



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

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NEWS RELEASE

FOR RELEASE

February 20, 2008

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

The County had local tax revenue of \$49,558,304 for the year ended June 30, 2007, which included \$1,853,514 in tax credits from the state. The County forwarded \$39,109,506 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$10,448,798 of the local tax revenue to finance County operations, a 10 percent increase over the prior year. Other revenues included charges for service of \$2,089,812, operating grants, contributions and restricted interest of \$6,910,052, capital grants, contributions and restricted interest of \$1,002,599, unrestricted investment earnings of \$424,179 and other general revenues of \$224,411.

Expenses for County operations totaled \$19,278,248, a 3 percent increase over the prior year. Expenses included \$5,984,753 for roads and transportation, \$3,749,929 for public safety and legal services and \$2,744,081 for mental health.

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

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WARREN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

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Warren County

Officials

(Before January 2007)

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

(After January 2007)

Bob Sandy	Board of Supervisors	Jan 2009
Marvin Grace	Board of Supervisors	Jan 2011
G. Kevin Middleswart	Board of Supervisors	Jan 2011
Traci Vander Linden	County Auditor	Jan 2009
Julie Daugherty	County Treasurer	Jan 2011
Polly Glascock	County Recorder	Jan 2011
James Lee	County Sheriff	Jan 2009
Brian Tingle	County Attorney	Jan 2011
David Ellis	County Assessor	Jan 2010

Warren County



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Independent Auditor's Report

To the Officials of Warren County:

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

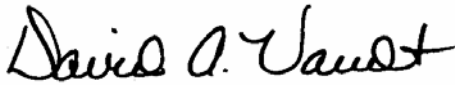
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

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

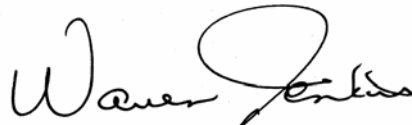
In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2008 on our consideration of Warren County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on the financial statements for the four years ended June 30, 2006 and qualified opinions on the financial statements for the three years ended June 30, 2002 due to the effects of the omission of the general fixed assets account group. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8%, or approximately \$1,484,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$969,000, operating grants, contributions and restricted interest increased approximately \$1,114,000 and capital grants, contributions and restricted interest decreased approximately \$510,000.
- Program expenses were 3%, or approximately \$634,000, more in fiscal 2007 than in fiscal 2006. Roads and transportation expense increased approximately \$385,000. Physical health and social services expense increased approximately \$317,000. Governmental services to residents expense decreased approximately \$284,000.
- The County's net assets increased 5.5%, or approximately \$1,822,000, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Warren County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Warren County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Warren County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

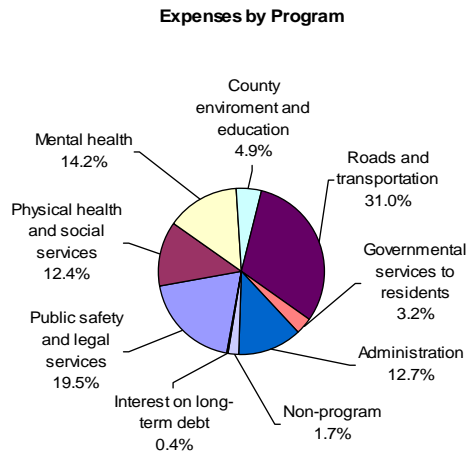
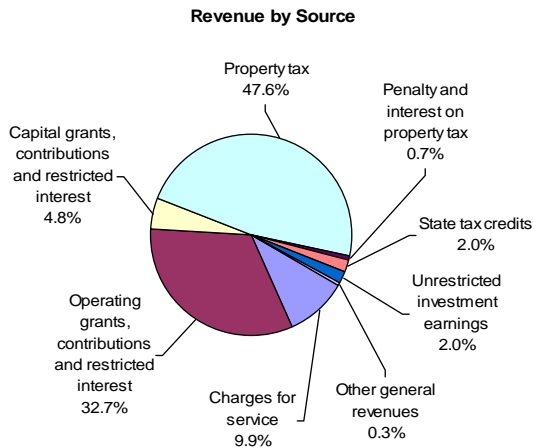
As noted earlier, net assets may serve over time as a useful indicator of financial position. Warren County's combined net assets were virtually unchanged from a year ago, increasing from \$32.8 million to \$34.6 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 16,959	15,290
Capital assets	31,499	30,853
Total assets	48,458	46,143
Long-term liabilities	1,865	2,381
Other liabilities	11,946	10,937
Total liabilities	13,811	13,318
Net assets:		
Invested in capital assets, net of related debt	30,229	29,187
Restricted	1,568	750
Unrestricted	2,850	2,888
Total net assets	\$ 34,647	32,825

Net assets of Warren County's governmental activities increased by \$1,822,000 (\$32.8 million compared to \$34.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements— decreased from approximately \$2.89 million at June 30, 2006 to approximately \$2.85 million at the end of this year, a decrease of 1%. This reduction of approximately \$38,000 left the unrestricted net assets virtually unchanged.

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

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 2,090	2,378
Operating grants, contributions and restricted interest	6,910	5,796
Capital grants, contributions and restricted interest	1,003	1,513
General revenues:		
Property and other county tax	10,017	9,048
Penalty and interest on property tax	153	152
State tax credits	431	415
Unrestricted investment earnings	424	274
Other general revenues	72	40
Total revenues	21,100	19,616
Program expenses:		
Public safety and legal services	3,750	3,651
Physical health and social services	2,381	2,064
Mental health	2,744	2,714
County environment and education	951	892
Roads and transportation	5,985	5,600
Governmental services to residents	624	908
Administration	2,439	2,413
Non-program	323	298
Interest on long-term debt	81	104
Total expenses	19,278	18,644
Change in net assets	1,822	972
Net assets beginning of year	32,825	31,853
Net assets end of year	\$ 34,647	32,825



Warren County's net assets of governmental activities increased approximately \$1,822,000 during the year. Revenues for governmental activities increased approximately \$1,484,000 over the prior year, with property and other county tax revenue up from the prior year approximately \$969,000, or 10.7%. Capital grants, contributions and restricted interest decreased approximately \$510,000, or 33.7%.

The County increased property tax rates for 2007 by an average of 6%. This increase raised the County's property tax revenue by approximately \$969,000 in 2007. Based on increases in the total assessed valuation and property tax rates, property tax revenue is budgeted to increase by an additional \$809,000 next year.

The cost of all governmental activities this year was \$19.3 million compared to \$18.6 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$9.3 million because some of the cost was paid by those directly benefited from the programs (\$2.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.9 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2007 from approximately \$9.7 million to \$10 million, principally due to operating grants and contributions for mental health. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$10 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Warren County completed the year, its governmental funds reported a combined fund balance of \$4.7 million, an increase of approximately \$800,000 above last year's total of \$3.9 million. The increase in fund balance is primarily attributable to state funding of mental health services. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$627,000 over the prior year, due principally to increases in property and other county tax and increases in interest due to favorable interest rates over the prior year. Expenditures increased approximately \$440,000 over the prior year. This increase was primarily due to the purchase of a building for future office space for \$265,000 and new health and human services grant expenditures of approximately \$192,000. The ending fund balance decreased \$76,283 from the prior year to approximately \$2,697,000.
- Mental Health Fund revenues increased approximately \$849,000 due to an increase in funding from the State of Iowa. The County became eligible for additional funding from the State due to the County's fund balance to expenditures ratio. For the year, expenditures totaled approximately \$2,743,000, an increase of 1% from the prior year. The Mental Health Fund balance at year ended increased approximately \$669,000 over the prior year.
- Rural Services Fund revenues increased approximately \$188,000 over the prior year, due principally to an increase in the property tax levy. Expenditures increased approximately \$144,000 over the prior year. This increase was primarily due to the purchase of land near the secondary roads shop facilities. Also, transfers to the Secondary Roads Fund increased approximately \$146,000. These increases resulted in a decrease in the Rural Services Fund balance of approximately \$20,000, or 5%.
- Secondary Roads Fund revenues decreased approximately \$113,000, primarily due to a decrease in grants received from the State of Iowa for engineering consulting and from cities and private individuals for construction reimbursements. Secondary Roads Fund expenditures decreased approximately \$64,000 from the prior year, due principally to bridge and road construction projects being completed during FY2006. These changes resulted in an increase in the Secondary Roads Fund ending balance of approximately \$232,000, or 48%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Warren County amended its budget two times. The first amendment was made on December 19, 2006. This amendment resulted in an increase in budgeted disbursements related to additional health services grants, an increase in employee health insurance and a computer software maintenance agreement. The additional health services activity was funded with grants. Additionally, capital projects disbursements increased for the purchase of building and engineering services.

The second amendment was made on May 29, 2007. This amendment resulted in an increase in budgeted disbursements related to the Liberty Center Waste Water Treatment sewer project. The County earned more interest on investments than originally projected. Also, this amendment was made to provide for additional disbursements in certain County departments.

The County's receipts were \$206,617 less than budgeted, a variance of 1%. The most significant variance resulted from the County receiving less in intergovernmental receipts than anticipated, primarily due to reimbursement grants not being completed within the fiscal year as budgeted (Southwest Connector engineering projects, engineering consulting projects, Liberty Center Waste Water Treatment project and child welfare decat grants).

Total disbursements were \$1,606,376 less than the amended budget. Actual disbursements for the mental health, physical health and social services and roads and transportation functions were \$458,963, 277,546 and \$266,881, respectively, less than budgeted. Mental health activity being less than budgeted was primarily due to services not utilized for the entire amount available for individual clients and changing demands for services. Additionally, physical health and social services activity being less than budgeted was primarily due to grants not being utilized for the allowed amount and lack of fully staffed health services. Also, engineering consulting work was not completed and overtime for snow and ice control was not fully utilized due to a mild winter, resulting in roads and transportation disbursements being less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Warren County had approximately \$31.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$646 thousand, or 2%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2007	2006
Land	\$ 977	970
Buildings and improvements	5,423	5,335
Equipment and vehicles	1,937	1,785
Infrastructure	23,162	22,763
Total	\$ 31,499	30,853
This year's major additions included (in thousands):		
Construction in progress for infrastructure, roads network		\$ 797
Secondary Roads Department equipment		450
Construction in progress for sewer system		408
Sheriff's vehicles		76
Total		\$ 1,731

The County had depreciation expense of \$1,529,587 in FY07 and total accumulated depreciation of \$17,076,392 at June 30, 2007.

The County's fiscal year 2007 capital budget included \$1,096,567 for capital projects, principally for the purchase of property for future office space and sanitary sewer projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2007, Warren County had approximately \$1,283,000 in general obligation bonds outstanding compared to approximately \$1,690,000 at June 30, 2006, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
General obligation bonds	\$ 1,283	1,690
Capital lease purchase agreements	152	321
Total	\$ 1,435	2,011

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Warren County's outstanding general obligation debt is significantly below its constitutional debt limit of \$67 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.2% versus 3.1% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 4.5%.

Inflation in the State equaled the national Consumer Price Index at the close of the fiscal year. The Midwest Region of the Department of Labor for which Iowa is a member, CPI rate increase was 2.7% for fiscal year 2007, compared with the national rate of 2.7%. After the end of the fiscal year 2007, the Consumer Price Index has increased due to energy costs and food prices. As of September 2007, the Midwest Region of the Department of Labor CPI was 3.1% compared with the national rate of 2.8%.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$21.9 million, an increase of 8.7% over the final 2007 budget. Property tax (benefiting from the 2008 rate increase and increases in assessed valuations) and grant receipts (primarily from bridge replacement projects) are expected to lead this increase. Warren County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$1,409,000. Increased wage and cost-of-living adjustments, increases in mental health services and provider costs and an increase in road construction to correspond to the increase in receipts for bridge replacement grants represent the largest increases. The County has added no major new programs or initiatives to the 2008 budget.

If these estimates are realized, the County's budgetary operating balance is expected to slightly decrease by the close of 2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Warren County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Warren County Auditor's Office, 301 N Buxton Street, Suite 101, Indianola, Iowa 50125.

Basic Financial Statements

Exhibit A

Warren County
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,998,621
Receivables:	
Property tax:	
Delinquent	40,790
Succeeding year	10,830,000
Interest and penalty on property tax	175,109
Accounts	30,965
Accrued interest	60,055
E911 lease	42,279
Due from other governments	615,382
Inventories	123,075
Prepaid insurance	42,359
Capital assets - nondepreciable	2,049,541
Capital assets - depreciable, net	29,449,723
Total assets	<u>48,457,899</u>
Liabilities	
Accounts payable	447,528
Accrued interest payable	7,435
Salaries and benefits payable	294,283
Due to other governments	347,360
Deferred revenue:	
Succeeding year property tax	10,830,000
Other	18,896
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	421,667
Capital lease purchase agreements	81,264
Compensated absences	291,167
Portion due or payable after one year:	
General obligation bonds	861,666
Capital lease purchase agreements	71,202
Compensated absences	138,426
Total liabilities	<u>13,810,894</u>
Net Assets	
Invested in capital assets, net of related debt	30,229,035
Restricted for:	
Supplemental levy purposes	66,467
Mental health purposes	547,493
Secondary roads purposes	579,123
Debt service	44,272
Capital projects	19,237
Other purposes	311,404
Unrestricted	2,849,974
Total net assets	<u>\$ 34,647,005</u>

See notes to financial statements.

Warren County
Statement of Activities
Year ended June 30, 2007

	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		
Expenses					
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,749,929	333,678	330,795	-	(3,085,456)
Physical health and social services	2,381,332	348,715	953,334	8,200	(1,071,083)
Mental health	2,744,081	9,374	2,319,566	-	(415,141)
County environment and education	950,678	85,000	49,720	209,408	(606,550)
Roads and transportation	5,984,753	109,727	3,242,098	778,678	(1,854,250)
Governmental services to residents	623,943	789,384	2,011	6,313	173,765
Administration	2,439,709	113,254	-	-	(2,326,455)
Non-program	322,791	300,680	-	-	(22,111)
Interest on long-term debt	81,032	-	12,528	-	(68,504)
Total	\$ 19,278,248	2,089,812	6,910,052	1,002,599	(9,275,785)
General Revenues:					
Property and other county tax levied for:					
General purposes					9,563,173
Debt service					454,228
Penalty and interest on property tax					153,251
State tax credits					431,397
Unrestricted investment earnings					424,179
Gain on disposition of capital assets					28,522
Miscellaneous					42,638
Total general revenues					11,097,388
Change in net assets					1,821,603
Net assets beginning of year					32,825,402
Net assets end of year					\$ 34,647,005

See notes to financial statements.

Warren County
Balance Sheet
Governmental Funds

June 30, 2007

	General	Mental Health
Assets		
Cash and pooled investments	\$ 2,772,458	982,732
Receivables:		
Property tax:		
Delinquent	27,203	4,362
Succeeding year	7,088,000	1,042,000
Interest and penalty on property tax	175,109	-
Accounts	17,827	-
Accrued interest	60,055	-
E911 lease	42,279	-
Due from other funds	337	-
Due from other governments	253,872	3,411
Inventories	-	-
Prepaid insurance	42,359	-
Total assets	\$ 10,479,499	2,032,505
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 188,359	87,238
Salaries and benefits payable	211,589	4,938
Due to other funds	33,862	4
Due to other governments	14,598	327,297
Deferred revenue:		
Succeeding year property tax	7,088,000	1,042,000
Other	246,530	23,234
Total liabilities	7,782,938	1,484,711
Fund balances:		
Reserved for:		
Supplemental levy purposes	172,754	-
Debt service	-	-
Unreserved:		
Designated for future jail expansion	654,856	-
Unreserved, reported in:		
General fund	1,868,951	-
Special revenue funds	-	547,794
Capital projects fund	-	-
Total fund balances	2,696,561	547,794
Total liabilities and fund balances	\$ 10,479,499	2,032,505

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
421,294	485,546	336,591	4,998,621
7,338	-	1,887	40,790
2,254,000	-	446,000	10,830,000
-	-	-	175,109
8,315	228	-	26,370
-	-	-	60,055
-	-	-	42,279
417	49,911	26,160	76,825
13	323,693	19,134	600,123
-	103,518	-	103,518
-	-	-	42,359
2,691,377	962,896	829,772	16,996,049
1,366	166,539	4,026	447,528
13,260	64,496	-	294,283
38	12,314	-	46,218
-	5,438	-	347,333
2,254,000	-	446,000	10,830,000
7,283	-	1,877	278,924
2,275,947	248,787	451,903	12,244,286
-	-	-	172,754
-	-	47,228	47,228
-	-	-	654,856
-	-	-	1,868,951
415,430	714,109	311,404	1,988,737
-	-	19,237	19,237
415,430	714,109	377,869	4,751,763
2,691,377	962,896	829,772	16,996,049

Warren County

Warren County

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

June 30, 2007

Total governmental fund balances (page 19) \$ 4,751,763

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$48,486,194 and the accumulated depreciation is \$17,014,720. 31,471,474

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 260,028

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

Capital assets of \$89,462 less accumulated depreciation of \$61,672	\$ 27,790	
Other net assets	8,777	36,567
	<hr/>	

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

(1,872,827)

Net assets of governmental activities (page 16) \$ 34,647,005

See notes to financial statements.

Warren County

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

Year ended June 30, 2007

	General	Mental Health
Revenues:		
Property and other county tax	\$ 6,479,495	1,038,997
Interest and penalty on property tax	134,630	-
Intergovernmental	2,000,878	2,363,880
Licenses and permits	25,450	-
Charges for service	1,006,063	-
Use of money and property	421,231	-
Miscellaneous	288,270	9,374
Total revenues	10,356,017	3,412,251
Expenditures:		
Operating:		
Public safety and legal services	3,711,876	-
Physical health and social services	2,377,752	-
Mental health	-	2,743,476
County environment and education	704,180	-
Roads and transportation	-	-
Governmental services to residents	613,831	-
Administration	2,149,060	-
Non-program	3,289	-
Debt service	174,936	-
Capital projects	405,921	-
Total expenditures	10,140,845	2,743,476
Excess (deficiency) of revenues over (under) expenditures	215,172	668,775
Other financing sources (uses):		
Sale of capital assets	672	-
Operating transfers in	-	-
Operating transfers out	(323,827)	-
Capital lease purchase agreements	31,700	-
Total other financing sources (uses)	(291,455)	-
Net change in fund balances	(76,283)	668,775
Fund balances beginning of year	2,772,844	(120,981)
Fund balances end of year	\$ 2,696,561	547,794

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
2,039,697	-	454,028	10,012,217
-	-	-	134,630
91,915	3,269,791	265,093	7,991,557
44,650	2,045	-	72,145
35,348	695	11,585	1,053,691
-	200	26,925	448,356
3,323	79,292	28,804	409,063
2,214,933	3,352,023	786,435	20,121,659
-	-	16,990	3,728,866
-	-	-	2,377,752
-	-	-	2,743,476
215,927	-	15,163	935,270
351,402	4,919,254	-	5,270,656
2,257	-	2,142	618,230
-	-	-	2,149,060
-	-	-	3,289
-	-	483,189	658,125
664	51,542	425,280	883,407
570,250	4,970,796	942,764	19,368,131
1,644,683	(1,618,773)	(156,329)	753,528
-	17,688	-	18,360
-	1,833,483	155,144	1,988,627
(1,664,800)	-	-	(1,988,627)
-	-	-	31,700
(1,664,800)	1,851,171	155,144	50,060
(20,117)	232,398	(1,185)	803,588
435,547	481,711	379,054	3,948,175
415,430	714,109	377,869	4,751,763

Warren County

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

Year ended June 30, 2007

Net change in fund balances - Total governmental funds (page 23) \$ 803,588

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	\$ 1,400,451	
Capital assets contributed by the Iowa Department of Transportation	778,678	
Depreciation expense	<u>(1,525,212)</u>	653,917

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale and insurance reimbursements as an increase in financial resources. (3,387)

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	5,185	
Other	<u>(142,417)</u>	(137,232)

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

Issued	(31,700)	
Repaid	<u>606,666</u>	574,966

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

Compensated absences	(58,986)	
Interest on long-term debt	<u>2,229</u>	(56,757)

The Internal Service Fund is used by management to charge the costs of fuel station services to individual departments and funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (13,492)

Change in net assets of governmental activities (page 17) \$1,821,603

See notes to financial statements.

Warren County
Statement of Net Assets
Proprietary Fund
June 30, 2007

	Internal Service - Fuel Station
Assets	
Accounts receivable	\$ 4,595
Due from other funds	19,759
Due from other governments	15,259
Inventories	19,557
Capital assets, net of accumulated depreciation of \$61,672	27,790
Total assets	86,960
Liabilities	
Due to other funds	50,366
Due to other governments	27
Total liabilities	50,393
Net Assets	
Invested in capital assets	27,790
Unrestricted	8,777
Total net assets	\$ 36,567

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2007

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 251,762
Reimbursements from other governments		300,680
Fuel and other tax refunds		21,090
Total operating revenues		<u>573,532</u>
Operating expenses:		
Fuel	\$ 540,535	
State fuel and other taxes	21,642	
Clerical	18,446	
Utilities	774	
Insurance	1,252	
Depreciation	4,375	587,024
Operating loss		<u>(13,492)</u>
Net assets beginning of year		<u>50,059</u>
Net assets end of year		<u>\$ 36,567</u>

See notes to financial statements.

Warren County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2007

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 251,261
Cash received from other governments	302,856
Cash received from other operating receipts	19,494
Cash paid for personal services	(18,783)
Cash paid to suppliers	(569,922)
Net cash used by operating activities	(15,094)
Cash flows from noncapital financing activities:	
Deficit cash implicitly financed	15,094
Net change in cash and cash equivalents	-
Cash and cash equivalents beginning of year	-
Cash and cash equivalents end of year	\$ -
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (13,492)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,375
(Increase) in accounts receivable	(93)
(Increase) in due from other funds	(501)
Decrease in due from other governments	673
Decrease in inventories	16,709
(Decrease) in accounts payable	(22,465)
(Decrease) in due to other funds	(300)
Net cash used by operating activities	\$ (15,094)

See notes to financial statements.

Warren County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:

County Treasurer	\$ 2,348,095
Other County officials	236,789

Receivables:

Property tax:

Delinquent	151,004
Succeeding year	37,672,000

Accounts	54,681
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Accrued interest	23
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Special assessments	1,147,000
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Due from other governments	17,618
----------------------------	--------

Total assets	<u>41,627,210</u>
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Liabilities

Accounts payable	28,211
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Salaries and benefits payable	16,074
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Due to other governments	41,294,544
--------------------------	------------

Trusts payable	265,180
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Compensated absences	23,201
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Total liabilities	<u>41,627,210</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Warren County

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa or incorporated under Iowa law: The Housing Authority of Warren County, the Central Iowa Regional Transportation Planning Alliance and the Des Moines Area Metropolitan Planning Organization.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

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

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

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

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

Net Assets – The net assets of the fuel station is designated for the operation of the fuel station.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

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

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$114,179 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

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

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Secondary Roads	\$ 295
	Mental Health	4
	Internal Service:	
	Fuel Station	38
Special Revenue:	Internal Service:	
Rural Services	Fuel Station	417
Secondary Roads	Fuel Station	49,911
County Recorder's Records Management	General	1,952
Resource Enhancement and Protection	General	3,642
Lacona Meal Site Trust	General	4,984
County Attorney Court Fee	General	3,054
Debt Service	General	12,528
Internal Service:		
Fuel Station	General	7,702
	Special Revenue:	
	Rural Services	38
	Secondary Roads	12,019
Total		<u>\$ 96,584</u>

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

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 168,683
	Special Revenue:	
	Rural Services	1,664,800
Capital Projects	General	155,144
Total		<u>\$ 1,988,627</u>

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

(5) **Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 969,939	7,286	-	977,225
Construction in progress	1,211,904	1,224,564	1,364,152	1,072,316
Total capital assets not being depreciated	2,181,843	1,231,850	1,364,152	2,049,541
Capital assets being depreciated:				
Buildings	7,452,308	331,920	-	7,784,228
Improvements other than buildings	21,465	-	-	21,465
Equipment and vehicles	5,397,206	661,659	290,191	5,768,674
Equipment, internal service	89,462	-	-	89,462
Infrastructure, road network	30,155,609	1,329,646	-	31,485,255
Infrastructure, other	1,377,031	-	-	1,377,031
Total capital assets being depreciated	44,493,081	2,323,225	290,191	46,526,115
Less accumulated depreciation for:				
Buildings	2,136,212	242,154	-	2,378,366
Improvements other than buildings	2,862	1,431	-	4,293
Equipment and vehicles	3,644,099	490,475	275,010	3,859,564
Equipment, internal service	57,297	4,375	-	61,672
Infrastructure, road network	9,751,839	745,251	-	10,497,090
Infrastructure, other	229,506	45,901	-	275,407
Total accumulated depreciation	15,821,815	1,529,587	275,010	17,076,392
Total capital assets being depreciated, net	28,671,266	793,638	15,181	29,449,723
Governmental activities capital assets, net	\$ 30,853,109	2,025,488	1,379,333	31,499,264

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 97,942
Physical health and social services	10,744
County environment and education	106,479
Roads and transportation	1,086,627
Administration	223,420
Total depreciation expense - governmental activities, excluding the Internal Service Fund	\$ 1,525,212
Depreciation expense charged to the Internal Service Fund	\$ 4,375

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 14,598
Special Revenue:		
Mental Health	Services	327,297
Secondary Roads	Services	5,438
		<u>332,735</u>
Total for governmental funds		<u>\$ 347,333</u>
Agency:		
County Assessor	Collections	\$ 571,442
Schools		25,585,760
Community Colleges		776,458
Corporations		10,793,977
Townships		449,109
Auto License and Use Tax		788,452
All other		2,329,346
Total for agency funds		<u>\$ 41,294,544</u>

(7) Changes in Long-Term Liabilities

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

	General Obligation Bonds	Capital Lease Purchase Agreements	Compen- sated Absences	Total
Balance beginning of year	\$ 1,690,000	320,765	370,607	2,381,372
Increases	-	31,700	526,628	558,328
Decreases	406,667	199,999	467,642	1,074,308
Balance end of year	<u>\$ 1,283,333</u>	<u>152,466</u>	<u>429,593</u>	<u>1,865,392</u>
Due within one year	<u>\$ 421,667</u>	<u>81,264</u>	<u>291,167</u>	<u>794,098</u>

General Obligation Bonds

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

Year Ending June 30,	Issued December 1, 1997			Issued March 15, 2006			Total		
	Interest Rates	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2008	4.50%	\$ 385,000	55,073	4.00%	\$ 36,667	2,933	421,667	58,006	479,673
2009	4.55	405,000	37,747	4.00	36,666	1,467	441,666	39,214	480,880
2010	4.60	420,000	19,320	-	-	-	420,000	19,320	439,320
Total		\$ 1,210,000	112,140		\$ 73,333	4,400	1,283,333	116,540	1,399,873

During the year ended June 30, 2007, the County retired \$406,667 of bonds.

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements for E911 equipment, health monitors, a tractor with mower and conservation equipment with historical costs of \$492,935, \$54,348, \$79,143 and \$42,477, respectively. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 3.5% to 8.9% per annum, and the present value of the net minimum lease payments under the agreements in effect at June 30, 2007:

Year ending June 30,	E911 Equipment	Health Monitors	Tractor with Mower	Conservation Equipment	Total
2008	\$ 42,865	13,500	20,830	11,048	88,243
2009	-	13,500	20,830	11,048	45,378
2010	-	13,500	-	-	13,500
2011	-	13,500	-	-	13,500
2012	-	6,793	-	-	6,793
Total minimum lease payments	42,865	60,793	41,660	22,096	167,414
Less amount representing interest	(586)	(10,835)	(2,090)	(1,437)	(14,948)
Present value of net minimum lease payments	\$ 42,279	49,958	39,570	20,659	152,466

This historical cost of assets acquired under capital leases and included in capital assets in the government-wide statements at June 30, 2007 is as follows:

	Tractor with Mower	Construction Equipment	Total
Cost	\$ 79,143	42,477	121,620
Accumulated depreciation	(23,742)	(5,188)	(28,930)
Net	\$ 55,401	37,289	92,690

Payments under capital lease purchase agreements totaled \$210,041 for the year ended June 30, 2007.

(8) E911 Lease Receivable

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

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$434,738, \$416,545 and \$403,471, respectively, equal to the required contributions for each year.

(10) Risk Management

Warren County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007 were \$165,179.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(11) Joint Vehicle Fueling Facility

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

(12) Construction Commitment

The County has entered into contracts totaling \$531,314 for construction of a sanitary sewer system for Liberty Center. As of June 30, 2007, costs of \$338,284 on the project have been incurred. The balance remaining on the project at June 30, 2007, \$193,030, will be paid as work on the project progresses.

(13) Pending Litigation

The County is subject to a potential lawsuit and is a defendant in lawsuits for which the probability and amount of loss, if any, is undeterminable.

Required Supplementary Information

Warren County

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

Required Supplementary Information

Year ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 10,012,524	-
Interest and penalty on property tax	134,242	-
Intergovernmental	7,841,153	-
Licenses and permits	74,345	-
Charges for service	1,004,132	-
Use of money and property	444,184	-
Miscellaneous	417,376	20,767
Total receipts	<u>19,927,956</u>	<u>20,767</u>
Disbursements:		
Public safety and legal services	3,723,077	-
Physical health and social services	2,309,566	-
Mental health	2,678,684	-
County environment and education	908,557	15,163
Roads and transportation	5,186,874	-
Governmental services to residents	616,896	-
Administration	2,167,507	-
Nonprogram	3,250	-
Debt service	658,125	-
Capital projects	872,030	-
Total disbursements	<u>19,124,566</u>	<u>15,163</u>
Excess (deficiency) of receipts over (under) disbursements	803,390	5,604
Other financing sources, net	49,944	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	853,334	5,604
Balance beginning of year	4,191,399	49,283
Balance end of year	<u>\$ 5,044,733</u>	<u>54,887</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
10,012,524	10,067,229	10,067,229	(54,705)
134,242	98,500	98,500	35,742
7,841,153	8,097,269	8,064,730	(223,577)
74,345	83,910	75,630	(1,285)
1,004,132	1,096,550	1,034,125	(29,993)
444,184	314,906	346,350	97,834
396,609	426,242	427,242	(30,633)
19,907,189	20,184,606	20,113,806	(206,617)
3,723,077	3,956,650	3,924,784	201,707
2,309,566	2,293,252	2,587,112	277,546
2,678,684	3,137,044	3,137,647	458,963
893,394	874,649	902,875	9,481
5,186,874	5,289,796	5,453,755	266,881
616,896	651,863	651,120	34,224
2,167,507	2,215,120	2,245,188	77,681
3,250	-	5,000	1,750
658,125	700,690	711,731	53,606
872,030	994,765	1,096,567	224,537
19,109,403	20,113,829	20,715,779	1,606,376
797,786	70,777	(601,973)	1,399,759
49,944	1,500	53,200	(3,256)
847,730	72,277	(548,773)	1,396,503
4,142,116	3,426,362	4,082,067	60,049
4,989,846	3,498,639	3,533,294	1,456,552

Warren County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 19,927,956	193,703	20,121,659
Expenditures	19,124,566	243,565	19,368,131
Net	803,390	(49,862)	753,528
Other financing sources, net	49,944	116	50,060
Beginning fund balances	4,191,399	(243,224)	3,948,175
Ending fund balances	\$ 5,044,733	(292,970)	4,751,763

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$601,950. 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, 2007, disbursements did not exceed the amounts budgeted.

Warren County

Other Supplementary Information

Warren County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments	\$ 45,453	74,545	383
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other funds	1,952	3,642	-
Due from other governments	-	4,727	-
Total assets	\$ 47,405	82,914	383
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	-
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	47,405	82,914	383
Capital projects fund	-	-	-
Total fund equity	47,405	82,914	383
Total liabilities and fund equity	\$ 47,405	82,914	383

See accompanying independent auditor's report.

Special Revenue

Attorney Forfeiture	Sheriff Forfeiture	Lacona Meal Site	County Attorney Court Fee	Friends of Conservation	Debt Service	Capital Projects	Total
217	3,359	103,820	-	54,887	34,690	19,237	336,591
-	-	-	-	-	1,887	-	1,887
-	-	-	-	-	446,000	-	446,000
-	-	4,984	3,054	-	12,528	-	26,160
2,415	-	-	8,504	-	-	3,488	19,134
2,632	3,359	108,804	11,558	54,887	495,105	22,725	829,772
-	538	-	-	-	-	3,488	4,026
-	-	-	-	-	446,000	-	446,000
-	-	-	-	-	1,877	-	1,877
-	538	-	-	-	447,877	3,488	451,903
-	-	-	-	-	47,228	-	47,228
2,632	2,821	108,804	11,558	54,887	-	-	311,404
-	-	-	-	-	-	19,237	19,237
2,632	2,821	108,804	11,558	54,887	47,228	19,237	377,869
2,632	3,359	108,804	11,558	54,887	495,105	22,725	829,772

Warren County

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

Year ended June 30, 2007

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	25,310	-
Charges for service	11,585	-	-
Use of money and property	1,951	3,642	-
Miscellaneous	-	-	-
Total revenues	13,536	28,952	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Governmental services to residents	2,142	-	-
Debt service	-	-	-
Capital projects	-	17,421	-
Total expenditures	2,142	17,421	-
Excess (deficiency) of revenues over (under) expenditures	11,394	11,531	-
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	11,394	11,531	-
Fund balances beginning of year	36,011	71,383	383
Fund balances end of year	\$ 47,405	82,914	383

See accompanying independent auditor's report.

Special Revenue								
Attorney Forfeiture	Sheriff Forfeiture	Lacona Meal Site	County Attorney Court Fee	Friends of Conservation	Debt Service	Capital Projects	Total	
-	-	-	-	-	454,028	-	454,028	
-	-	-	11,558	-	18,817	209,408	265,093	
-	-	-	-	-	-	-	11,585	
-	-	8,804	-	-	12,528	-	26,925	
3,462	4,575	-	-	20,767	-	-	28,804	
3,462	4,575	8,804	11,558	20,767	485,373	209,408	786,435	
13,690	3,300	-	-	-	-	-	16,990	
-	-	-	-	15,163	-	-	15,163	
-	-	-	-	-	-	-	2,142	
-	-	-	-	-	483,189	-	483,189	
-	-	-	-	-	-	407,859	425,280	
13,690	3,300	-	-	15,163	483,189	407,859	942,764	
(10,228)	1,275	8,804	11,558	5,604	2,184	(198,451)	(156,329)	
-	-	-	-	-	-	155,144	155,144	
(10,228)	1,275	8,804	11,558	5,604	2,184	(43,307)	(1,185)	
12,860	1,546	100,000	-	49,283	45,044	62,544	379,054	
2,632	2,821	108,804	11,558	54,887	47,228	19,237	377,869	

Warren County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,314	136,932	355,000
Other County officials	236,789	-	-	-
Receivables:				
Property tax:				
Delinquent	-	364	2,002	99,760
Succeeding year	-	87,000	477,000	25,131,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 236,789	88,678	615,934	25,585,760
Liabilities				
Accounts payable	\$ -	-	15,017	-
Salaries and benefits payable	-	-	10,999	-
Due to other governments	45,082	88,678	571,442	25,585,760
Trusts payable	191,707	-	-	-
Compensated absences	-	-	18,476	-
Total liabilities	\$ 236,789	88,678	615,934	25,585,760

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
12,887	147,521	6,330	788,452	899,659	2,348,095
-	-	-	-	-	236,789
3,571	43,456	1,779	-	72	151,004
760,000	10,603,000	441,000	-	173,000	37,672,000
-	-	-	-	54,681	54,681
-	-	-	-	23	23
-	-	-	-	1,147,000	1,147,000
-	-	-	-	17,618	17,618
776,458	10,793,977	449,109	788,452	2,292,053	41,627,210
-	-	-	-	13,194	28,211
-	-	-	-	5,075	16,074
776,458	10,793,977	449,109	788,452	2,195,586	41,294,544
-	-	-	-	73,473	265,180
-	-	-	-	4,725	23,201
776,458	10,793,977	449,109	788,452	2,292,053	41,627,210

Warren County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 100,089	88,625	632,726	24,040,963
Additions:				
Property and other county tax	-	86,756	477,035	25,151,228
E911 surcharge	-	-	-	-
State tax credits	-	3,700	20,341	994,040
Drivers license fees	-	-	-	-
Office fees and collections	990,864	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	851,995	-	-	-
Miscellaneous	-	-	6,897	-
Total additions	1,842,859	90,456	504,273	26,145,268
Deductions:				
Agency remittances:				
To other funds	512,354	-	-	-
To other governments	473,876	90,403	521,065	24,600,471
Trusts paid out	719,929	-	-	-
Total deductions	1,706,159	90,403	521,065	24,600,471
Balances end of year	\$ 236,789	88,678	615,934	25,585,760

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
866,243	9,888,290	443,040	821,648	1,436,691	38,318,315
759,851	10,597,203	440,874	-	174,442	37,687,389
-	-	-	-	320,104	320,104
36,279	339,780	19,154	-	8,823	1,422,117
-	-	-	59,647	-	59,647
-	-	-	-	-	990,864
-	-	-	-	11,591	11,591
-	-	-	9,858,880	-	9,858,880
-	-	-	-	876,688	876,688
-	-	-	-	564,389	1,416,384
-	-	-	-	751,715	758,612
796,130	10,936,983	460,028	9,918,527	2,707,752	53,402,276
-	-	-	370,221	-	882,575
885,915	10,031,296	453,959	9,581,502	1,852,390	48,490,877
-	-	-	-	-	719,929
885,915	10,031,296	453,959	9,951,723	1,852,390	50,093,381
776,458	10,793,977	449,109	788,452	2,292,053	41,627,210

Warren County

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

For the Last Eight Years

	2007	2006	2005	Modified 2004
Revenues:				
Property and other county tax	\$ 10,012,217	9,039,256	8,744,970	7,622,726
Interest and penalty on property tax	134,630	129,981	118,383	116,564
Intergovernmental	7,991,557	7,112,383	6,127,442	6,520,945
Licenses and permits	72,145	88,350	103,448	89,430
Charges for service	1,053,691	1,137,039	1,030,308	1,059,635
Use of money and property	448,356	285,375	154,853	113,016
Miscellaneous	409,063	502,144	633,937	521,659
Total	\$ 20,121,659	18,294,528	16,913,341	16,043,975
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,728,866	3,674,865	3,988,525	3,198,521
Physical health and social services	2,377,752	2,054,666	1,792,350	1,745,733
Mental health	2,743,476	2,713,918	2,634,837	2,275,267
County environment and education	935,270	804,023	841,841	703,017
Roads and transportation	5,270,656	4,925,412	4,759,210	4,522,201
Governmental services to residents	618,230	897,476	575,169	514,115
Administration	2,149,060	2,049,422	1,866,473	1,759,019
Non-program	3,289	-	80,000	-
Debt service	658,125	765,977	496,495	437,248
Capital projects	883,407	479,805	1,057,685	1,418,113
Total	\$ 19,368,131	18,365,564	18,092,585	16,573,234

See accompanying independent auditor's report.

Accrual Basis			
2003	2002	2001	2000
7,349,911	6,928,811	6,691,491	6,751,879
108,385	113,333	105,104	96,392
6,613,117	6,994,414	6,316,292	6,722,733
82,103	88,101	73,116	76,277
1,016,699	992,117	895,048	864,602
166,901	283,568	515,158	514,812
535,449	359,014	554,778	269,277
15,872,565	15,759,358	15,150,987	15,295,972
3,096,633	3,130,057	2,619,902	2,505,636
1,638,876	1,717,513	1,621,645	1,465,731
2,338,950	2,503,407	2,408,904	2,253,426
637,735	701,880	737,095	656,531
4,434,541	4,469,042	3,970,136	4,061,271
504,071	508,399	534,893	454,228
1,699,790	1,576,445	1,536,685	1,494,406
-	-	-	-
519,787	521,130	521,785	568,880
965,699	1,576,974	1,337,019	2,069,471
15,836,082	16,704,847	15,288,064	15,529,580

Schedule 6

Warren County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures			
Direct:						
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760		\$ 199,851			
Indirect:						
U.S. Department of Agriculture: Iowa Department of Public Health: Marion County Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		10,476			
Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		13,711			
U.S. Department of Justice:						
Iowa Department of Justice: Crime Victim Assistance Division: Crime Victim Assistance	16.575	VA-07	20,059			
Violence Against Women Formula Grants	16.588	VW-07	29,000			
Governor's Office of Drug Control Policy: Polk County Sheriff: Public Safety Partnership and Community Policing Grants (COPS)				16.710	06-JAG-837	49,099
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-JAG-837	36,068			
U.S. Department of Transportation:						
Iowa Department of Transportation: Highway Planning and Construction	20.205	STP-92-5(46)--2C-91	34,589			
Highway Planning and Construction	20.205	HDP-CO91(61)-71-91	57,700			
			92,289			
Iowa Department of Public Safety: State and Community Highway Safety	20.600	07-410, Task 37	11,019			

Warren County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. General Services Administration:			
Iowa Secretary of State:			
Election Reform Payments	39.011	06-HAVA-91-SA1	<u>2,218</u>
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
Linn County Health Department:			
State Indoor Radon Grants	66.032	5889RC02	<u>900</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Immunization Grants	93.268	5886I436,5887I436	<u>7,794</u>
Grinnell Regional Home Care:			
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5884BT01	<u>44,072</u>
National Bioterrorism Hospital Preparedness			
Program	93.889	5887EM190	<u>900</u>
Marion County Public Health:			
Maternal and Child Health Services Block			
Grant to the States	93.994		<u>3,779</u>
Iowa Department of Elder Affairs:			
Aging Resource of Central Iowa:			
Special Programs for the Aging - Title III,			
Part D - Disease Prevention and Health			
Promotion Services	93.043		<u>21,611</u>
Aging Cluster Programs:			
Special Programs for the Aging - Title III,			
Part B - Grants for Supportive Services and			
Senior Centers	93.044		<u>11,833</u>
Special Programs for the Aging - Title III,			
Part C - Nutrition Services	93.045		<u>63,800</u>
Nutrition Services Incentive Program			
(Commodities)	93.053		29,851
Nutrition Services Incentive Program (Cash)	93.053		<u>24,720</u>
			<u>54,571</u>

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

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		18,566
Refugee and Entrant Assistance - State			
Administered Programs	93.566		33
Child Care and Development Block Grant	93.575		7
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		4,104
Foster Care - Title IV-E	93.658		10,215
Adoption Assistance	93.659		2,071
State Children's Insurance Program	93.767		122
Medical Assistance Program	93.778		24,183
Social Services Block Grant	93.667		12,204
Social Services Block Grant	93.667		106,438
			118,642
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Emergency Management Performance Grants	97.042		27,980
Homeland Security Grant Program	97.067		53,226
Total indirect			732,348
Total			\$ 932,199

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

See accompanying independent auditor's report.



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

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

To the Officials of Warren County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

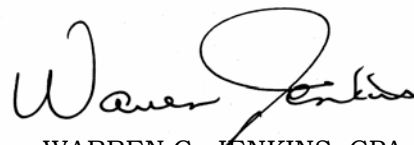
Warren County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Warren County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 28, 2008

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

Warren 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 Warren County:

Compliance

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

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

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

Internal Control Over Compliance

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

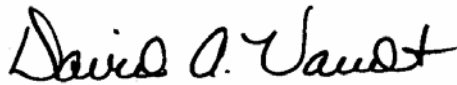
A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency,

or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 28, 2008

Warren County
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including 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 any audit findings which are 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 10.760 – Water and Waste Disposal Systems for Rural Communities
 - CFDA Number 16.710 – Public Safety Partnership and Community Policing Grants (COPS)
 - CFDA Number 16.738 – Edward Byrne Memorial Justice Assistance Grant Program
 - CFDA Number 20.205 – Highway Planning and Construction
 - 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) Warren County did not qualify as a low-risk auditee.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 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.

	<u>Applicable Offices</u>
(1) Generally, one individual may have control over listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. The initial listing is not compared to receipts records by an independent person and is not initialed to evidence this review.	Zoning, Treasurer, Public Health Nurse, Sheriff, Congregate Meals and Engineer
(2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Recorder and Sheriff
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash receipts.	Recorder and Sheriff

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 official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Response –

- (a) Zoning – The zoning office will initiate a process of dual control with the zoning administrator filling out the treasurer’s miscellaneous receipt forms. The assistant zoning administrator will review the treasurer’s miscellaneous receipt forms and checks/cash prior to deposit.
- (b) Treasurer – We will attempt to segregate duties over the verification of mail receipts, collection and daily reconciliation of cash receipts.
- (c) Public Health Nurse – The receptionist opens the mail. The billing person will receipt in services billed, make deposit with Treasurer and have the

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

office manager sign off on deposit. The office manager will receipt in all other monies received, make the deposit with the Treasurer and have the administrator sign off on the deposit.

- (d) Sheriff – With a small staff, we segregate as much as possible. Although several can sign checks, the person signing does not participate in check preparation. We will attempt to have a periodic review (of the bank reconciliation) done by someone outside the office.
- (e) Congregate Meals – This is a one person office. I will have the Board secretary check the deposits once a week.
- (f) Engineer – I will have the administrative assistant review the receipt records and initial them.
- (g) Recorder – I will ask my second deputy to reconcile the bank statement and initial each month's statements. My first deputy will prepare or sign the checks.

Conclusion – Responses accepted, except for (c). The individual responsible for billing services should not collect and record receipts.

- II-B-07 County Sheriff – A current trust listing is not maintained and reconciled with book balances. In addition, checks are not restrictively endorsed upon receipt.

Recommendation – A list of trusts on hand should be prepared and reconciled to book balances monthly. A restrictive endorsement should be placed on all checks immediately upon receipt to provide protection in case of theft or loss.

Response – The staff and the County Auditor have worked towards this.

Conclusion – Response accepted.

- II-C-07 Sheriff Law Enforcement Contracts – Contracts for two cities could not be located. At June 30, 2007, the outstanding balance from various cities totaled \$3,607. In addition, the County does not have a policy to approve write-offs of delinquent receivables.

Recommendation – The County should maintain all contracts, monitor collections of law enforcement contracts and adopt a policy to approve any write-offs of delinquent receivables.

Sheriff Response – A policy should be adopted by the Board of Supervisors. New contracts have been prepared for FY08.

Board Response – The Board will encourage the Sheriff to seek reimbursement for all amounts due per contract. Delinquent receivables will be reviewed on an individual basis and as required, appropriate action will be taken.

Conclusion – Responses accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-D-07 Sheriff Jail Commissary – Jail Commissary deposits are not made intact and timely. In addition, one person collects, deposits and records receipts. Deposits are not reconciled to the amounts listed on the individual inmate ledgers, nor are receipts totaled monthly. The Jail Commissary bank account is not reconciled by an individual who does not sign checks, handle or record cash. The Jail Commissary account was used to purchase items not intended for resale. In addition, an inventory listing is not maintained to reconcile commissary items at the jail.

Recommendation – The County should deposit all receipts intact and timely and review the operating procedures in the office to obtain the maximum internal control possible under the circumstances. As a compensating control, bank reconciliations could be reviewed monthly by an independent person for propriety. Inmate ledgers should be reconciled to deposits to ensure funds are properly recorded. Purchases of items not intended for resale should be run through the County's budget. Also, a listing of inventory should be maintained.

Response – Now that we are back to full-staff, these should be corrected. Small staff makes it difficult for much segregation of duties. Future purchases will be purchased through the County. An effort will be made to maintain an inventory listing.

Conclusion – Response accepted.

II-E-07 Sheriff Grant Receipts – Grant receipts were not remitted to the appropriate fund upon receipt. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure grant receipts are properly identified in the County's financial statements.

Response – This has been corrected.

Conclusion – Response acknowledged. However, the County should implement procedures to ensure grant receipts are properly identified in a timely manner.

II-F-07 Public Health Nurse – Reconciliations of nursing service billings and collections were not prepared each month. In addition, receipts from the State of Iowa were not always deposited timely.

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

Response – The office manager received a spreadsheet to use for tracking this information for the Health Services department.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-H-07 Fuel Station Deficit Balance – The Internal Service, Fuel Station Fund had a deficit cash balance at June 30, 2007.

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

Response – The Fuel Station operates on a reimbursement basis where the departments and other governmental entities reimburse the County based on usage. On a cash basis, the fund is operating on a deficit until reimbursement is received. On an accrual basis, the fund is positive. Other than transferring a significant amount from the County's funds to cover this deficit as a permanent advance, the fund will remain in a deficit balance.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

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

IV-D-07 Business Transactions – The following transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus	Supplies for various County departments Supplies – Attorney’s office	\$ 8,707 26
Bob Gebhart, Sheriff’s Office employee, wife is Celeste Gebhart	Sheriff matron duty	53
Dave Squier, Secondary Roads Department employee	Owner of equipment rented by Secondary Roads Department	200

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

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

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

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

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

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

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

One individual may have control over listing, collecting, depositing, posting and reconciling receipts for which no compensating controls exist. The initial listing should be compared to receipt records by an independent person and initialed to evidence this review. Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.

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

Response – Monthly bank reconciliations will now be reviewed by a council member and they will sign and date. To help with checks and balances of depositing and receipting money, the bookkeeper will now have the Director review a running register tape against the receipt book as well as sign and date on the deposit slips brought back from the bank after transactions have been made. In addition, the bookkeeper will compare the receipt book at the time a deposit is made to the Director’s “blue book” of incoming mailed checks, at which time they will initial and date.

Conclusion – Response accepted.

IV-J-07 Advance to Other Funds – During the year ended June 30, 2007, the County entered into an advance to other funds agreement for construction of a sanitary sewer system project. However, a public hearing was not held prior to the authorization of this noncurrent debt agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of noncurrent debt in accordance with Chapters 331.478 and 331.479 of the Code of Iowa

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Response – If noncurrent transfers are warranted in the future, Warren County will hold the appropriate public hearings.

Conclusion – Response accepted.

- IV-K-07 Capital Assets – A physical observation of capital assets was not performed during the year ended June 30, 2007 in accordance with the County's policy.

Recommendation - Capital assets should be tested periodically by an employee having no responsibility for the assets.

Response – Capital assets will be physically inspected by an independent person not responsible for the assets. These inspections will be performed annually on a rotating basis by department.

Conclusion – Response accepted.

- IV-L-07 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows each County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the Treasurer or the Recorder.

Recommendation – The County should obtain and retain an image of both the front and back of each cancelled check as required.

Treasurer Response – This has been taken care of.

Recorder Response – I contacted the bank in August, as of September statements we have copies of the back of the checks.

Conclusion – Responses accepted.

- IV-M-07 Sheriff D.A.R.E. Account – The County Sheriff maintains a bank account for the D.A.R.E. program. The financial activity of this account is not reflected in the County's financial statements and has not been included in the County's annual budget.

Recommendation – Collections for the D.A.R.E. program should be remitted to the County Treasurer and credited to a Special Revenue Fund in order to reflect this activity in the County's budget and financial statements.

Response – We will have the County Auditor establish separate fund to do this.

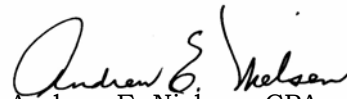
Conclusion – Response accepted.

Warren County

Staff

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