



**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

March 23, 2007

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$21,680,791 for the year ended June 30, 2006, which included \$947,208 in tax credits from the state. The County forwarded \$16,808,974 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,871,817 of the local tax revenue to finance County operations, a less than 1% decrease from the prior year. Other revenues included charges for service of \$1,039,471, operating grants, contributions and restricted interest of \$3,778,280, capital grants, contributions and restricted interest of \$364,416, unrestricted investment earnings of \$295,341 and other general revenues of \$183,253.

Expenses for County operations totaled \$10,601,352, a 16 percent increase over the prior year. Expenses included \$4,224,272 for roads and transportation, \$1,800,697 for public safety and legal services and \$1,566,045 for mental health. The significant increase in expenses is due primarily to roads and transportation, governmental services to residents and public safety.

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>.

###



**POWESHIEK COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2006**

## Table of Contents

		<u>Page</u>
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
Budget to GAAP Reconciliation		45
Notes to Required Supplementary Information – Budgetary Reporting		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48-49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50-51
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	52-53
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	54-55
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	56-57
Schedule of Expenditures of Federal Awards	6	58-59
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>		61-62
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in accordance with OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-76
Staff		77

**Poweshiek County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Law	Board of Supervisors	Jan 2007
Sandy Moffett	Board of Supervisors	Jan 2007
Doug Shutts	Board of Supervisors	Jan 2009
Jo Wray	County Auditor	Jan 2009
Lana Taylor	County Treasurer	Jan 2007
Beverly Malloy	County Recorder	Jan 2007
Thomas B. Sheets	County Sheriff	Jan 2009
Michael W. Mahaffey	County Attorney	Jan 2007
Margaret Hutchinson	County Assessor	Jan 2010

**Poweshiek 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 Poweshiek County:

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

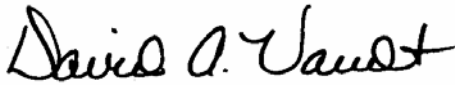
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Poweshiek County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

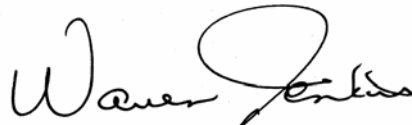
In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2007 on our consideration of Poweshiek County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 46 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 Poweshiek County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements due to the omission of general fixed assets or capital assets and supplies inventory for the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 11, 2007



---

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

---

Poweshiek 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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 23.2%, or approximately \$3,177,000, from fiscal year 2005 to fiscal year 2006. Capital grants and contributions decreased approximately \$3,850,000, operating grants, contributions and restricted interest increased approximately \$414,000 and unrestricted interest increased approximately \$172,000.
- Program expenses of the County's governmental activities were 11.9%, or approximately \$1,131,000, more in fiscal year 2006 than in fiscal year 2005. Roads and transportation expenses increased approximately \$597,000, governmental services to residents expenses increased approximately \$341,000 and public safety and legal services expenses increased approximately \$291,000.
- The County's net assets, as restated, decreased less than 1%, or approximately \$69,000, from June 30, 2005 to June 30, 2006.

### **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 Poweshiek 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 Poweshiek 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 Poweshiek 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 funds 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, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general 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 County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements 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 which cannot be used to support the County's own programs. The fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

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

Reconciliations between the government-wide 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. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 13,069	12,318
Capital assets	8,735	9,010
Total assets	<u>21,804</u>	<u>21,328</u>
Long-term liabilities	1,012	813
Other liabilities	5,750	5,404
Total liabilities	<u>6,762</u>	<u>6,217</u>
Net assets:		
Invested in capital assets, net of related debt	8,516	8,764
Restricted	4,236	4,521
Unrestricted	2,290	1,826
Total net assets	<u>\$ 15,042</u>	<u>15,111</u>

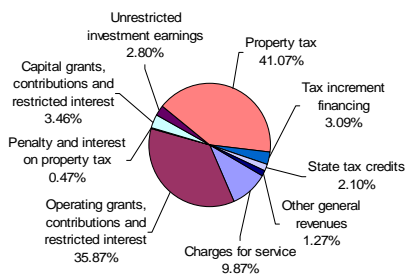
Net assets of Poweshiek County's governmental activities decreased by less than 1% (\$15 million compared to \$15.1 million). A large portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from \$1,825,725 at June 30, 2005 to \$2,289,891 at the end of this year, an increase of 25%.

**Changes in Net Assets of Governmental Activities**

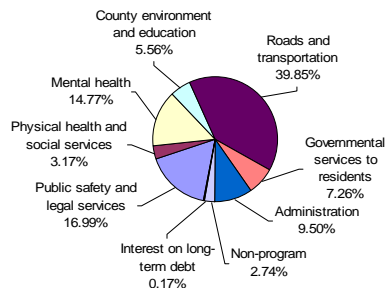
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 1,039	982
Operating grants, contributions and restricted interest	3,778	3,364
Capital grants, contributions and restricted interest	364	4,214
General revenues:		
Property tax	4,326	4,328
Tax increment financing	325	319
Penalty and interest on property tax	50	43
State tax credits	221	231
Grants and contributions not restricted to specific purposes	-	3
Unrestricted investment earnings	295	123
Other general revenues	134	102
Total revenues	<u>10,532</u>	<u>13,709</u>
Program expenses and special item:		
Public safety and legal services	1,801	1,510
Physical health and social services	336	339
Mental health	1,566	1,528
County environment and education	589	504
Roads and transportation	4,224	3,627
Governmental services to residents	770	429
Administration	1,007	983
Non-program	290	240
Interest on long-term debt	18	2
Special item	-	308
Total expenses and special item	<u>10,601</u>	<u>9,470</u>
Increase (decrease) in net assets	(69)	4,239
Net assets beginning of year, as restated	15,111	10,872
Net assets end of year	<u>\$ 15,042</u>	<u>15,111</u>

**Revenue by Source**



**Expenses by Program**



The County slightly increased property tax rates for 2006 by an average of .08 percent. This increase raised the County's property and other County tax revenue by approximately \$3,800 in 2006. County wide taxable valuations in Poweshiek County have fluctuated as follows: from \$764,500,271 in FY04, to \$736,945,481 in FY05 and \$743,289,976 in FY06. Based on fluctuations in the total assessed valuation and an increase in FY07 property tax rates, property tax revenue is budgeted to increase by an additional \$215,000 next year.

The decrease in capital grants, contributions and restricted interest is related to the capitalization of farm to market projects of \$4,096,222 in FY05. No farm to market projects were underway during FY06.

The decrease in special item expenses result primarily from the transfer of the operation of the transfer station to the South Central Iowa Solid Waste Agency during FY05.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Poweshiek County completed the year, its governmental funds reported a combined fund balance of \$6.9 million, an increase of approximately \$617,000 above last year's total of \$6.3 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance increased approximately \$798,000 over the prior year to approximately \$2,217,000 due, in part, to the receipt of \$545,085 in general obligation note proceeds.
- The County has continued to look for ways to effectively manage the cost of mental health services. Mental Health Fund revenues totaled approximately \$1,531,000, an increase of 26% over the prior year. During FY06, the County received an additional \$218,000 in mental health funding for allowable growth factor and community services. For the year ended June 30, 2006, expenditures totaled approximately \$1,528,000, which remained consistent when compared to the prior year. The Mental Health Fund balance at year end increased by 3% over the prior year to approximately \$88,000.
- Rural Services Fund revenues increased approximately \$263,000 due to an increase in property and other county taxes, intergovernmental funds received for contract law enforcement services from cities and charges for service generated by uniformed patrol and physical health. Rural Services Fund expenditures increased approximately \$380,000 due to providing contract law enforcement services to cities and expanding law enforcement coverage in the rural areas. The Rural Services ending fund balance decreased approximately \$89,000 from the prior year to approximately \$223,000.
- Secondary Roads Fund revenues increased approximately \$262,000 over the prior year, due principally to the receipt of BROS reimbursements for projects that were completed during FY05. In FY06, Poweshiek County had no BROS funded projects. Expenditures increased to approximately \$3,972,000, which is consistent when compared to the prior year. The Secondary Roads ending fund balance decreased approximately \$102,000 from the prior year to approximately \$2,907,000.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Poweshiek County amended its budget three times. The first amendment was made in October 2005 and resulted in an increase in budgeted disbursements related to public safety and legal services, county environment and education, governmental services to residents and administration. This amendment was made to provide for the purchase

of new computer software. The second amendment was made in January 2006. This amendment was made to reflect the receipt of a conservation grant from the State of Iowa and the purchase of land with the grant proceeds. The third amendment was made in May 2006. This amendment was made to public safety and legal services, physical health and social services, county environment and education, governmental services to residents, administration and nonprogram. This amendment was made to provide for additional disbursements in the above referenced functions and for the purchase of electronic doors and a new heating system.

The County's receipts were \$394,294 less than budgeted, a variance of 3.6%. The most significant variance resulted from the County budgeting \$595,085 of general obligation note proceeds as use of money and property instead of as other financing sources.

Total disbursements were \$2,365,872 less than the amended budget. Actual disbursements for the capital projects, roads and transportation and administration functions were \$985,966, \$375,105 and \$362,681, respectively, less than budgeted. This was primarily due to the County not starting any new capital projects during FY06. For administration, the County budgeted for a new heating system and computers/software that were not paid for in FY2006.

Even with the amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, Poweshiek County had approximately \$8.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 1,286	1,286
Construction in progress	59	-
Buildings and improvements	684	713
Equipment and vehicles	1,878	1,982
Infrastructure	4,828	5,030
Total	<u>\$ 8,735</u>	<u>9,011</u>

The County had depreciation expense of \$546,388 in FY06 and total accumulated depreciation of \$4,514,433 at June 30, 2006. Capital assets remained relatively consistent with the prior year. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2006, Poweshiek County had approximately \$435,000 in debt outstanding, compared to approximately \$246,000 at June 30, 2005. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

Debt increased when the County issued general obligation notes for voting machines, sheriff vehicles and computer equipment.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County. The County's outstanding general obligation debt of approximately \$435,000 is well below its constitutional debt limit of \$56 million.

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

Poweshiek County's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various county activities. The Poweshiek County Board of Supervisors is committed to limiting expenditure increases and reducing funding to non-mandated programs to provide services for the citizens of Poweshiek County. The FY2007 County wide property tax rate is \$7.78771 per \$1000 of taxable valuation, an increase of \$.46. Poweshiek County will fund capital projects for road improvements, a new playground and campground at the Diamond Lake Park, pay down debt service due to expenditures last year for voting equipment required by the Help America Vote Act and purchase of new patrol cars. These factors, along with increased wage adjustments for union and pay-plan employees, represent the largest portion of the increased expenditures. The FY2007 ending fund balance will decrease to approximately \$936,856 in the General Fund.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Poweshiek 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 Poweshiek County Auditor's Office, 302 East Main Street, Montezuma, Iowa 50171-0314.

**Poweshiek County**



## **Basic Financial Statements**

**Exhibit A**

Poweshiek County  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 7,007,878
Receivables:	
Property tax:	
Delinquent	15,593
Succeeding year	5,063,000
Interest and penalty on property tax	24,656
Accounts	26,089
Accrued interest	54,879
Due from other governments	289,408
Inventories	499,118
Prepaid insurance	88,985
Capital assets (net of accumulated depreciation)	8,734,815
<b>Total assets</b>	<u>21,804,421</u>
<b>Liabilities</b>	
Accounts payable	504,519
Salaries and benefits payable	67,907
Due to other governments	114,028
Deferred revenue:	
Succeeding year property tax	5,063,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes payable	160,000
Compensated absences	117,017
Portion due or payable after one year:	
General obligation notes payable	275,085
Compensated absences	85,241
Landfill postclosure care	375,000
<b>Total liabilities</b>	<u>6,761,797</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	8,515,879
Restricted for:	
Supplemental levy purposes	106,554
Mental health purposes	81,453
Secondary roads purposes	2,811,342
Debt service	150,908
Other purposes	1,086,597
Unrestricted	2,289,891
<b>Total net assets</b>	<u>\$ 15,042,624</u>

See notes to financial statements.

Poweshiek County  
Statement of Activities  
Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,800,697	353,006	163,236	-	(1,284,455)
Physical health and social services	336,565	72,638	138,107	-	(125,820)
Mental health	1,566,045	-	1,047,302	-	(518,743)
County environment and education	588,524	49,336	55,654	139,550	(343,984)
Roads and transportation	4,224,272	54,994	2,351,820	43,938	(1,773,520)
Governmental services to residents	770,399	350,608	18,665	180,928	(220,198)
Administration	1,006,875	4,482	-	-	(1,002,393)
Non-program	289,722	154,407	-	-	(135,315)
Interest on long-term debt	18,253	-	3,496	-	(14,757)
<b>Total</b>	<b>\$10,601,352</b>	<b>1,039,471</b>	<b>3,778,280</b>	<b>364,416</b>	<b>(5,419,185)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,159,266
Debt service					166,328
Tax increment financing					325,333
Penalty and interest on property tax					49,799
State tax credits					220,890
Unrestricted investment earnings					295,341
Gain on sale of capital assets					10,850
Miscellaneous					122,604
<b>Total general revenues</b>					<b>5,350,411</b>
Change in net assets					(68,774)
Net assets beginning of year, as restated					15,111,398
Net assets end of year					<b>\$ 15,042,624</b>

See notes to financial statements.

Poweshiek County  
Balance Sheet  
Governmental Funds

June 30, 2006

	General	Special Revenue	
		Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 2,139,763	228,596	227,256
Receivables:			
Property tax:			
Delinquent	7,359	1,294	6,723
Succeeding year	2,504,000	440,000	1,678,000
Interest and penalty on property tax	24,656	-	-
Accounts	3,438	17,627	3
Accrued interest	53,980	-	-
Due from other funds	-	-	-
Due from other governments	86,709	-	9,787
Inventories	-	-	-
Prepaid insurance	42,189	-	12,631
Advance to Internal Service Fund	100,000	-	-
<b>Total assets</b>	<b>\$ 4,962,094</b>	<b>687,517</b>	<b>1,934,400</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 133,696	48,766	9,630
Salaries and benefits payable	25,288	3,921	16,101
Due to other funds	-	-	985
Due to other governments	8,732	105,220	-
Deferred revenue:			
Succeeding year property tax	2,504,000	440,000	1,678,000
Other	73,055	1,294	6,723
Total liabilities	2,744,771	599,201	1,711,439
Fund balances:			
Reserved for:			
Supplemental levy purposes	106,554	-	-
Debt service	150,908	-	-
Advance to Internal Service Fund	100,000	-	-
Unreserved, reported in:			
General fund	1,859,861	-	-
Special revenue funds:			
Designated for postclosure care	-	-	-
Undesignated	-	88,316	222,961
Total fund balances	2,217,323	88,316	222,961
<b>Total liabilities and fund balances</b>	<b>\$ 4,962,094</b>	<b>687,517</b>	<b>1,934,400</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,415,578	1,469,938	6,481,131
-	217	15,593
-	441,000	5,063,000
-	-	24,656
5,021	-	26,089
-	899	54,879
985	-	985
183,408	9,504	289,408
499,118	-	499,118
34,165	-	88,985
-	-	100,000
<b>3,138,275</b>	<b>1,921,558</b>	<b>12,643,844</b>
208,763	3,664	404,519
22,597	-	67,907
-	-	985
76	-	114,028
-	441,000	5,063,000
-	217	81,289
<b>231,436</b>	<b>444,881</b>	<b>5,731,728</b>
-	-	106,554
-	15,080	165,988
-	-	100,000
-	-	1,859,861
-	375,000	375,000
2,906,839	1,086,597	4,304,713
<b>2,906,839</b>	<b>1,476,677</b>	<b>6,912,116</b>
<b>3,138,275</b>	<b>1,921,558</b>	<b>12,643,844</b>

**Poweshiek County**

Poweshiek County

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

June 30, 2006

**Total governmental fund balances (page 19)** \$ 6,912,116

***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 \$13,249,248 and the accumulated depreciation is \$4,514,433 8,734,815

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 81,289

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 326,747

Long-term liabilities, including general obligation notes payable, compensated absences payable and landfill postclosure care, are not due and payable in the current period and, therefore, are not reported in the funds. (1,012,343)

**Net assets of governmental activities (page 16)** \$ 15,042,624

See notes to financial statements.

Poweshiek County

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

Year ended June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,408,703	422,950	1,327,140
Interest and penalty on property tax	40,140	-	-
Intergovernmental	603,893	1,068,432	320,990
Licenses and permits	1,638	-	25,519
Charges for service	356,229	-	94,938
Use of money and property	361,211	-	-
Fines, forfeitures and defaults	-	-	-
Miscellaneous	14,597	39,118	9,517
Total revenues	3,786,411	1,530,500	1,778,104
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	996,868	-	775,246
Physical health and social services	294,451	-	40,116
Mental health	-	1,528,126	-
County environment and education	288,211	-	37,965
Roads and transportation	-	-	-
Governmental services to residents	747,889	-	4,334
Administration	971,312	-	32,731
Non-program	134,434	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,433,165	1,528,126	890,392
Excess (deficiency) of revenues over (under) expenditures	353,246	2,374	887,712
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	84,455
Operating transfers out	(100,344)	-	(1,110,047)
Sale of capital assets	365	-	3,166
General obligation notes issued	545,085	-	45,854
Total other financing sources (uses)	445,106	-	(976,572)
Net change in fund balances	798,352	2,374	(88,860)
Fund balances beginning of year	1,418,971	85,942	311,821
Fund balances end of year	\$ 2,217,323	88,316	222,961

See notes to financial statements.



Secondary Roads	Nonmajor	Total
-	491,945	4,650,738
-	-	40,140
2,611,868	186,332	4,791,515
35,059	-	62,216
-	49,093	500,260
343	8,426	369,980
-	8,693	8,693
35,104	17,870	116,206
<u>2,682,374</u>	<u>762,359</u>	<u>10,539,748</u>
-	19,558	1,791,672
-	-	334,567
-	-	1,528,126
-	274,895	601,071
3,971,113	-	3,971,113
-	17,481	769,704
-	-	1,004,043
-	-	134,434
-	178,253	178,253
993	208,133	209,126
<u>3,972,106</u>	<u>698,320</u>	<u>10,522,109</u>
<u>(1,289,732)</u>	<u>64,039</u>	<u>17,639</u>
1,186,714	28,500	1,299,669
-	(89,278)	(1,299,669)
1,135	-	4,666
-	4,146	595,085
<u>1,187,849</u>	<u>(56,632)</u>	<u>599,751</u>
<u>(101,883)</u>	<u>7,407</u>	<u>617,390</u>
<u>3,008,722</u>	<u>1,469,270</u>	<u>6,294,726</u>
<u>2,906,839</u>	<u>1,476,677</u>	<u>6,912,116</u>

Poweshiek County

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

Year ended June 30, 2006

**Net change in fund balances - Total governmental funds (page 23)** \$ 617,390

***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. Depreciation expense exceeded capital outlay in the current year, as follows:

Expenditures for capital assets	\$ 262,840	
Depreciation expense	<u>(546,388)</u>	(283,548)

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 7,700

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	9,848	
Other	<u>(205,863)</u>	(196,015)

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

Issued	(595,085)	
Repaid	<u>405,698</u>	(189,387)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (9,882)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (15,032)

**Change in net assets of governmental activities (page 17)** \$ (68,774)

See notes to financial statements.

Poweshiek County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2006

	Internal Service - Employee Group Health
<b>Assets</b>	
Cash and cash equivalents	\$ 526,747
<b>Liabilities</b>	
Accounts payable	100,000
Advance from General Fund	100,000
Total liabilities	200,000
<b>Net Assets</b>	
Unrestricted	\$ 326,747

See notes to financial statements.

**Exhibit H**

---

## Poweshiek County

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

Year ended June 30, 2006

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 733,391
Reimbursements from employees		81,556
Total operating revenues		<u>814,947</u>
Operating expenses:		
Medical claims	\$ 663,462	
Insurance premiums	110,180	
Administrative fees	41,551	
Miscellaneous	17,151	832,344
Operating loss		<u>(17,397)</u>
Non-operating revenues:		
Interest income		2,365
Net loss		<u>(15,032)</u>
Net assets beginning of year		<u>341,779</u>
Net assets end of year		<u>\$ 326,747</u>

See notes to financial statements.

Poweshiek County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2006

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 733,391
Cash received from employees and others	81,556
Cash paid to suppliers for services	(817,344)
Net cash used by operating activities	<u>(2,397)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,365</u>
Net decrease in cash and cash equivalents	(32)
Cash and cash equivalents beginning of year	<u>526,779</u>
Cash and cash equivalents end of year	<u><u>\$ 526,747</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	(17,397)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Increase in accounts payable	<u>15,000</u>
Net cash used by operating activities	<u><u>\$ (2,397)</u></u>

See notes to financial statements.

## Poweshiek County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2006

**Assets**

## Cash and pooled investments:

County Treasurer	\$ 954,329
Other County officials	24,295

## Receivables:

## Property tax:

Delinquent	40,207
Succeeding year	16,715,000

Accounts	32,147
----------	--------

Accrued interest	1,094
------------------	-------

Succeeding year special assessments	7,658
-------------------------------------	-------

Due from other governments	26,901
----------------------------	--------

<b>Total assets</b>	<u>17,801,631</u>
---------------------	-------------------

**Liabilities**

Accounts payable	25,328
------------------	--------

Salaries and benefits payable	4,415
-------------------------------	-------

Due to other governments	17,735,254
--------------------------	------------

Trusts payable	24,239
----------------	--------

Compensated absences	12,395
----------------------	--------

<b>Total liabilities</b>	<u>17,801,631</u>
--------------------------	-------------------

<b>Net assets</b>	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Poweshiek County

Notes to Financial Statements

June 30, 2006

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

Poweshiek 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, Poweshiek 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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Poweshiek County Assessor's Conference Board, Poweshiek County Emergency Management Services Commission and Poweshiek 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: Drug Task Force Agreement, South Central Iowa Solid Waste Agency and Poweshiek Area Development Corporation.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. 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 is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

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

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

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

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

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

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

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. Succeeding year special assessments receivable represents assessments which are payable but not yet due.

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land and buildings	35,000
Land improvements	25,000
Equipment and vehicles	10,000

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	25 - 50
Land improvements	10 - 50
Infrastructure	30 - 50
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 vacation and compensatory hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Secondary Roads and Sanitary Disposal 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.

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

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

Net Assets – The unrestricted net assets of the Internal Service Fund are designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

**(2) Cash and Pooled Investments**

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

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

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2006 the County had the following investments:

Type	Fair Value	Maturity
Government National Mortgage Association (GNMA)	\$ <u>5,147</u>	December 2017

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$5,215,132 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 985

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, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 100,344
	Special Revenue: Rural Services	1,081,547
	Urban Renewal Revenue	4,823
Sanitary Disposal	Special Revenue: Rural Services	28,500
Rural Services	Special Revenue: Contract Law	84,455
Total		\$ 1,299,669

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, 2006 was as follows:

	Balance			Balance
	Beginning of			End
	Year, as restated	Increases	Decreases	of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,285,552	-	-	1,285,552
Construction in progress	-	59,181	-	59,181
Total capital assets not being depreciated	1,285,552	59,181	-	1,344,733
Capital assets being depreciated:				
Buildings	1,455,366	-	-	1,455,366
Equipment and vehicles	5,533,495	211,359	(339,518)	5,405,336
Infrastructure	5,043,813	-	-	5,043,813
Total capital assets being depreciated	12,032,674	211,359	(339,518)	11,904,515
Less accumulated depreciation for:				
Buildings	742,431	29,058	-	771,489
Equipment and vehicles	3,551,231	315,146	(339,518)	3,526,859
Infrastructure	13,901	202,184	-	216,085
Total accumulated depreciation	4,307,563	546,388	(339,518)	4,514,433
Total capital assets being depreciated, net	7,725,111	(335,029)	-	7,390,082
Governmental activities capital assets, net	\$ 9,010,663	(275,848)	-	8,734,815

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 30,283
Physical health and social services	1,971
Mental health	12,702
County environment and education	23,762
Roads and transportation	422,278
Governmental services to residents	1,140
Administration	54,252
Total depreciation expense - governmental activities	\$ 546,388

**(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	\$ 8,732
Special Revenue:		
Mental Health	Services	105,220
Secondary Roads	Services	76
Total for governmental funds		<u>\$ 114,028</u>
Agency:		
County Assessor	Collections	\$ 533,808
Schools		10,387,127
Community Colleges		718,765
Corporations		5,246,522
Auto License and Use Tax		355,012
All other		494,020
Total for agency funds		<u>\$ 17,735,254</u>

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

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

	Installment Purchase Agreement	General Obligation Notes	Compensated Absences	Estimated Liability for Landfill Postclosure Care	Total
Balance beginning of year	\$ 245,698	-	192,376	375,000	813,074
Increases	-	595,085	189,007	-	784,092
Decreases	245,698	160,000	179,125	-	584,823
Balance end of year	<u>\$ -</u>	<u>435,085</u>	<u>202,258</u>	<u>375,000</u>	<u>1,012,343</u>
Due within one year	<u>\$ -</u>	<u>160,000</u>	<u>117,017</u>	<u>-</u>	<u>277,017</u>

Installment Purchase Agreement

On May 24, 2005, the County entered into an installment purchase agreement for land. The total cost was \$258,630, with no interest, to be financed over a four-year period. During the year ended June 30, 2006, the County paid off the remaining principal of \$245,698 on this agreement.



### General Obligation Notes Payable

During the year ended June 30, 2006, the County issued \$595,085 of general obligation notes to pay the costs of acquiring voting equipment, computer equipment and patrol cars for the Sheriff's Office.

Year Ending June 30,	Issued July, 2005			
	Interest Rates	Principal	Interest	Total
2007	3.44%	\$ 160,000	15,175	175,175
2008	3.44	140,000	9,621	149,621
2009	3.44	135,085	4,711	139,796
Total		\$ 435,085	29,507	464,592

During the year ended June 30, 2006, the County retired \$160,000 of notes.

### **(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$183,223, \$167,209 and \$171,492, respectively, equal to the required contributions for each year.

### **(9) Risk Management**

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

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

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the

Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$178,370.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, boiler and machinery and employee blanket bond in the amount of \$1,000,000, \$1,000,000 and \$80,000, 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.

#### **(10) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, LTD., (EGS). The agreement was effective July 1, 1991 and is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to EGS from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2006 was \$733,391.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$100,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. The reserve was \$326,747 at June 30, 2006 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 85,000
Incurred claims (including claims incurred but not reported at June 30, 2006)	678,462
Payment on claims during the fiscal year	<u>(663,462)</u>
Unpaid claims end of year	<u><u>\$ 100,000</u></u>

**(11) Postclosure Care**

To comply with federal and state regulations, the County is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually. These costs for the Poweshiek County Sanitary Landfill have been estimated at \$375,000 as of June 30, 2006 and a liability of that amount has been recognized.

Chapter 111 of the Iowa Administrative Code has been promulgated to implement financial assurance rules. Since the Poweshiek County Sanitary Landfill stopped waste disposal prior to the Chapter 111 effective date of August 24, 1994, financial assurance is not required for the Landfill. However, the County has accumulated resources to fund postclosure care and, at June 30, 2006, deposits of \$375,000 held for these purposes are reported in the Special Revenue, Sanitary Disposal Fund.

**(12) Development Agreement**

The County entered into a development agreement to assist in an urban renewal project. The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the construction of a corn processing facility. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in twenty semi-annual payments beginning on December 1, 2003. The total to be paid by the County under this agreement is not to exceed \$2,509,260. During the year ended June 30, 2006, \$204,490 was rebated to the developer, bringing the cumulative total to \$605,154.

**(13) Pending Litigation**

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

**(14) Restatement of Beginning Net Assets**

During fiscal year 2006, the County recorded an infrastructure project that was completed in a previous fiscal year but not reported. This change resulted in an adjustment to beginning net assets and beginning capital assets, as follows:

	Statement of Net Assets	Capital Assets, net
Balances at June 30, 2005	\$ 13,750,869	7,650,134
Adjustment	1,360,529	1,360,529
Balances at July 1, 2005, as restated	\$ 15,111,398	9,010,663

**(15) Contingent Liability for Closure and Postclosure Care**

Poweshiek County participates in the South Central Iowa Solid Waste Agency, created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated with the member counties and municipalities.

The County has provided a local government guarantee for a portion of the closure and postclosure care of the landfill per Chapter 111.6(8) of the Iowa Administrative Code. The County's financial assurance obligation totals \$26,057.

In the event the South Central Iowa Solid Waste Agency fails to perform closure or postclosure care in accordance with the appropriate plan or permit whenever required to do so, or fails to obtain alternate financial assurance within 90 days of intent to cancel, Poweshiek County will perform or pay a third party to perform closure and/or postclosure care, establish a standby trust fund in the name of the South Central Iowa Solid Waste Agency or obtain alternate financial assurance in the amount of \$26,057.

As of July 6, 2006, the South Central Iowa Solid Waste Agency does not need the County to provide a local government guarantee for a portion of the closure and postclosure care of the landfill and the County's local government guarantee was cancelled.

**Required Supplementary Information**

Poweshiek County

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

Required Supplementary Information

Year ended June 30, 2006

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 4,650,740	4,713,586	4,713,586	(62,846)
Interest and penalty on property tax	40,140	35,000	35,000	5,140
Intergovernmental	4,638,362	4,446,562	4,776,699	(138,337)
Licenses and permits	61,446	25,634	25,634	35,812
Charges for service	500,759	454,945	454,945	45,814
Use of money and property	344,291	247,380	842,465	(498,174)
Fines, forfeitures and defaults	6,723	-	-	6,723
Miscellaneous	252,074	40,500	40,500	211,574
<b>Total receipts</b>	<b>10,494,535</b>	<b>9,963,607</b>	<b>10,888,829</b>	<b>(394,294)</b>
<b>Disbursements:</b>				
Public safety and legal services	1,767,099	2,021,495	2,069,078	301,979
Physical health and social services	354,446	419,441	429,441	74,995
Mental health	1,595,752	1,613,910	1,613,910	18,158
County environment and education	588,650	607,984	621,569	32,919
Roads and transportation	4,003,495	4,378,600	4,378,600	375,105
Governmental services to residents	765,673	749,806	838,016	72,343
Administration	950,593	1,044,403	1,313,274	362,681
Non-program	139,230	124,493	284,487	145,257
Debt service	178,253	174,722	174,722	(3,531)
Capital projects	205,269	1,061,235	1,191,235	985,966
<b>Total disbursements</b>	<b>10,548,460</b>	<b>12,196,089</b>	<b>12,914,332</b>	<b>2,365,872</b>
Excess (deficiency) of receipts over (under) disbursements	(53,925)	(2,232,482)	(2,025,503)	1,971,578
Other financing sources, net	599,751	-	-	599,751
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	545,826	(2,232,482)	(2,025,503)	2,571,329
Balance beginning of year	5,935,305	5,918,029	5,918,029	17,276
Balance end of year	\$ 6,481,131	3,685,547	3,892,526	2,588,605

See accompanying independent auditor's report.

Poweshiek County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,494,535	45,213	10,539,748
Expenditures	10,548,460	(26,351)	10,522,109
Net	(53,925)	71,564	17,639
Other financing sources, net	599,751	-	599,751
Beginning fund balances	5,935,305	359,421	6,294,726
Ending fund balances	\$ 6,481,131	430,985	6,912,116

See accompanying independent auditor's report.

Poweshiek County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$718,243. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.



**Other Supplementary Information**

Poweshiek County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

	Urban Renewal Revenue	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition
<b>Assets</b>				
Cash and pooled investments	\$ 226,369	17,112	23,020	66,608
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	367,000	-	-	-
Accrued interest	-	63	254	-
Due from other governments	-	6,016	-	-
<b>Total assets</b>	<b>\$ 593,369</b>	<b>23,191</b>	<b>23,274</b>	<b>66,608</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	-	3,364
Deferred revenue:				
Succeeding year property tax	367,000	-	-	-
Other	-	-	-	-
Total liabilities	367,000	-	-	3,364
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved:				
Designated for postclosure care	-	-	-	-
Undesignated	226,369	23,191	23,274	63,244
Total fund equity	226,369	23,191	23,274	63,244
<b>Total liabilities and fund equity</b>	<b>\$ 593,369</b>	<b>23,191</b>	<b>23,274</b>	<b>66,608</b>

See accompanying independent auditor's report.

Special Revenue							
County Recorder's Electronic Transaction Fee	Sheriff/Jail	Special Law Enforcement	County Attorney Forfeiture	Sanitary Disposal	Debt Service	Total	
604	3,066	10,591	4,223	1,103,847	14,498	1,469,938	
-	-	-	-	-	217	217	
-	-	-	-	-	74,000	441,000	
-	-	-	-	-	582	899	
-	-	1,970	-	1,518	-	9,504	
604	3,066	12,561	4,223	1,105,365	89,297	1,921,558	
-	-	-	-	300	-	3,664	
-	-	-	-	-	74,000	441,000	
-	-	-	-	-	217	217	
-	-	-	-	300	74,217	444,881	
-	-	-	-	-	15,080	15,080	
-	-	-	-	375,000	-	375,000	
604	3,066	12,561	4,223	730,065	-	1,086,597	
604	3,066	12,561	4,223	1,105,065	15,080	1,476,677	
604	3,066	12,561	4,223	1,105,365	89,297	1,921,558	

Poweshiek County

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

Year ended June 30, 2006

	Urban Renewal Revenue	Resource Enhancement and Protection	County Recorder's Records Management	Conservation Land Acquisition
<b>Revenues:</b>				
Property and other county tax	\$ 325,333	-	-	-
Intergovernmental	1,748	11,563	-	139,550
Charges for service	-	-	5,107	43,986
Use of money and property	-	757	737	1,000
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	-	-	-	17,870
Total revenues	327,081	12,320	5,844	202,406
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	204,490	56,385	-	-
Governmental services to residents	-	-	7,550	-
Debt service	-	-	-	-
Capital projects	-	-	-	208,133
Total expenditures	204,490	56,385	7,550	208,133
Excess (deficiency) of revenues over (under) expenditures	122,591	(44,065)	(1,706)	(5,727)
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(4,823)	-	-	-
General obligation note proceeds	-	-	-	-
Total other financing sources (uses)	(4,823)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	117,768	(44,065)	(1,706)	(5,727)
Fund balances beginning of year	108,601	67,256	24,980	68,971
Fund balances end of year	\$ 226,369	23,191	23,274	63,244

See accompanying independent auditor's report.

Special Revenue								
County Recorder's Electronic Transaction Fee	Sheriff/Jail	Special Law Enforcement	Contract Law Enforcement	County Attorney Forfeiture	Sanitary Disposal	Debt Service	Total	
-	-	-	-	-	-	166,612	491,945	
-	-	-	-	-	25,464	8,007	186,332	
-	-	-	-	-	-	-	49,093	
155	2,281	-	-	-	-	3,496	8,426	
-	-	8,693	-	-	-	-	8,693	
-	-	-	-	-	-	-	17,870	
155	2,281	8,693	-	-	25,464	178,115	762,359	
-	1,020	18,538	-	-	-	-	19,558	
-	-	-	-	-	14,020	-	274,895	
9,931	-	-	-	-	-	-	17,481	
-	-	-	-	-	-	178,253	178,253	
-	-	-	-	-	-	-	208,133	
9,931	1,020	18,538	-	-	14,020	178,253	698,320	
(9,776)	1,261	(9,845)	-	-	11,444	(138)	64,039	
-	-	-	-	-	28,500	-	28,500	
-	-	-	(84,455)	-	-	-	(89,278)	
-	-	-	-	-	-	4,146	4,146	
-	-	-	(84,455)	-	28,500	4,146	(56,632)	
(9,776)	1,261	(9,845)	(84,455)	-	39,944	4,008	7,407	
10,380	1,805	22,406	84,455	4,223	1,065,121	11,072	1,469,270	
604	3,066	12,561	-	4,223	1,105,065	15,080	1,476,677	

Poweshiek County

Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	984	216,833	130,061
Other County officials	24,295	-	-	-
Receivables:				
Property tax:				
Delinquent	-	219	1,191	31,066
Succeeding year	-	75,000	331,000	10,226,000
Accounts	-	-	150	-
Accrued interest	-	-	477	-
Succeeding year special assessments	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 24,295</b>	<b>76,203</b>	<b>549,651</b>	<b>10,387,127</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	785	-
Salaries and benefits payable	-	-	4,415	-
Due to other governments	19,735	76,203	533,808	10,387,127
Trusts payable	4,560	-	-	-
Compensated absences	-	-	10,643	-
<b>Total liabilities</b>	<b>\$ 24,295</b>	<b>76,203</b>	<b>549,651</b>	<b>10,387,127</b>

See accompanying independent auditor's report.

Community Colleges	Corpor- ations	Townships	Auto License and Use Tax	E911	Other	Total
8,665	52,798	758	355,012	157,793	31,425	954,329
-	-	-	-	-	-	24,295
2,100	4,724	113	-	-	794	40,207
708,000	5,189,000	47,000	-	-	139,000	16,715,000
-	-	-	-	31,997	-	32,147
-	-	-	-	615	2	1,094
-	-	-	-	-	7,658	7,658
-	-	-	-	-	26,901	26,901
718,765	5,246,522	47,871	355,012	190,405	205,780	17,801,631
-	-	-	-	5,260	19,283	25,328
-	-	-	-	-	-	4,415
718,765	5,246,522	47,871	355,012	185,145	165,066	17,735,254
-	-	-	-	-	19,679	24,239
-	-	-	-	-	1,752	12,395
718,765	5,246,522	47,871	355,012	190,405	205,780	17,801,631

Poweshiek County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 22,624	76,230	587,034	10,010,055
Additions:				
Property and other county tax	-	71,638	249,592	9,974,309
E911 surcharge	-	-	-	-
State tax credits	-	3,579	13,953	474,654
Drivers license fees	-	-	-	-
Office fees and collections	428,383	-	150	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	254,983	-	-	-
Miscellaneous	-	-	46,804	-
Total additions	683,366	75,217	310,499	10,448,963
Deductions:				
Agency remittances:				
To other funds	280,437	-	-	-
To other governments	151,772	75,244	347,882	10,071,891
Trusts paid out	249,486	-	-	-
Total deductions	681,695	75,244	347,882	10,071,891
Balances end of year	\$ 24,295	76,203	549,651	10,387,127

See accompanying independent auditor's report.



Community Colleges	Corporations	Townships	Auto License and Use Tax	E911	Other	Total
725,252	4,942,426	46,892	381,224	151,196	169,239	17,112,172
680,058	4,927,142	45,567	-	-	134,350	16,082,656
-	-	-	-	153,560	-	153,560
31,570	193,875	2,515	-	-	6,172	726,318
-	-	-	52,606	-	-	52,606
-	-	-	-	-	-	428,533
-	-	-	4,533,456	-	-	4,533,456
-	-	-	-	-	23,400	23,400
-	-	-	-	-	134,526	389,509
-	-	-	-	6,019	160,213	213,036
711,628	5,121,017	48,082	4,586,062	159,579	458,661	22,603,074
-	-	-	168,815	-	18	449,270
718,115	4,816,921	47,103	4,443,459	120,370	292,038	21,084,795
-	-	-	-	-	130,064	379,550
718,115	4,816,921	47,103	4,612,274	120,370	422,120	21,913,615
718,765	5,246,522	47,871	355,012	190,405	205,780	17,801,631

Poweshiek County

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

For the Last Six Years

	2006	2005	Modified 2004
<b>Revenues:</b>			
Property and other county tax	\$ 4,650,738	4,651,096	4,578,672
Interest and penalty on property tax	40,140	39,701	48,489
Intergovernmental	4,791,515	3,808,111	4,299,715
Licenses and permits	62,216	49,213	62,408
Charges for service	500,260	494,394	1,340,996
Use of money and property	369,980	191,375	81,265
Fines, forfeitures and defaults	8,693	5,058	48,279
Miscellaneous	116,206	82,234	60,738
<b>Total</b>	<b>\$ 10,539,748</b>	<b>9,321,182</b>	<b>10,520,562</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	\$ 1,791,672	1,542,220	1,313,854
Physical health and social services	334,567	357,886	339,050
Mental health	1,528,126	1,521,306	1,388,723
County environment and education	601,071	716,213	1,337,631
Roads and transportation	3,971,113	3,627,542	2,424,210
Governmental services to residents	769,704	436,872	390,692
Administration	1,004,043	1,125,483	837,374
Non-program	134,434	104,066	114,127
Debt service	178,253	43,234	95,482
Capital projects	209,126	270,058	715,414
<b>Total</b>	<b>\$ 10,522,109</b>	<b>9,744,880</b>	<b>8,956,557</b>

See accompanying independent auditor's report.

Accrual Basis		
2003	2002	2001
3,908,321	3,689,156	3,502,756
44,116	46,858	39,931
3,872,610	4,062,443	4,070,871
48,469	45,997	40,464
1,063,772	996,763	921,388
117,772	172,538	345,233
-	-	-
76,899	195,345	213,550
<u>9,131,959</u>	<u>9,209,100</u>	<u>9,134,193</u>
1,386,366	1,331,694	1,211,084
316,497	473,582	566,829
1,469,530	1,346,804	1,269,632
979,027	962,059	1,388,742
3,053,470	3,665,304	4,021,593
345,860	452,403	410,997
752,288	797,830	816,767
118,863	19,440	24,346
97,733	99,982	68,023
30,517	492,267	42,346
<u>8,550,151</u>	<u>9,641,365</u>	<u>9,820,359</u>

**Schedule 6**

## Poweshiek County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Rural Domestic Violence and Child Victimization Enforcement Grant	16.589	2004-WR-AX-0075	\$ 64,836
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		6,850
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
Outdoor Recreation - Acquisition, Development and Planning	15.916	19-01246	129,315
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		2,811
U.S. Election Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401	06-HAVA-79-100	150,908
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		8,259
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,971
Foster Care - Title IV-E	93.658		4,262
Adoption Assistance	93.659		1,057
Medical Assistance Program	93.778		10,965
Social Services Block Grant	93.667		5,376
Social Services Block Grant	93.667		81,909
			87,285
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities - Grants for States	93.617	06-HAVA-79-001 to 007	14,755

Poweshiek County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		27,326
Citizen Corps	97.053	2004-GE-T4-0046	4,909 *
Homeland Security Grant Program	97.067	2004-GE-T4-0046	97,194
Homeland Security Region I:			
Citizen Corps	97.053	2005-GE-T4-0056	902 *
State Homeland Security Program (SHSP)	97.073	2005-GE-T4-0056	10,889
Total indirect			559,658
Total			\$ 624,494

\* Total program expenditures for CFDA Number 97.053 is \$5,811.

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Poweshiek 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.

**Poweshiek 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 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 Poweshiek County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Poweshiek County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2007. 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 Poweshiek 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 Poweshiek 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-06 is a material weakness.

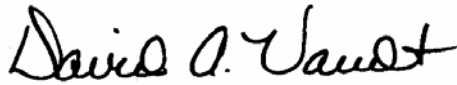
Compliance and Other Matters

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

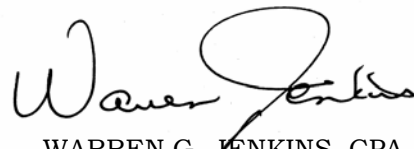
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 11, 2007



**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**

**Poweshiek 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 Poweshiek County:

Compliance

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

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

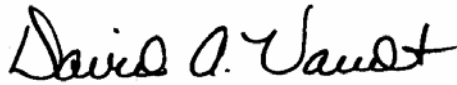
Internal Control Over Compliance

The management of Poweshiek 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 Poweshiek 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 certain matters involving the internal control over compliance 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 compliance that, in our judgement, could adversely affect Poweshiek County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. Reportable conditions are described as items III-A-06 and III-B-06.

A material weakness is a 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 conditions described above are material weaknesses.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 11, 2007

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

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over the major programs were disclosed by the audit of the financial statements, none of which were considered to be material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the major programs.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 15.916 – Outdoor Recreation – Acquisition, Development and Planning.
  - CFDA Number 90.401 – Help America Vote Act Requirements Payments.
  - Clustered Programs:
    - Homeland Security Cluster
    - CFDA Number 97.042 – Emergency Management Performance Grants
    - CFDA Number 97.053 – Citizen Corps
    - CFDA Number 97.067 – Homeland Security Grant Program
    - CFDA Number 97.073 – State Homeland Security Program (SHSP)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Poweshiek County did not qualify as a low-risk auditee.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

**REPORTABLE CONDITIONS:**

II-A-06 Segregation of Duties – During our review of internal control, the existing activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Generally, one individual in the Sheriff's Office, the Recorder's Office, the Engineer's Office, the Central Point Coordinator's Office, the Conservation Office and the Sanitarian's Office may have control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist. Bank reconciliations are not reviewed by an independent person with no responsibility for receipts and disbursements in the Sheriff's Office and the Recorder's Office.

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

An employee who is not authorized to make entries to the accounting records should open all incoming mail. This employee should prepare a listing of cash and checks received. The mail could then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. The bank reconciliations should then be reviewed by an independent person with no responsibility for receipts and disbursements.

Response –

- (a) Sheriff's Office – Segregation of duties is difficult due to the limited number of employees. I will review operating procedures of the office. We have attempted to utilize current personnel to provide additional controls but with turnover and the additional duties the employees currently have, it makes it hard to control without increased workload and errors.
- (b) Recorder's Office – We will be training a part-time employee to reconcile bank statements.
- (c) Engineer's Office – The level of oversight is admittedly not up to the level suggested, but we are providing some oversight, as much as is practical for staffing levels.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- (d) Central Point Coordinator's (CPC) Office – We have corrected this by having the CPC assistant do the initial listing of receipts. Once receipted in, the CPC administrator will correspond receipts with an initial listing and verify by initializing the completed transactions.
- (e) Conservation's Office – Normally, the park ranger on duty collects camping fees and totals them. On Monday mornings, the Director will go through and count the cash and checks and compare it to the deposit/registration envelopes received. After the balance is confirmed, the Director will turn in the cash and checks to the County Treasurer.
- (f) Sanitarian's Office – I will work with the County Engineer's Office to try and develop an agreement to improve controls over receipts.

Conclusion –

- (a) Response acknowledged. For offices with limited staff, other County personnel could be used to provide additional control through review of financial transactions.
- (b) Response acknowledged. For offices with limited staff, other County personnel could be used to provide additional control through review of financial transactions.
- (c) Response acknowledged. For offices with limited staff, other County personnel could be used to provide additional control through review of financial transactions.
- (d) Response accepted.
- (e) Response acknowledged. For offices with limited staff, other County personnel could be used to provide additional control through review of financial transactions.
- (f) Response accepted.

II-B-06 Employee Group Health Plan – The Employee Health Group Plan bank reconciliation is not reviewed by an independent person.

Recommendation – The bank reconciliation should be reviewed, signed and dated by an independent person.

Response – It will be done from now on.

Conclusion – Response accepted.

II-C-06 Information Systems – The County does not have a written disaster recovery plan.

Recommendation – A written disaster recovery plan should be developed.

Response – The County will draft a written disaster recovery plan.

Conclusion – Response accepted.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-D-06 Capital Assets – The County does not maintain current capital asset records. This was resolved for audit purposes. Periodic comparisons are not made between amounts recorded in the accounting system and the physical assets. Depreciation calculations are not reviewed to ensure accuracy. Records for equipment are not promptly adjusted when equipment is disposed of. The Auditor’s Office does not receive a copy of each authorization for equipment transactions.

Recommendation – The County should maintain a current capital asset records. Also, the Board of Supervisors should develop a policy for capital assets including, but not limited to, responsibilities for custody and safekeeping of assets. Depreciation calculations should be reviewed to ensure accuracy and equipment records should be promptly adjusted when equipment is disposed of. Copies of authorization for equipment transactions should be sent to the Auditor’s Office.

Response – The Board will consider options to resolve this issue.

Conclusion – Response accepted.

II-E-06 Payroll Calculation – The County Board of Supervisors approves an annual salary for the employees and the annual salary is divided by 26 payroll periods to calculate the biweekly salary. 26 payrolls times ten working days in a biweekly period means there are 260 working days in a fiscal year. The actual number of working days in a fiscal year varies from 260 to 262 working days. There are 261 actual working days in fiscal year 2006.

Recommendation – The approved salary should be divided by the actual number of working days in the fiscal year times 10 working days to calculate a biweekly salary for county employees.

Response – This will be changed for FY08.

Conclusion – Response accepted.

II-F-06 Protective Payee Operations – Poweshiek County has been designated “protective payee” by the Social Security Administration, the Iowa Department of Human Services and/or the courts for approximately 8 clients who need assistance in managing their day to day finances. Generally, one individual may have control over collecting and depositing receipts. Checks written from payee accounts are prepared, approved, signed and mailed by the same person. Bank reconciliations for each payee account are prepared by a person with access to client records and are not reviewed by an independent person.

A copy of the back of each canceled check is not received from the bank.

There are no written policies or procedures in place for administering the protective payee accounts.

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



Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

possible under the circumstances. Policies and procedures should be developed to administer protective payee accounts.

The County should obtain a copy of the back of each canceled check from the bank as required by Chapter 554D.114 of the Code of Iowa.

Response – The CPC administrator and assistant administrator manage all payee accounts. The CPC administrator arranges for Social Security to have all checks automatically deposited. The administrator will prepare, sign and deliver all checks to each individual. The Assistant Administrator will reconcile all accounts at the end of each month reviewing all financial transactions.

Policies and procedures for administering the payee accounts are being written.

Conclusion – Response acknowledged. For offices with limited staff, other County personnel could be used to provide additional control through review of financial transactions. Also, the County should contact the bank to obtain a copy of the back side of each canceled check.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

**CFDA Number 97.067: Homeland Security Grant Program**

**Federal Award Year: 2004**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Public Defense- Iowa Homeland Security and  
Emergency Management Division**

III-A-06 Unsupported Expenditures – All federal costs are to be properly documented and supported in accordance with OMB Circular A-87. Expenses of \$9,870 were claimed but were not properly supported.

Recommendation – The County should implement procedures to ensure claims for reimbursement are properly supported.

Response – The County Auditor’s Office has contacted the vendor in addressing sub-account codes to track expenditures by grant and fiscal year for tracking and audit reasons. In the meantime, this office will separate claims and attach a copy of those expenditures to each request for reimbursement. This office will also label the bottom of each claim with the grant program for which the expenditure falls under.

Conclusion – Response accepted.

**CFDA Number: 16.589 – Rural Domestic Violence and Child Victimization  
Enforcement Grant Program-**

**Federal Award Year: 2004**

**U.S. Department of Justice**

III-B-06 Timely Reimbursement Requests – As of June 30, 2006, \$43,853 of grant expenditures incurred by the County Attorney’s Office had not been requested for reimbursement.

Recommendation – The County Attorney should establish procedures to ensure grant reimbursement requests are submitted and received in a timely manner.

Response – The grant reimbursement was received on December 11, 2006. In the future, drawdowns will be requested within one month.

Conclusion – Response accepted.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted for the debt service function. Disbursements in one department exceeded the amount appropriated.

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend in the future.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Tom Sheets, Sheriff, Brother-in-Law is owner of Taylor Auto Body	Supplies, parts and labor	\$ 13,912

In accordance with Chapter 331.342(10) of the Code of Iowa, these transaction may represent a conflict of interest since the total transactions exceeded \$1,500 during the fiscal year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The County will discuss with legal counsel.

Conclusion – Response accepted.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investments provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

- IV-J-06 E-911 Claims – Chapter 34A.7(4) of the Code of Iowa states, in part, “Moneys in an E911 service fund may only be used for nonrecurring and recurring costs of the E911 service plan as approved by the program manager.” Further, Chapter 34A.2(7)(e)(2) states, in part, “Costs do not include expenditures for any other purpose, and specifically exclude costs attributable to other emergency services or expenditures for buildings or personnel, except for the costs of personnel for database management and personnel directly associated with addressing.”

The E-911 coordinator submits a claim for \$1,900 to the Board of Supervisors monthly. However, this claim does not include any supporting documentation, such as hours worked or specific services provided. The signed letter of understanding between the Coordinator and the E-911 Board does not include expectations for the number of hours to be worked or any documentation of the work to be done to permit the E-911 Board to manage the arrangement. Accordingly, it can not be determined whether the services provided are allowable under the statutory language cited above.

In addition, the E-911 Coordinator became a member of the County Board of Supervisors in January 2005 and has not abstained from approving this \$1,900 monthly payment.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Recommendation – Chapter 331.504(8) of the Code of Iowa requires claims, before being audited or paid, to be itemized to clearly show the basis of the claim and whether for property sold or furnished for services rendered or for another purpose. The County received legal advice dated July 20, 2004 on this issue. The claims should have proper supporting documentation, including documentation of the work performed to allow the E-911 Board and the County Board of Supervisors to determine whether the disbursement meets the statutory criteria necessary for allowing payment from the E-911 Services Fund.

Also, in accordance with Chapter 331.302(13) of the Code of Iowa, the E-911 Coordinator should abstain from voting to approve payments to himself.

In addition, any future agreements should have established benchmarks or hours to be worked and documentation of the services to be provided.

Response – The Board will require documentation for all claims from E-911.

Conclusion – Response acknowledged. Claims should include documentation of the work performed. Any future agreements should have established benchmarks or hours to be worked and documentation of the services to be provided.

IV-K-06 Records of Account – Chapter 80D.11 of the Code of Iowa defines County Sheriff reserve peace officers as employees of the County. The funds for the Poweshiek County Reserves and Poweshiek County Sheriff Officer's Association are maintained in separate checking and savings accounts and are not accounted for in a Special Revenue Fund of the County.

Recommendation – The County should establish Special Revenue Funds to account for the funds and activity of the Poweshiek County Reserves and Poweshiek County Sheriff Officer's Association. The current checking and savings accounts maintained separately should be closed and the funds should be deposited into a Special Revenue Fund with the County Treasurer. Disbursements from the accounts should be made through County claims approved by the County Board of Supervisors and charged against the budget.

Response – An account will be set up for the Poweshiek County Reserves with the Treasurer's office and future collections will be remitted through there.

We are in the process of having an attorney prepare to legally incorporate the Poweshiek County Sheriff Officer's Association.

Conclusion – Response accepted.

IV-L-06 General Obligation Note Proceeds – The County issued general obligation notes for the purpose of providing funds to pay the cost of acquiring voting equipment, computer equipment for county buildings and patrol cars for the Sheriff's Office. The County also received \$150,908 in grant funds from the Iowa Secretary of State for the purchase of the voting equipment.

Poweshiek County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Recommendation – Note proceeds of \$150,908 should be spent according to the note resolution or the note proceeds of \$150,908 should be used to redeem the notes. The County should consult bond counsel to resolve the situation.

Response – Poweshiek County will consult bond counsel to discuss the issue.

Conclusion – Response accepted.

IV-M-06 County Recorder's Electronic Transaction Fees Fund – The County Recorder was authorized to collect electronic transactions fees in accordance with Chapter 331.605C of the Code of Iowa. However, in accordance with 2005 Acts, Chapter 179, Section 98, only interest shall be retained in the County Recorder's Electronic Transaction Fees Fund after July 1, 2005. As of June 30, 2006, amounts other than interest are being held in this account.

Recommendation – All amounts, except interest earned by the County Recorder's Electronic Transaction Fees Fund, should be remitted to the Treasurer of State.

Response – We will investigate this matter.

Conclusion – Response accepted.

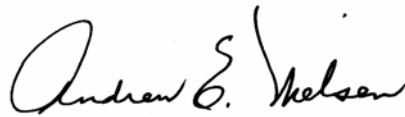
---

Poweshiek County

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Jedd D. Moore, Staff Auditor  
Michael P. Piehl, Assistant Auditor  
Anna R. Thede, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State