,502,691	-	1,502,691
County environment and education	241,115	-	241,115
Roads and transportation	3,408,892	-	3,408,892
Governmental services to residents	443,584	-	443,584
Administration	709,911	-	709,911
Non-program	1,271	-	1,271
Debt service	-	-	-
Capital projects	655,206	-	655,206
Total disbursements	8,885,878	-	8,885,878
Excess (deficiency) of receipts over (under) disbursements	(391,811)	305	(392,116)
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(391,811)	305	(392,116)
Balance beginning of year	4,174,038	34,375	4,139,663
Balance end of year	\$ 3,782,227	34,680	3,747,547

See accompanying independent auditor's report.



Budgeted Amounts		Final to Net Variance
Original	Final	
3,457,958	3,460,365	55,669
31,200	31,200	12,802
5,207,567	5,235,516	(940,298)
27,199	32,169	(647)
312,615	314,122	101,858
70,400	70,400	29,987
34,150	35,978	54,641
<u>9,141,089</u>	<u>9,179,750</u>	<u>(685,988)</u>
1,330,222	1,330,222	74,069
668,949	735,209	68,154
1,512,888	1,512,888	10,197
240,687	262,278	21,163
4,008,900	4,008,900	600,008
583,200	584,467	140,883
777,691	759,820	49,909
5,000	5,000	3,729
29,170	29,170	29,170
1,661,000	1,661,000	1,005,794
<u>10,817,707</u>	<u>10,888,954</u>	<u>2,003,076</u>
(1,676,618)	(1,709,204)	1,317,088
<u>135,000</u>	<u>135,000</u>	<u>(135,000)</u>
(1,541,618)	(1,574,204)	1,182,088
<u>3,391,649</u>	<u>4,140,349</u>	<u>(686)</u>
<u>1,850,031</u>	<u>2,566,145</u>	<u>1,181,402</u>

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Page County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,494,067	161,210	8,655,277
Expenditures	8,885,878	(54,041)	8,831,837
Net	(391,811)	215,251	(176,560)
Other financing sources, net		-	
Beginning fund balances	4,174,038	199,138	4,373,176
Ending fund balances	\$ 3,782,227	414,389	4,196,616

See accompanying independent auditor's report.

Page County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$71,247. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

**Page County**

**Other Supplementary Information**

Page County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

	Resource Enhancement and Protection	Local Option Sales Tax	County Recorder's Records Management	Special County Recorder's Electronic Transaction Fee
<b>Assets</b>				
Cash and pooled investments	\$ 34,462	236,434	10,533	16
Due from other governments	5,785	30,150	-	-
<b>Total assets</b>	<b>\$ 40,247</b>	<b>266,584</b>	<b>10,533</b>	<b>16</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 500	-	-	-
Fund equity:				
Reserved for debt service	-	-	-	-
Unreserved	39,747	266,584	10,533	16
Total fund equity	39,747	266,584	10,533	16
<b>Total liabilities and fund equity</b>	<b>\$ 40,247</b>	<b>266,584</b>	<b>10,533</b>	<b>16</b>

See accompanying independent auditor's report.

Revenue					
Drainage Districts	Conservation Land Acquisition	Sheriff Special Investigation	Special Law Enforcement	Debt Service	Total
34,680	29,541	5,249	8,461	529	359,905
-	-	-	-	-	35,935
34,680	29,541	5,249	8,461	529	395,840
-	-	-	-	-	500
-	-	-	-	529	529
34,680	29,541	5,249	8,461	-	394,811
34,680	29,541	5,249	8,461	529	395,340
34,680	29,541	5,249	8,461	529	395,840

Page County

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

Year ended June 30, 2006

	Special		
	Resource Enhancement and Protection	Local Option Sales Tax	County Recorder's Records Management
Revenues:			
Property and other county tax	\$ -	116,775	-
Intergovernmental	11,118	-	-
Charges for service	-	-	3,314
Use of money and property	339	-	142
Miscellaneous	-	-	-
Total revenues	11,457	116,775	3,456
Expenditures:			
Operating:			
County environment and education	11,669	19,763	-
Governmental services to residents	-	-	5,000
Administration	-	8,749	-
Total expenditures	11,669	28,512	5,000
Excess (deficiency) of revenues over (under) expenditures	(212)	88,263	(1,544)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(212)	88,263	(1,544)
Fund balances beginning of year	39,959	178,321	12,077
Fund balances end of year	\$ 39,747	266,584	10,533

See accompanying independent auditor's report.



Revenue							
County Recorder's Electronic Transaction Fee	Drainage Districts	Conservation Land Acquisition	Sheriff Special Investigation	Special Law Enforcement	Debt Service	Total	
-	-	-	-	-	27,209	143,984	
-	-	-	-	519	1,994	13,631	
-	-	-	-	-	-	3,314	
-	280	-	-	-	-	761	
-	25	225	-	-	-	250	
-	305	225	-	519	29,203	161,940	
-	-	-	-	-	-	31,432	
-	-	-	-	-	-	5,000	
-	-	-	-	-	-	8,749	
-	-	-	-	-	-	45,181	
-	305	225	-	519	29,203	116,759	
-	-	8,000	-	-	-	8,000	
-	-	-	-	-	(28,674)	(28,674)	
-	-	8,000	-	-	(28,674)	(20,674)	
-	305	8,225	-	519	529	96,085	
16	34,375	21,316	5,249	7,942	-	299,255	
16	34,680	29,541	5,249	8,461	529	395,340	

Page County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	10,090	129,862	125,609
Other County officials	12,626	-	-	-
Receivables:				
Property tax:				
Delinquent	-	616	1,461	33,337
Succeeding year	-	121,000	288,000	6,369,000
Accounts	1,406	-	-	-
<b>Total assets</b>	<b>\$ 14,032</b>	<b>131,706</b>	<b>419,323</b>	<b>6,527,946</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	43	-
Salaries and benefits payable	-	-	3,526	-
Due to other governments	11,322	131,706	407,746	6,527,946
Trusts payable	2,710	-	-	-
Compensated absences	-	-	8,008	-
<b>Total liabilities</b>	<b>\$ 14,032</b>	<b>131,706</b>	<b>419,323</b>	<b>6,527,946</b>

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	Other	Total
6,420	53,758	2,707	245,555	302,548	876,549
-	-	-	-	-	12,626
1,346	18,881	396	-	8	56,045
265,000	3,743,000	115,000	-	2,000	10,903,000
-	-	-	-	26,138	27,544
<b>272,766</b>	<b>3,815,639</b>	<b>118,103</b>	<b>245,555</b>	<b>330,694</b>	<b>11,875,764</b>
-	-	-	-	743	786
-	-	-	-	666	4,192
272,766	3,815,639	118,103	245,555	255,284	11,786,067
-	-	-	-	74,001	76,711
-	-	-	-	-	8,008
<b>272,766</b>	<b>3,815,639</b>	<b>118,103</b>	<b>245,555</b>	<b>330,694</b>	<b>11,875,764</b>

Page County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2006

	Agricultural			
	County Offices	Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 11,949	133,511	427,896	6,580,220
Additions:				
Property and other county tax	-	121,167	289,627	6,383,012
E911 surcharge	-	-	-	-
State tax credits	-	9,057	22,067	473,177
Intergovernmental	-	-	-	-
Drivers license fees	-	-	-	-
Office fees and collections	346,181	-	2,061	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	153,032	-	-	-
Miscellaneous	-	-	3,042	-
Total additions	499,213	130,224	316,797	6,856,189
Deductions:				
Agency remittances:				
To other funds	197,777	-	-	-
To other governments	144,626	132,029	325,370	6,908,463
Trusts paid out	154,727	-	-	-
Total deductions	497,130	132,029	325,370	6,908,463
Balances end of year	\$ 14,032	131,706	419,323	6,527,946

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
336,377	3,602,532	117,980	261,354	279,979	11,751,798
265,466	3,741,675	116,457	-	1,721	10,919,125
-	-	-	-	111,623	111,623
24,201	230,473	9,281	-	127	768,383
-	-	-	-	354,695	354,695
-	-	-	52,544	-	52,544
-	-	-	-	-	348,242
-	-	-	-	3,316	3,316
-	-	-	3,170,894	-	3,170,894
-	-	-	-	3,971	3,971
-	-	-	-	173,836	326,868
-	-	-	-	27,575	30,617
289,667	3,972,148	125,738	3,223,438	676,864	16,090,278
-	-	-	164,649	-	362,426
353,278	3,759,041	125,615	3,074,588	477,538	15,300,548
-	-	-	-	148,611	303,338
353,278	3,759,041	125,615	3,239,237	626,149	15,966,312
272,766	3,815,639	118,103	245,555	330,694	11,875,764

Page County

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

For the Last Six Years

	Modified Accrual Basis					
	2006	2005	2004	2003	2002	2001
<b>Revenues:</b>						
Property and other county tax	\$ 3,549,169	3,460,552	3,519,180	3,176,930	2,640,602	2,520,751
Interest and penalty on property tax	39,989	43,629	42,423	41,588	43,522	36,863
Intergovernmental	4,411,120	4,289,460	4,574,062	4,543,706	4,502,131	4,081,019
Licenses and permits	32,882	38,555	47,942	19,579	17,854	14,417
Charges for service	416,713	369,184	353,299	321,437	286,987	258,686
Use of money and property	112,284	75,678	67,893	103,757	155,304	278,982
Miscellaneous	93,121	54,581	128,361	94,663	122,990	42,254
<b>Total</b>	<b>\$ 8,655,278</b>	<b>8,331,639</b>	<b>8,733,160</b>	<b>8,301,660</b>	<b>7,769,390</b>	<b>7,232,972</b>
<b>Expenditures:</b>						
<b>Operating:</b>						
Public safety and legal services	\$ 1,256,693	1,219,203	1,231,967	1,254,344	1,220,497	1,071,756
Physical health and social services	657,093	945,707	699,962	706,786	380,171	391,274
Mental health	1,602,544	1,087,495	1,407,163	1,363,325	1,306,859	1,213,690
County environment and education	242,668	232,319	202,131	267,954	243,979	219,447
Roads and transportation	3,271,749	3,313,627	3,156,284	2,808,527	3,069,208	3,483,821
Governmental services to residents	445,144	340,557	307,257	289,840	292,679	273,806
Administration	711,692	711,962	781,176	1,036,824	759,974	758,644
Non-program	1,271	2,470	927	6,574	12,092	9,757
Debt service	-	-	-	114,700	108,700	107,500
Capital projects	642,983	348,383	862,467	656,163	968,513	369,916
<b>Total</b>	<b>\$ 8,831,837</b>	<b>8,201,723</b>	<b>8,649,334</b>	<b>8,505,037</b>	<b>8,362,672</b>	<b>7,899,611</b>

See accompanying independent auditor's report.

**Page County**

**Schedule 6**

Page County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
West Central Development Corporation:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		\$ 425
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		8,511
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO73(82)--8J-73	163,283
Highway Planning and Construction	20.205	BROS-CO73(87)--8J-73	36,680
			199,963
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	06-157, Task 131	3,500
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
Linn County Public Health:			
State Indoor Radon Grants	66.032	5889RC02	2,700
General Services Administration:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payment	90.401	06-HAVA-73-100	108,200
Help America Vote Act Requirements Payment	90.401	06-HAVA-73-SA1	2,778
			110,978
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Visiting Nurses Association of Pottawattamie County:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5886BT04-13	55,320
Ringgold County Public Health:			
Immunization Grants	93.268	5886I419	3,836



## Page County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		10,272
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,431
Foster Care - Title IV-E	93.658		5,300
Adoption Assistance	93.659		1,298
Medical Assistance Program	93.778		13,763
Social Services Block Grant	93.667		7,034
Social Services Block Grant	93.667		94,674
			101,708
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities - Grants to States	93.617	05-HAVA-73-003	659
Iowa Department of Public Health:			
National Bioterrorism Hospital Preparedness Program	93.889	5886EM172	7,021
Taylor County Public Health Agency:			
Maternal and Child Health Services Block Grant	93.994	5885MC07	1,347
Maternal and Child Health Services Block Grant	93.994	5886MC07	4,555
			5,902
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division:			
Public Assistance Grants	97.036	145-067BA-00	1,828
Homeland Security Grant Program	97.067		89,851
Total			\$ 625,266

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

See accompanying independent auditor's report.

**Page County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Officials of Page County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Page County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 31, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

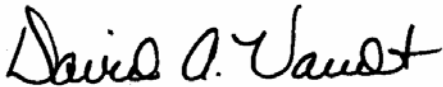
Compliance and Other Matters

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

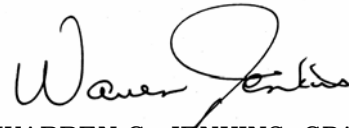
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 31, 2006

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

**Page County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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

To the Officials of Page County:

Compliance

We have audited the compliance of Page County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Page 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 Page County's management. Our responsibility is to express an opinion on Page County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Page 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 Page County's compliance with those requirements.

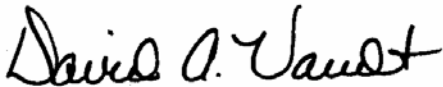
In our opinion, Page County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

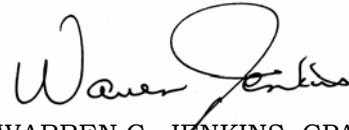
The management of Page County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Page County's internal control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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 31, 2006



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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 20.205 – Highway, Planning and Construction
  - CFDA Number 90.401 – Help America Vote Act
  - CFDA Number 93.667 – Social Services Block Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Page County did not qualify as a low-risk auditee.

Page County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

II-A-05 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. 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) Receipts - opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Sheriff and Recorder
(2) Disbursements - check writing, signing, posting, reconciling and final approval.	Treasurer and Recorder
(3) Bank reconciliations are not reviewed periodically for propriety by an independent person who does not sign checks, handle or record cash.	Treasurer and Recorder
(4) Investments - custody and accounting.	Treasurer

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The officials 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 initials or signature of the reviewer and the date of the review.

Responses:

County Treasurer -

- (1) The Treasurer usually opens all the mail. I will randomly compile a list of mail receipt and track it through deposit. We will attempt to segregate collecting, depositing, posting and daily reconciling duties to the best of our abilities with the limited staff we have available.
- (2) Checks will be written by one person and signed by a different person. The individual assigned to post will not sign checks. The posting and reconciling duties are already separated. If a person must write and sign a check, the transaction will receive final approval by a different person.
- (3) Bank reconciliations will be reviewed by the Page County Recorder.

Page County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- (4) If an investment is cashed out and transferred into a bank account or a new certificate of deposit, these changes will be verified by Page County Auditor.

County Sheriff – The Office Secretary, Chief Deputy Sheriff, and Sheriff all assist in opening mail, collecting money, depositing money, posting and doing daily reconciling.

Due to the small office staff doing the above jobs, we are unable to do each of the above noted items every day.

County Recorder – The Recorder’s office has worked on measures to implement internal control of items (1), (2), and (3) listed above and will continue to segregate the duties, as much as possible with a small staff.

Conclusion – Responses accepted.

- II-B-05 Information Technology – The County does not have written policies for addressing ownership of in-house developed software and data.

Recommendation – The County should develop written policies addressing the ownership of in-house developed software and data.

Response – We are working on policies and will have them adopted soon.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Page County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over the major programs were noted.

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.
- IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted
- IV-D-06 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Rick Dailey, Secondary Roads employee	Mowing Rent	\$ 40 <u>100</u> 140
James McCoy, Son of Environmental Health Director, Donnie McCoy	Mowing	160

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions with each individual are less than \$1,500 during the fiscal year.

- IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:

The County Board of Supervisors went into closed session three times during the year ended June 30, 2006. The roll call vote to go into closed session was not documented in accordance with Chapter 21.5 of the Code of Iowa.

Recommendation – Closed meetings should be held in compliance with Chapter 21.5 of the Code of Iowa.

Response – This was an oversight on my part in not putting this in the minutes because each time was done by a vote. I will make sure to include this in the minutes when it happens again.

Conclusion – Response accepted.

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

Page County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

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

Disbursements during the year ended June 30, 2006 for the County Extension Office exceeded the amount budgeted.

Chapter 176A.8(16) of the Code of Iowa allows the County Extension Office to carry an operating fund balance into the next fiscal year in an amount not exceeding 50% of the current year expenditures. At June 30, 2006, the operating fund balance exceeded this limit.

In addition, the minutes for the June 29, 2006 County Agricultural Extension Council meeting were not included in the official minutes book or approved at the next meeting as required by the Code of Iowa.

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 and the fund balance at June 30, 2006 should not exceed 50% of the year's disbursements. If this does take place, the excess amount should be remitted to the County General Fund. Also, minutes from each meeting should be included in the official minutes book and approved as recorded at the next meeting held by the Council.

Response –

Amendment - The Page County Extension Council shall review the disbursements in April and May and, if needed, amend the budget as necessary.

Balance carryover – The Page County Extension Council discovered it exceeded the 50% of the current year disbursements. The Council remitted \$931.31 to the Page County Treasurer in July 2006.

Minutes – The Office Assistant will ensure all minutes during the fiscal year are placed in the minutes binder and are approved at the next Council meeting.

Conclusion – Response accepted.

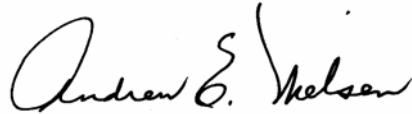
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Page County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
Marlys K. Gaston, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor  
Melissa M. Welhausen, CPA, Staff Auditor  
Janet M. Tiefenthaler, Assistant Auditor  
Anna Thede, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State