



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ January 27, 2006 _____

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$44,183,868 for the year ended June 30, 2005, which included \$1,813,527 in tax credits from the state. The County forwarded \$35,031,722 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,152,146 of the local tax revenue to finance County operations, a 15 percent increase over the prior year. Other revenues included charges for service of \$2,128,662, operating grants, contributions and restricted interest of \$5,555,096, capital grants, contributions and restricted interest of \$535,288, unrestricted investment earnings of \$138,610 and other general revenues of \$141,594.

Expenses for County operations totaled \$17,471,595, an 8 percent increase over the prior year. Expenses included \$5,569,527 for roads and transportation, \$3,475,535 for public safety and legal services and \$2,636,734 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>.

###

WARREN COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	54-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	56-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	58
Schedule of Expenditures of Federal Awards	6	60-62
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 <u>Government Auditing Standards</u>		63-64
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		67-68
Schedule of Findings and Questioned Costs		69-78
Staff		79

Warren County

Officials

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

Warren County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2005, 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.

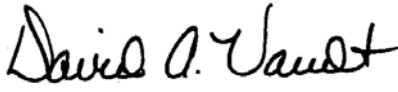
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2005, 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 October 18, 2005 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 13 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 five years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on the financial statements for the two years ended June 30, 2004 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 accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 18, 2005

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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 5%, or approximately \$796,000, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$1,159,000, operating grants, contributions and restricted interest increased approximately \$91,000 and capital grants, contributions and restricted interest decreased approximately \$417,000.
- Program expenses increased 8%, or approximately \$1,246,000, from fiscal 2004 to fiscal 2005. Public safety and legal services expenses increased approximately \$244,000. Mental health expenses increased approximately \$362,000.
- The County's net assets increased .60%, or approximately \$180,000, from June 30, 2004 to June 30, 2005.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Warren County's combined net assets were virtually unchanged from a year ago, increasing from \$31.7 million to \$31.9 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

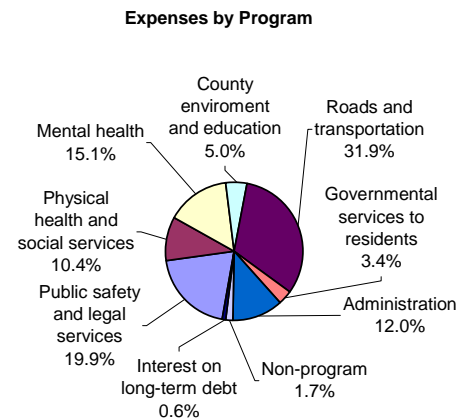
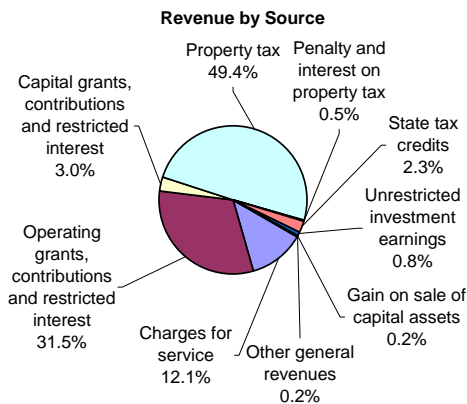
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 14,649	14,238
Capital assets	30,248	29,719
Total assets	44,897	43,957
Long-term liabilities	2,809	2,647
Other liabilities	10,235	9,637
Total liabilities	13,044	12,284
Net assets:		
Invested in capital assets, net of related debt	28,239	27,454
Restricted	691	1,568
Unrestricted	2,923	2,651
Total net assets	\$ 31,853	31,673

Net assets of Warren County's governmental activities increased by approximately \$180,000 (\$31.7 million compared to \$31.9 million). The largest portion of the County's net assets is the 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 sources other than capital assets. Restricted net assets represent resources that are 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—increased from approximately \$2.7 million at June 30, 2004 to approximately \$2.9 million at the end of this year, an increase of approximately 10 percent.

The increase of approximately \$262,000 in unrestricted net assets was a result of increased property tax.

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

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 2,129	2,201
Operating grants, contributions and restricted interest	5,555	5,464
Capital grants, contributions and restricted interest	535	952
General revenues:		
Property tax	8,746	7,587
Penalty and interest on property tax	80	140
State tax credits	406	369
Unrestricted investment earnings	139	101
Gain on sale of capital assets	29	-
Other general revenues	33	42
Total revenues	17,652	16,856
Program expenses:		
Public safety and legal services	3,475	3,232
Physical health and social services	1,811	1,761
Mental health	2,637	2,275
County environment and education	869	812
Roads and transportation	5,570	5,332
Governmental services to residents	593	504
Administration	2,100	2,027
Non-program	303	167
Interest on long-term debt	114	116
Total expenses	17,472	16,226
Change in net assets	180	630
Net assets beginning of year	31,673	31,043
Net assets end of year	\$ 31,853	31,673



Warren County's net assets of governmental activities increased by approximately \$180,000 during the year. Revenues for governmental activities increased by approximately \$796,000 over the prior year, with property tax revenue up from the prior year by approximately \$1,159,000, or 15 percent.

The County increased property tax rates for 2005 by an average of 15 percent. This increase raised the County's property tax revenue by approximately \$1,159,000 in 2005. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$287,000 next year.

The cost of all governmental activities this year was \$17.5 million compared to \$16.2 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 (\$6.1 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2005 from approximately \$8.6 million to \$8.2 million, principally due to capital grants and contributions for infrastructure. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$8.7 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Warren County completed the year, its governmental funds reported a combined fund balance of \$3.8 million, a decrease of approximately \$600,000 below last year's total of \$4.4 million. The decrease in fund balance is primarily attributable to bridge and road construction projects. 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 \$1,110,000 over the prior year, due principally to the increase in the property tax levy. Additionally, expenditures increased \$1,185,000 over the prior year. This increase was primarily due to the issuance of an E911 loan for the purchase of equipment of \$492,935 and the repayment of a portion of that loan and interest of \$57,967, purchase of sheriff's vehicles for \$82,626 and purchase of conservation equipment for \$79,143. The ending fund balance showed an increase of \$304,350 from the prior year to approximately \$2,700,000.
- Mental Health Fund revenues decreased approximately \$278,000 due to the reduction in funding from the State of Iowa. For the year, expenditures totaled approximately \$2,635,000, an increase of 16% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$580,000 from the prior year to approximately \$30,000.
- Rural Services Fund revenues increased by approximately \$80,000 over the prior year, due principally to an increase in the property tax levy. Additionally, expenditures increased approximately \$25,000 and transfers to the Secondary Roads Fund increased approximately \$6,000. These increases resulted in a net increase in the Rural Services Fund balance of approximately \$18,000, or 5%.
- Secondary Roads Fund revenues decreased by approximately \$315,000, primarily due to a decrease in grants received from the State of Iowa for a bridge project that was completed in FY2004. Also, special assessments from property owners decreased approximately \$108,000. Secondary Roads Fund expenditures decreased by approximately \$170,000 from the prior year, due principally to bridge and road construction projects completed during FY2004 and maintenance of roads increasing in FY2005. These decreases resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$555,000, or 65%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Warren County amended its budget once on May 10, 2005. This amendment was made to record an E911 loan and equipment purchase, increased disbursements for rising fuel costs, purchases of information technology equipment and consulting services, and disbursements for an electronic imaging project. Also, the County received a local innovation grant that increased receipts and disbursements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Warren County had approximately \$30 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 \$529,000, or 2 percent, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 970	887
Buildings and improvements	5,578	5,795
Equipment and vehicles	1,747	1,745
Infrastructure	21,953	21,292
Total	<u>\$ 30,248</u>	<u>29,719</u>
This year's major additions included (in thousands):		
Roads		\$ 1,538
Construction in progress for roads		1,394
Engineer's equipment		241
Sheriff's vehicles		144
Total		<u>\$ 3,317</u>

The County had depreciation expense of \$1,497,449 in FY05 and total accumulated depreciation of \$14,691,534 at June 30, 2005.

The County's fiscal year 2005 capital budget included \$1,285,185 for capital projects, principally for infrastructure. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2005, Warren County had \$1,930,000 in general obligation bonds outstanding, compared to approximately \$2,265,000 at June 30, 2004. Also, Warren County had \$522,078 in capital lease purchase agreements outstanding at June 30, 2005.

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 \$62 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Warren County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 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 3.9 percent versus 3.4 percent a year ago. This compares with the State's unemployment rate of 4.6 percent and the national rate of 5.0 percent.

Inflation in the State mirrored the national Consumer Price Index increase at the close of the fiscal year. The Midwest Region of the Department of Labor, of which Iowa is a member, CPI rate increase was 2.5 percent for fiscal year 2005, the same as the national rate. After the end of fiscal year 2005, the Consumer Price Index has significantly increased due to rising energy costs. As of September 2005, the Midwest Region of the Department of Labor CPI was 4.8 percent compared with the national rate of 4.7 percent.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$17.8 million, an increase of 4.5 percent over the final 2005 budget. Property tax (benefiting from the 2005 rate increase and increases in assessed valuations) and grant receipts (primarily from Liberty Center sanitary sewer and Highway 92 corridor 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 \$264,000. Increased wage and cost-of-living adjustments, and increases in fuel costs and road maintenance, represent the largest increases. The County has added no major new programs or initiatives to the fiscal year 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of fiscal year 2006.

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 50125-0299.

Warren County

Basic Financial Statements

Exhibit A

Warren County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,159,210
Receivables:	
Property tax:	
Delinquent	27,223
Succeeding year	9,019,000
Interest and penalty on property tax	134,008
Accounts	50,268
Accrued interest	13,810
E911 lease	442,935
Due from other governments	564,492
Inventories	192,323
Prepaid insurance	45,148
Capital assets (net of accumulated depreciation)	<u>30,248,132</u>
Total assets	<u>44,896,549</u>
Liabilities	
Accounts payable	626,100
Accrued interest payable	11,596
Salaries and benefits payable	221,372
Due to other governments	356,623
Deferred revenue:	
Succeeding year property tax	9,019,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	350,000
Capital lease purchase agreements	102,628
Compensated absences	254,217
Portion due or payable after one year:	
General obligation bonds	1,580,000
Capital lease purchase agreements	419,450
Compensated absences	<u>102,994</u>
Total liabilities	<u>13,043,980</u>
Net Assets	
Invested in capital assets, net of related debt	28,238,989
Restricted for:	
Supplemental levy purposes	145,678
Mental health purposes	28,258
Secondary roads purposes	169,165
Debt service	26,387
Capital projects	72,100
Other purposes	249,361
Unrestricted	<u>2,922,631</u>
Total net assets	<u>\$ 31,852,569</u>

See notes to financial statements.

Warren County
Statement of Activities
Year ended June 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,475,535	314,306	409,106	-	(2,752,123)
Physical health and social services	1,811,059	393,672	718,369	-	(699,018)
Mental health	2,636,734	30,966	1,088,207	-	(1,517,561)
County environment and education	868,509	83,974	53,397	34,190	(696,948)
Roads and transportation	5,569,527	107,760	3,199,127	501,098	(1,761,542)
Governmental services to residents	592,647	786,196	994	-	194,543
Administration	2,100,173	190,321	1,623	-	(1,908,229)
Non-program	302,864	221,467	80,000	-	(1,397)
Interest on long-term debt	114,547	-	4,273	-	(110,274)
Total	\$ 17,471,595	2,128,662	5,555,096	535,288	(9,252,549)
General Revenues:					
Property and other county tax levied for:					
General purposes					8,326,222
Debt service					419,330
Penalty and interest on property tax					79,718
State tax credits					406,594
Unrestricted investment earnings					138,610
Gain on disposal of capital assets					29,185
Miscellaneous					32,691
Total general revenues					9,432,350
Change in net assets					179,801
Net assets beginning of year					31,672,768
Net assets end of year					\$ 31,852,569

See notes to financial statements.

Warren County
Balance Sheet
Governmental Funds

June 30, 2005

Assets	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Cash and pooled investments	\$ 2,766,754	397,507	358,251	289,777
Receivables:				
Property tax:				
Delinquent	18,005	2,864	5,033	-
Succeeding year	5,814,000	953,000	1,844,000	-
Interest and penalty on property tax	134,008	-	-	-
Accounts	34,340	535	6,962	258
Accrued interest	13,810	-	-	-
E911 lease	442,935	-	-	-
Due from other funds	325	-	-	51,083
Due from other governments	214,826	180	389	326,932
Inventories	71,315	-	-	100,979
Prepaid insurance	45,148	-	-	-
	Total assets	1,354,086	2,214,635	769,029
	\$ 9,555,466	1,354,086	2,214,635	769,029
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 125,951	80,614	470	394,077
Salaries and benefits payable	160,087	3,186	10,827	47,272
Due to other funds	11,734	-	-	22,758
Due to other governments	65,199	284,974	-	6,423
Deferred revenue:				
Succeeding year property tax	5,814,000	953,000	1,844,000	-
Other	634,615	2,743	4,999	-
Total liabilities	6,811,586	1,324,517	1,860,296	470,530
Fund balances:				
Reserved for:				
Supplemental levy purposes	172,580	-	-	-
Debt service	-	-	-	-
Unreserved:				
Designated for future jail expansion	885,000	-	-	-
Unreserved, reported in:				
General fund	1,686,300	-	-	-
Special revenue funds	-	29,569	354,339	298,499
Capital projects fund	-	-	-	-
Total fund balances	2,743,880	29,569	354,339	298,499
	Total liabilities and fund balances	1,354,086	2,214,635	769,029
	\$ 9,555,466	1,354,086	2,214,635	769,029

See notes to financial statements.

Nonmajor	Total
346,921	4,159,210
1,321	27,223
408,000	9,019,000
-	134,008
5,197	47,292
-	13,810
-	442,935
6,320	57,728
9,900	552,227
-	172,294
-	45,148
<u>777,659</u>	<u>14,670,875</u>
10,215	611,327
-	221,372
-	34,492
-	356,596
408,000	9,019,000
1,269	643,626
<u>419,484</u>	<u>10,886,413</u>
-	172,580
36,714	36,714
-	885,000
-	1,686,300
249,361	931,768
72,100	72,100
<u>358,175</u>	<u>3,784,462</u>
<u>777,659</u>	<u>14,670,875</u>

Warren County

Warren County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 3,784,462

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 \$44,851,786 and the accumulated depreciation is \$14,636,169. 30,215,617

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 643,626

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 \$87,880 less accumulated depreciation of \$55,365	\$ 32,515	
Other net assets	<u>(2,766)</u>	29,749

Long-term liabilities, including bonds payable, capital lease purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (2,820,885)

Net assets of governmental activities (page 16) \$ 31,852,569

See notes to financial statements.

Warren County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,624,376	894,380	1,807,030	-
Interest and penalty on property tax	118,383	-	-	-
Intergovernmental	1,622,871	1,129,419	87,436	3,227,711
Licenses and permits	96,863	-	5,200	1,385
Charges for service	1,002,004	-	1,600	-
Use of money and property	148,534	-	-	-
Miscellaneous	319,774	30,966	3,727	77,790
Total revenues	<u>8,932,805</u>	<u>2,054,765</u>	<u>1,904,993</u>	<u>3,306,886</u>
Expenditures:				
Operating:				
Public safety and legal services	3,959,099	-	-	-
Physical health and social services	1,792,350	-	-	-
Mental health	-	2,634,837	-	-
County environment and education	643,019	-	189,190	-
Roads and transportation	-	-	220,289	4,538,921
Governmental services to residents	513,749	-	2,115	-
Administration	1,866,473	-	-	-
Non-program	80,000	-	-	-
Debt service	58,549	-	-	-
Capital projects	59,661	-	311	956,560
Total expenditures	<u>8,972,900</u>	<u>2,634,837</u>	<u>411,905</u>	<u>5,495,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,095)</u>	<u>(580,072)</u>	<u>1,493,088</u>	<u>(2,188,595)</u>
Other financing sources (uses):				
Sale of capital assets	6,367	-	-	-
Operating transfers in	-	-	-	1,634,000
Operating transfers out	(234,000)	-	(1,475,000)	-
Lease purchase agreements	572,078	-	-	-
Total other financing sources (uses)	<u>344,445</u>	<u>-</u>	<u>(1,475,000)</u>	<u>1,634,000</u>
Net change in fund balances	304,350	(580,072)	18,088	(554,595)
Fund balances beginning of year	<u>2,439,530</u>	<u>609,641</u>	<u>336,251</u>	<u>853,094</u>
Fund balances end of year	<u>\$ 2,743,880</u>	<u>29,569</u>	<u>354,339</u>	<u>298,499</u>

See notes to financial statements.

Nonmajor	Total
419,184	8,744,970
-	118,383
60,005	6,127,442
-	103,448
26,704	1,030,308
6,319	154,853
201,680	633,937
<u>713,892</u>	<u>16,913,341</u>
29,426	3,988,525
-	1,792,350
-	2,634,837
9,632	841,841
-	4,759,210
59,305	575,169
-	1,866,473
-	80,000
437,946	496,495
41,153	1,057,685
<u>577,462</u>	<u>18,092,585</u>
<u>136,430</u>	<u>(1,179,244)</u>
-	6,367
75,000	1,709,000
-	(1,709,000)
-	572,078
<u>75,000</u>	<u>578,445</u>
211,430	(600,799)
<u>146,745</u>	<u>4,385,261</u>
<u>358,175</u>	<u>3,784,462</u>

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ (600,799)

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	\$ 1,502,876	
Capital assets contributed by the Iowa Department of Transportation	501,098	
Depreciation expense	<u>(1,493,445)</u>	510,529

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 22,819

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	584	
Other	<u>428,658</u>	429,242

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 government funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(572,078)	
Repaid	<u>385,000</u>	(187,078)

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

Compensated absences	25,123	
Interest on long-term debt	<u>(3,051)</u>	22,072

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. (16,984)

Change in net assets of governmental activities (page 17) \$ 179,801

See notes to financial statements.

Warren County
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Internal Service - Fuel Station
Assets	
Accounts receivable	\$ 2,976
Due from other funds	27,885
Due from other governments	12,265
Inventories	20,029
Capital assets, net of accumulated depreciation of \$55,365	32,515
Total assets	95,670
Liabilities	
Accounts payable	14,773
Due to other funds	51,121
Due to other governments	27
Total liabilities	65,921
Net Assets	
Invested in capital assets, net of related debt	32,515
Unrestricted	(2,766)
Total net assets	\$ 29,749

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, 2005

		<u>Internal Service - Fuel Station</u>
Operating revenues:		
Reimbursements from operating funds		\$ 169,701
Reimbursements from other governments		203,735
Fuel and other tax refunds		<u>17,387</u>
Total operating revenues		390,823
Operating expenses:		
Fuel	\$ 355,047	
State fuel and other taxes	35,948	
Clerical	12,034	
Utilities	774	
Depreciation	<u>4,004</u>	<u>407,807</u>
Operating loss		(16,984)
Net assets beginning of year		<u>46,733</u>
Net assets end of year		<u><u>\$ 29,749</u></u>

See notes to financial statements.

Warren County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

	Internal Service - Fuel Station
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 154,557
Cash received from other governments	200,324
Cash received from other operating receipts	17,387
Cash paid for personal services	(12,034)
Cash paid to suppliers	(402,560)
Net cash used by operating activities	(42,326)
Cash flows from noncapital financing activities:	
Deficit cash implicitly financed	42,326
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	\$ (16,984)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,004
(Increase) in accounts receivable	(471)
(Increase) in due from other funds	(15,144)
(Increase) in due from other governments	(2,940)
(Increase) in inventories	(232)
(Decrease) in accounts payable	(6,994)
(Decrease) in due to other funds	(3,565)
Net cash used by operating activities	\$ (42,326)

See notes to financial statements.

Warren County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,984,851
Other County officials	238,562
Receivables:	
Property tax:	
Delinquent	102,180
Succeeding year	33,606,000
Accounts	75,908
Special assessments	459,000
Due from other governments	37,591
Total assets	<u>36,504,092</u>

Liabilities

Accounts payable	19,250
Salaries and benefits payable	33,868
Due to other governments	36,127,639
Trusts payable	323,335
Total liabilities	<u>36,504,092</u>

Net assets

\$ -

See notes to financial statements.

Warren County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused compensatory time, vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the roads and transportation function. In addition, disbursements exceeded the amount budgeted in the non-program function prior to the budget amendment and two departments exceeded the amounts appropriated prior to re-appropriation.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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 \$70,103 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, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Secondary Roads	\$ 287
	Internal Service: Fuel Station	38
Special Revenue: Secondary Roads County Recorder's Records Management	Internal Service: Fuel Station	51,083
Resource Enhancement and Protection	General	680
County Recorder's Electronic Transaction Fee	General	1,076
Debt Service	General	290
	General	4,274
Internal Service: Fuel Station	General	5,414
	Special Revenue: Secondary Roads	22,471
Total		<u>\$ 85,613</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, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	159,000
	Special Revenue: Rural Services	1,475,000
Capital Projects	General	75,000
Total		<u>\$ 1,709,000</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, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 887,253	82,686	-	969,939
Construction in progress	1,360,604	1,393,958	(1,537,730)	1,216,832
Total capital assets not being depreciated	<u>2,247,857</u>	<u>1,476,644</u>	<u>(1,537,730)</u>	<u>2,186,771</u>
Capital assets being depreciated:				
Buildings	7,443,856	8,452	-	7,452,308
Improvements other than buildings	-	21,465	-	21,465
Equipment and vehicles	5,023,348	524,481	(324,220)	5,223,609
Equipment, internal service	87,880	-	-	87,880
Infrastructure, road network	27,052,872	1,537,730	-	28,590,602
Infrastructure, other	1,377,031	-	-	1,377,031
Total capital assets being depreciated	<u>40,984,987</u>	<u>2,092,128</u>	<u>(324,220)</u>	<u>42,752,895</u>
Less accumulated depreciation for:				
Buildings	1,649,111	245,025	-	1,894,136
Improvements other than buildings	-	1,431	-	1,431
Equipment and vehicles	3,315,130	514,278	(319,971)	3,509,437
Equipment, internal service	51,361	4,004	-	55,365
Infrastructure, road network	8,360,751	686,809	-	9,047,560
Infrastructure, other	137,703	45,902	-	183,605
Total accumulated depreciation	<u>13,514,056</u>	<u>1,497,449</u>	<u>(319,971)</u>	<u>14,691,534</u>
Total capital assets being depreciated, net	<u>27,470,931</u>	<u>594,679</u>	<u>(4,249)</u>	<u>28,061,361</u>
Governmental activities capital assets, net	<u>\$ 29,718,788</u>	<u>2,071,323</u>	<u>(1,541,979)</u>	<u>30,248,132</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 105,389
Physical health and social services	14,365
County environment and education	103,956
Roads and transportation	1,033,445
Governmental services to residents	3,000
Administration	<u>233,290</u>
Total depreciation expense - governmental activities, excluding Internal Service Funds	<u>\$ 1,493,445</u>
Depreciation expense charged to the Internal Service Fund	<u>\$ 4,004</u>

(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	\$ 65,199
Special Revenue:		
Mental Health	Services	284,974
Secondary Roads	Services	6,423
		<u>291,397</u>
Total for governmental funds		<u>\$ 356,596</u>
Agency:		
County Assessor	Collections	\$ 555,630
Schools		23,160,981
Community Colleges		822,983
Corporations		9,011,214
Townships		435,932
Auto License and Use Tax		756,322
All other		1,384,577
Total for agency funds		<u>\$ 36,127,639</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Capital Lease Purchase Agreements	Compen- sated Absences	Total
Balance beginning of year	\$ 2,265,000	-	382,334	2,647,334
Increases	-	572,078	460,713	1,032,791
Decreases	335,000	50,000	485,836	870,836
Balance end of year	<u>\$ 1,930,000</u>	<u>522,078</u>	<u>357,211</u>	<u>2,809,289</u>
Due within one year	<u>\$ 350,000</u>	<u>102,628</u>	<u>254,217</u>	<u>706,845</u>

General Obligation Bonds

A summary of the County's June 30, 2005 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.50%	\$ 350,000	87,473	437,473
2007	4.50	370,000	71,722	441,722
2008	4.50	385,000	55,073	440,073
2009	4.50	405,000	37,747	442,747
2010	4.55	420,000	19,320	439,320
Total		\$ 1,930,000	271,335	2,201,335

During the year ended June 30, 2005, the County retired \$335,000 of bonds.

Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements for E911 equipment and a tractor with mower with historical costs of \$492,935 and \$79,143, respectively. The following is a schedule of the future minimum lease payments, including interest ranging from 3.5% to 3.9% per annum, and the present value of the net minimum lease payments under the agreements in effect at June 30, 2005:

Year ending June 30,	E911 Equipment	Tractor with Mower	Total
2006	\$ 97,935	20,830	118,765
2007	97,935	20,830	118,765
2008	97,935	20,830	118,765
2009	97,934	20,831	118,765
2010	97,934	-	97,934
2011	45	-	45
Total minimum lease payments	489,718	83,321	573,039
Less amount representing interest	(46,783)	(4,178)	(50,961)
Present value of net minimum lease payments	\$ 442,935	79,143	522,078

This historical cost of assets acquired under capital leases and included in capital assets in the government-wide statements at June 30, 2005 is as follows:

Tractor with mower	\$ 79,143
Accumulated depreciation	<u>(7,914)</u>
Net	<u>\$ 71,229</u>

Payments under the capital lease purchase agreements totaled \$57,967 for the year ended June 30, 2005.

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered salary except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 5.10% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$403,471, \$379,573 and \$371,788, 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 with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. 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, 2005 were \$160,776.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, 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 \$1,273,694 for bridge construction and roadway paving. As of June 30, 2005, costs of \$1,179,742 on the projects have been incurred. The balance remaining on the projects at June 30, 2005 (\$93,952) will be paid as work on the projects progresses.

(13) Jointly Governed Organization

Warren County participates in the Child Support Recovery Program, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2005:

Additions:		
Contributions from governmental units:		
Iowa Department of Human Services		\$ 608,162
Deductions:		
Salaries	\$ 440,366	
Benefits	164,081	
Office supplies	868	
Travel	239	
Office equipment	290	
Legal and court-related services	2,295	608,139
		<hr/>
Net		23
Balance beginning of year		<hr/> 71,802
Balance end of year		<hr/> <hr/> \$ 71,825

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, 2005

	Actual	Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 8,805,001	-	8,805,001
Interest and penalty on property tax	117,777	-	117,777
Intergovernmental	6,081,594	-	6,081,594
Licenses and permits	97,008	-	97,008
Charges for service	1,027,427	-	1,027,427
Use of money and property	147,490	-	147,490
Miscellaneous	614,166	45,382	568,784
Total receipts	<u>16,890,463</u>	<u>45,382</u>	<u>16,845,081</u>
Disbursements:			
Public safety and legal services	3,923,254	-	3,923,254
Physical health and social services	1,784,895	-	1,784,895
Mental health	2,594,356	-	2,594,356
County environment and education	833,030	9,632	823,398
Roads and transportation	4,403,225	-	4,403,225
Governmental services to residents	573,675	-	573,675
Administration	1,890,819	-	1,890,819
Nonprogram	80,000	-	80,000
Debt service	496,496	-	496,496
Capital projects	1,211,927	-	1,211,927
Total disbursements	<u>17,791,677</u>	<u>9,632</u>	<u>17,782,045</u>
Excess (deficiency) of receipts over (under) disbursements	(901,214)	35,750	(936,964)
Other financing sources, net	578,445	-	578,445
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(322,769)	35,750	(358,519)
Balance beginning of year	4,533,062	-	4,533,062
Balance end of year	<u>\$ 4,210,293</u>	<u>35,750</u>	<u>4,174,543</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
8,818,301	8,818,301	(13,300)
100,000	100,000	17,777
7,005,634	6,413,080	(331,486)
84,360	84,960	12,048
988,305	998,025	29,402
72,700	106,134	41,356
407,217	514,411	54,373
17,476,517	17,034,911	(189,830)
3,391,055	3,961,722	38,468
2,023,687	2,027,203	242,308
2,598,656	2,598,656	4,300
744,362	830,035	6,637
4,240,250	4,381,950	(21,275)
563,348	596,764	23,089
1,914,028	1,954,973	64,154
-	80,000	-
437,847	496,496	-
1,827,150	1,285,185	73,258
17,740,383	18,212,984	430,939
(263,866)	(1,178,073)	241,109
6,000	580,535	(2,090)
(257,866)	(597,538)	239,019
3,403,066	4,454,691	78,371
3,145,200	3,857,153	317,390

Warren County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 16,890,463	22,878	16,913,341
Expenditures	17,791,677	300,908	18,092,585
Net	(901,214)	(278,030)	(1,179,244)
Other financing sources, net	578,445	-	578,445
Beginning fund balances	4,533,062	(147,801)	4,385,261
Ending fund balances	\$ 4,210,293	(425,831)	3,784,462

See accompanying independent auditor's report.

Warren County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. 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, one budget amendment increased budgeted disbursements by \$472,601. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the roads and transportation function. In addition, disbursements exceeded the amount budgeted in the non-program function prior to the budget amendment and disbursements in two departments exceeded the amounts appropriated prior to re-appropriation.

Warren County

Other Supplementary Information

Warren County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee
Assets			
Cash and pooled investments	\$ 23,882	59,707	1,317
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Due from other funds	680	1,076	290
Due from other governments	-	-	-
Total assets	\$ 24,562	60,783	1,607
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 213	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	213	-	-
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved, reported in:			
Special revenue funds	24,349	60,783	1,607
Capital projects fund	-	-	-
Total fund equity	24,349	60,783	1,607
Total liabilities and fund equity	\$ 24,562	60,783	1,607

See accompanying independent auditor's report.

Special Revenue							
Attorney Forfeiture	Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Debt Service	Capital Projects		Total
20,496	1,281	100,000	35,750	32,388	72,100		346,921
-	-	-	-	1,321	-		1,321
-	-	-	-	408,000	-		408,000
5,197	-	-	-	-	-		5,197
-	-	-	-	4,274	-		6,320
-	-	-	-	-	9,900		9,900
25,693	1,281	100,000	35,750	445,983	82,000		777,659
102	-	-	-	-	9,900		10,215
-	-	-	-	408,000	-		408,000
-	-	-	-	1,269	-		1,269
102	-	-	-	409,269	9,900		419,484
-	-	-	-	36,714	-		36,714
25,591	1,281	100,000	35,750	-	-		249,361
-	-	-	-	-	72,100		72,100
25,591	1,281	100,000	35,750	36,714	72,100		358,175
25,693	1,281	100,000	35,750	445,983	82,000		777,659

Warren County

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

Year ended June 30, 2005

	County Recorder's Records Management	Resource Enhance- ment and Protection	County Recorder's Electronic Transaction Fee
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	6,939	-
Charges for service	12,508	-	14,196
Use of money and property	680	1,076	290
Miscellaneous	-	-	-
Total revenues	13,188	8,015	14,486
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Governmental services to residents	23,645	-	35,660
Debt service	-	-	-
Capital projects	-	4,063	-
Total expenditures	23,645	4,063	35,660
Excess (deficiency) of revenues over (under) expenditures	(10,457)	3,952	(21,174)
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(10,457)	3,952	(21,174)
Fund balances beginning of year	34,806	56,831	22,781
Fund balances end of year	\$ 24,349	60,783	1,607

See accompanying independent auditor's report.

Special Revenue							
Attorney Forfeiture	Sheriff Forfeiture	Lacona Meal Site	Friends of Conservation	Debt Service	Capital Projects	Total	
-	-	-	-	419,184	-	419,184	
-	-	-	-	18,876	34,190	60,005	
-	-	-	-	-	-	26,704	
-	-	-	-	4,273	-	6,319	
55,017	1,281	100,000	45,382	-	-	201,680	
55,017	1,281	100,000	45,382	442,333	34,190	713,892	
29,426	-	-	-	-	-	29,426	
-	-	-	9,632	-	-	9,632	
-	-	-	-	-	-	59,305	
-	-	-	-	437,946	-	437,946	
-	-	-	-	-	37,090	41,153	
29,426	-	-	9,632	437,946	37,090	577,462	
25,591	1,281	100,000	35,750	4,387	(2,900)	136,430	
-	-	-	-	-	75,000	75,000	
25,591	1,281	100,000	35,750	4,387	72,100	211,430	
-	-	-	-	32,327	-	146,745	
25,591	1,281	100,000	35,750	36,714	72,100	358,175	

Warren County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,100	103,443	280,334
Other County officials	238,562	-	-	-
Receivables:				
Property tax:				
Delinquent	-	276	1,413	67,647
Succeeding year	-	87,000	463,000	22,813,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 238,562	88,376	567,856	23,160,981
Liabilities				
Accounts payable	\$ -	-	749	-
Salaries and benefits payable	-	-	11,477	-
Due to other governments	35,785	88,376	555,630	23,160,981
Trusts payable	202,777	-	-	-
Total liabilities	\$ 238,562	88,376	567,856	23,160,981

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
8,778	129,016	5,532	756,322	700,326	1,984,851
-	-	-	-	-	238,562
2,205	29,198	1,400	-	41	102,180
812,000	8,853,000	429,000	-	149,000	33,606,000
-	-	-	-	75,908	75,908
-	-	-	-	459,000	459,000
-	-	-	-	37,591	37,591
822,983	9,011,214	435,932	756,322	1,421,866	36,504,092
-	-	-	-	18,501	19,250
-	-	-	-	22,391	33,868
822,983	9,011,214	435,932	756,322	1,260,416	36,127,639
-	-	-	-	120,558	323,335
822,983	9,011,214	435,932	756,322	1,421,866	36,504,092

Warren County
 Combining Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 60,613	87,881	599,828	22,284,921
Additions:				
Property and other county tax	-	87,186	464,460	22,866,965
E911 surcharge	-	-	-	-
State tax credits	-	3,975	20,328	999,224
Drivers license fees	-	-	-	-
Office fees and collections	834,672	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	627,093	-	-	-
Miscellaneous	-	-	2,504	-
Total additions	1,461,765	91,161	487,292	23,866,189
Deductions:				
Agency remittances:				
To other funds	465,591	-	-	-
To other governments	366,273	90,666	519,264	22,990,129
Trusts paid out	451,952	-	-	-
Total deductions	1,283,816	90,666	519,264	22,990,129
Balances end of year	\$ 238,562	88,376	567,856	23,160,981

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Other	Total
701,152	8,432,735	414,644	789,280	1,210,004	34,581,058
813,140	8,808,678	433,164	-	151,196	33,624,789
-	-	-	-	317,158	317,158
31,723	325,125	19,063	-	7,495	1,406,933
-	-	-	80,598	-	80,598
-	-	-	-	608,162	1,442,834
-	-	-	-	18,987	18,987
-	-	-	9,463,724	-	9,463,724
-	-	-	-	24,277	24,277
-	-	-	-	508,336	1,135,429
-	-	-	-	491,595	494,099
844,863	9,133,803	452,227	9,544,322	2,127,206	48,008,828
-	-	-	382,923	-	848,514
723,032	8,555,324	430,939	9,194,357	1,465,539	44,335,523
-	-	-	-	449,805	901,757
723,032	8,555,324	430,939	9,577,280	1,915,344	46,085,794
822,983	9,011,214	435,932	756,322	1,421,866	36,504,092

Schedule 5

Warren County

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

For the Last Six Yearss

	Modified Accrual Basis					
	2005	2004	2003	2002	2001	2000
Revenues:						
Property and other county tax	\$ 8,744,970	7,622,726	7,349,911	6,928,811	6,691,491	6,751,879
Interest and penalty on property tax	118,383	116,564	108,385	113,333	105,104	96,392
Intergovernmental	6,127,442	6,520,945	6,613,117	6,994,414	6,316,292	6,722,733
Licenses and permits	103,448	89,430	82,103	88,101	73,116	76,277
Charges for service	1,030,308	1,059,635	1,016,699	992,117	895,048	864,602
Use of money and property	154,853	113,016	166,901	283,568	515,158	514,812
Miscellaneous	633,937	521,659	535,449	359,014	554,778	269,277
Total	\$ 16,913,341	16,043,975	15,872,565	15,759,358	15,150,987	15,295,972
Expenditures:						
Operating:						
Public safety and legal services	\$ 3,988,525	3,198,521	3,096,633	3,130,057	2,619,902	2,505,636
Physical health and social services	1,792,350	1,745,733	1,638,876	1,717,513	1,621,645	1,465,731
Mental health	2,634,837	2,275,267	2,338,950	2,503,407	2,408,904	2,253,426
County environment and education	841,841	703,017	637,735	701,880	737,095	656,531
Roads and transportation	4,759,210	4,522,201	4,434,541	4,469,042	3,970,136	4,061,271
Governmental services to residents	575,169	514,115	504,071	508,399	534,893	454,228
Administration	1,866,473	1,759,019	1,699,790	1,576,445	1,536,685	1,494,406
Non-program	80,000	-	-	-	-	-
Debt service	496,495	437,248	519,787	521,130	521,785	568,880
Capital projects	1,057,685	1,418,113	965,699	1,576,974	1,337,019	2,069,471
Total	\$ 18,092,585	16,573,234	15,836,082	16,704,847	15,288,064	15,529,580

See accompanying independent auditor's report.

Warren County

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Marion County Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		<u>9,114</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>8,730</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	02-WS-108	<u>34,190</u>
U.S. Department of Justice:			
Iowa Department of Human Rights:			
Criminal and Juvenile Justice Planning:			
Juvenile Accountability Incentive Block Grants	16.523	40-JD03-F504	<u>29,224</u>
Juvenile Justice and Delinquency Prevention - Allocation to the States	16.540	40-JD03-F504	<u>15,849</u>
Title V - Delinquency Prevention Program	16.548	40-JD03-F504	<u>3,513</u>
Enforcing Underage Drinking Laws Program	16.727	40-JD03-F504	<u>10,827</u>
Iowa Department of Justice:			
Crime Victim Assistance Division:			
Crime Victim Assistance	16.575	VA-05	<u>24,750</u>
Violence Against Women Formula Grants	16.588	VW-05	<u>29,000</u>
Governor's Office on Drug Control Policy:			
Polk County Sheriff:			
Byrne Formula Grant Program	16.579		<u>87,870</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-92-5(46)--2C-91	<u>95,555</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 04-04, Task 40	<u>10,046</u>
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 04-163, Task 68	<u>981</u>

Warren County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
Environmental Protection Agency:			
Iowa Department of Public Health:			
Linn County Health Department:			
State Indoor Radon Grants	66.032	5889RC02	<u>2,449</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003	5884EM88	<u>8,306</u>
Immunization Grants	93.268	5885I436	<u>2,642</u>
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5884BT18	18,150
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5884BT01	17,374
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5884EHC12	<u>44</u>
			<u>35,568</u>
Marion County Public Health:			
Maternal and Child Health Services Block			
Grant to the States	93.994		<u>4,510</u>
Iowa Department of Elder Affairs:			
Aging Resource of Central Iowa:			
Special Programs for the Aging - Title III,			
Part D - Disease Prevention and Health			
Promotion Services	93.043		<u>4,000</u>
Aging Cluster Programs:			
Special Programs for the Aging - Title III,			
Part B - Grants for Supportive Services and			
Senior Centers	93.044		<u>10,000</u>
Special Programs for the Aging - Title III,			
Part C - Nutrition Services	93.045		<u>55,530</u>
Nutrition Services Incentive Program			
(Commodities)	93.053		53,729
Nutrition Services Incentive Program (Cash)	93.053		<u>18,118</u>
			<u>71,847</u>

Schedule 6

Warren County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

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		11,626
Refugee and Entrant Assistance - State Administered Programs	93.566		15
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,274
Foster Care - Title IV-E	93.658		6,099
Adoption Assistance	93.659		1,422
Medical Assistance Program	93.778		12,529
Social Services Block Grant	93.667		7,640
Social Services Block Grant	93.667		98,598
			106,238
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		19,407
Total			\$ 714,111

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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

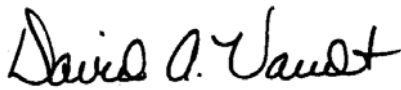
Compliance and Other Matters

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, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 18, 2005

**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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2005. 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, 2005.

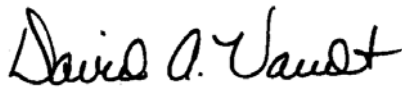
Internal Control Over Compliance

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

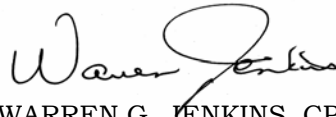
We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect Warren County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. A reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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

October 18, 2005

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, which was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is 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 16.579 – Byrne Formula Grant Program
 - CFDA Number 20.205 – Highway Planning and Construction
 - Clustered programs:
 - CFDA Number 93.044 – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers
 - CFDA Number 93.045 – Special Programs for the Aging – Title III, Part C – Nutrition Services
 - CFDA Number 93.053 – Nutrition Services Incentive Program
 - 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, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

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

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

Response – Duties are currently split between two full-time and one part-time employee. I will need to resume the check log and review bank reconciliations.

Conclusion – Response accepted.

II-B-05 County Sheriff – Book balances were not reconciled to bank account balances and trust account listings.

Receipts from County warrants and the State of Iowa were not always deposited timely.

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

Expenditures for other than commissary resale items or inmate refunds were included in the jail commissary bank account. These expenditures were not approved by the Board of Supervisors and were not charged against the County's budget.

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

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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

Commissary profits should be remitted to the County Treasurer for deposit into a Special Revenue Fund. Expenditures should be made through the County claim process, approved by the Board of Supervisors and properly reflected in the County's budget.

Response – We will contact the budget assistant for assistance with preparation of trust listings. Receipts will be deposited weekly. We will maintain separate accounts for D.A.R.E. and commissary profits with the County Treasurer.

Conclusion – Response accepted.

- II-C-05 Sheriff Law Enforcement Contracts – Adequate records were not maintained to account for the amounts billed, collected and the outstanding balances on law enforcement contracts with cities. At June 30, 2005, the outstanding balance from various cities totaled \$41,074.

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

Response – A ledger will be maintained for each account and will be reviewed for collections.

Conclusion – Response accepted.

- II-D-05 County Sheriff – The Sheriff traded county vehicles for a credit with a supply and equipment vendor. Those credits were later used to purchase law enforcement items without the purchases going through the County budget, appropriations and disbursement process as required by Chapter 331.506 of the Code of Iowa. Claims for the purchases were not filed and properly audited by the Board of Supervisors before payment as required by Chapter 331.504(7) and (8) of the Code of Iowa.

Recommendation – The proceeds from the trading of county vehicles should be remitted to the County Treasurer for deposit and any expenditures for the purchase of supplies or equipment should be charged to the appropriate expenditure account and run through the process for issuance of warrants as specified by the Code of Iowa and the Uniform Chart of Accounts for County governments in Iowa. Expenditures should be subject to the budget and appropriation requirements established by the Code of Iowa.

Response – We will consider this recommendation if exchange is used in the future.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Conclusion – Response acknowledged. The purchase of supplies and equipment should be charged to the appropriate expenditure account and run through the process for issuance of warrants as specified by the Code of Iowa.

II-E-05 County Recorder – Receipts are not deposited intact. Void receipts are not consistently reviewed and approved by an independent person.

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

Response – We have already implemented reviewing the voids and stapling them to the day's end cash register tape. We are putting copy money on the cash register daily and depositing it the next day with the days receipts.

Conclusion – Response accepted.

II-F-05 Fuel Station Deficit Balance – The Internal Service, Fuel Station Fund had a deficit cash balance at June 30, 2005.

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

Response – We will review the billing practices to determine that the appropriate fuel cost is being billed to the other entities. If necessary, maintenance costs will be increased and/or price per gallon used will be adjusted. We will consider using General Fund monies to establish funds to enable an adequate cash flow balance.

Conclusion – Response accepted.

II-G-05 Information Systems – The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- requiring user profiles to help limit access to programs to those who have a legitimate need.
- requiring time out/log off functions or screen saver passwords to be used when computers are left unattended for extended periods of time.
- requiring terminals to be logged off when left unattended for extended periods of time.

Also, policies for password privacy and confidentiality are not being followed.

Recommendation – The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. Also, policies established for password security should be enforced.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Response – Policies are being written for approval by the Board. Additional training will be done to address areas of non-compliance.

Conclusion – Response accepted.

- II-H-05 Vacation Balances – The County is not following the provisions of the County’s personnel policy and union contracts regarding the maximum allowable carryover of vacation hours. Certain employees had vacation balances in excess of the maximum carryover at June 30, 2005.

Recommendation – The County should limit the carryover of employee’s vacation hours as prescribed by County policy and union contracts.

Response – Monthly, the Auditor’s Office will review the vacation balance of employees with anniversaries in that month. For any employee identified with a vacation balance greater than their annual accrual plus 80 hours, a letter will be sent to the department head and to the employee notifying them of the violation of the personnel or union contract. Since the County has not monitored this previously, we will allow one year for the department head and employee to resolve the problem prior to removing the excess vacation balance.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

CFDA Number 93.045: Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers

CFDA Number 93.053: Special Program for the Aging – Title III, Part C – Nutrition Services

**U.S. Department of Health and Human Services
Passed through the Aging Resources of Central Iowa**

III-A-05 Financial Reporting – The expenditures reported on the monthly programmatic reports did not consistently agree with the expenditures from the County's expenditure ledger. For the year ended June 30, 2005, the totals in the County's expenditure ledger exceeded the amounts reported in the monthly programmatic reports. In addition, the reports contained addition errors in the monthly and year to date expenditure totals.

Recommendation – The County should ensure monthly programmatic reports are accurate and reconciled to the County's expenditure ledger.

Response – The monthly reports will be reviewed by an independent person for mathematical accuracy and will be reconciled to the monthly departmental disbursement record.

Conclusion – Response accepted.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the roads and transportation function. Disbursements in the non-program function exceeded the budget prior to amendment in May 2005.

In addition, although the Board of Supervisors acted to increase certain departmental appropriations by amendment, disbursements exceeded the appropriations prior to re-appropriation.

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

Response – The County budget and departmental appropriations will be monitored more closely and will be amended prior to being exceeded.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s Opinion dated April 25, 1979 were noted.

IV-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-E-05 Business Transactions – The following transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mary Taylor, Secretary to County Attorney, husband is part owner of Copy Plus	Supplies for various County departments Supplies – Attorney’s office	\$7,641 593
Tom George, Secondary Roads employee, brother is owner of Jim George Excavating	Rock hauling, per bid	165,771

The transactions with Jim George Excavating do not appear to represent a conflict of interest since they were entered into through competitive bidding.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

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.

IV-F-05 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-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Although minutes of Board proceedings were published, they were not always published within the time period specified by Chapter 349.18 of the Code of Iowa.

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

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

Conclusion – Response accepted.

IV-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-05 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-J-05 County Sheriff Reports – The Sheriff did not file a quarterly report of fees collected with the Board of Supervisors as required by Chapter 331.655(3) of the Code of Iowa.

Recommendation – The required reports should be completed and filed with the Board of Supervisors.

Response – These will be sent to the Board directly rather than the Auditor.

Conclusion – Response accepted.

IV-K-05 Electronic Checks – The County Sheriff received electronic images of only the front side of canceled checks.

Recommendation – Chapter 554D.114(5) of the Code of Iowa states, in part, "If a law requires retention of a check, that requirement is satisfied by retention of an

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

electronic record of the information on the front and back of the check.” The County Sheriff should request the required information be included.

Response – We will contact the bank to include the back side of the checks.

Conclusion – Response accepted.

IV-L-05 Emergency Management Budget – The notice of the public hearing for the Emergency Management budget was published less than ten days before the hearing.

Recommendation – Notice of the public hearing for the budget should be published not less than ten nor more than twenty days before the hearing in accordance with Chapter 24.9 of the Code of Iowa.

Response – The letter to the newspaper dated 12/30/03 included appropriate instructions. Notice was published in three County newspapers. Future instructions to the newspaper will be highlighted to ensure accurate publishing timeframes.

Conclusion – Response accepted.

IV-M-05 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, 2005 for the County Extension Office did not exceed the amount budgeted.

IV-N-05 Empowerment Board Expenditure – An Empowerment Board expenditure was noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. This expenditure is detailed as follows:

Paid to	Purpose	Amount
Walmart	Gift cards for child care providers	\$ 500

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

In addition, the Empowerment Board did not properly support the distribution of the gift cards by requiring written acknowledgement of receipt from the recipients.

Warren County

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Recommendation - The Empowerment Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures, including the requirement for proper documentation.

Response - Arrangements have been made to have a policy approved at the November 2, 2005 Empowerment Board meeting. Acknowledgment will be approved at the same time.

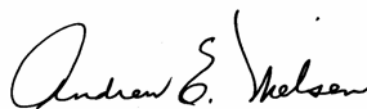
Conclusion - Response acknowledged. In addition, public purpose should be documented.

Warren County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Donna F. Kruger, CPA, Senior Auditor II
Dustin S. Boxa, CPA, Staff Auditor
Sheila M. Jensen, Staff Auditor
Jessica L. Christensen, Assistant Auditor
Melissa J. Knoll, Assistant Auditor
Bradley A. Meisterling, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State