



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

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**NEWS RELEASE**

FOR RELEASE

April 1, 2013

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$20,450,779 for the year ended June 30, 2012, which included \$811,326 in tax credits from the state. The County forwarded \$15,236,534 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,214,245 of the local tax revenue to finance County operations, a 3.6% increase over the prior year. Other revenues included charges for service of \$1,245,912, operating grants, contributions and restricted interest of \$4,224,214, capital grants, contributions and restricted interest of \$4,085,723, local option sales tax of \$468,137, unrestricted investment earnings of \$62,584 and other general revenues of \$44,061.

Expenses for County operations totaled \$12,080,036, a 3.5% increase over the prior year. Expenses included \$4,997,277 for roads and transportation, \$1,881,561 for administration and \$1,700,787 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0038-B00F.pdf>.

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**GRUNDY COUNTY**

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

**JUNE 30, 2012**

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**Grundy County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Bakker	Board of Supervisors	Jan 2013
James Ross	Board of Supervisors	Jan 2013
Barbara Smith	Board of Supervisors	Jan 2013
Harlyn Riekema	Board of Supervisors	Jan 2015
Mark Schildroth	Board of Supervisors	Jan 2015
Rhonda Deters	County Auditor	Nov 2012
Brenda Noteboom	County Treasurer	Jan 2015
Charles Kruse	County Recorder	Jan 2015
Rick Penning	County Sheriff	Jan 2013
Kirby D. Schmidt	County Attorney	Jan 2015
John Freese	County Assessor	Jan 2016

**Grundy County**



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Des Moines, Iowa 50319-0004

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

## Independent Auditor's Report

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Grundy 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.

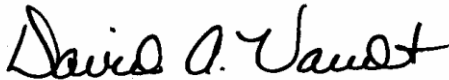
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County at June 30, 2012, and the respective changes in financial 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 February 21, 2013 on our consideration of Grundy 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.

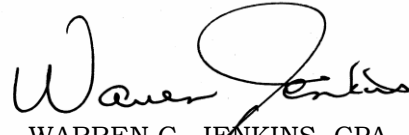
U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 14 and 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy 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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

February 21, 2013



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

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Grundy 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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 28.2%, or approximately \$3,376,000, over fiscal year 2011. Property tax increased approximately \$183,000, operating grants, contributions and restricted interest increased approximately \$23,000 and capital grants, contributions and restricted interest increased approximately \$3,114,000.
- Program expenses increased approximately \$404,000, or 3.5%, over fiscal year 2011. Roads and transportation expenses increased approximately \$63,000, administration expenses increased approximately \$234,000 and interest on long-term debt decreased approximately \$28,000.
- The County's net assets increased 13.8%, or approximately \$3,265,000, from June 30, 2011 to June 30, 2012.

### **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 Grundy 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 Grundy County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

## **REPORTING THE COUNTY'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 nonprogram 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. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide 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. Grundy County's combined net assets changed from a year ago, increasing from \$23,726,693 to \$26,991,533. 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,	
	2012	2011
Current and other assets	\$ 27,182	28,107
Capital assets	21,489	17,643
Total assets	48,671	45,750
Long-term liabilities	16,084	16,661
Other liabilities	5,595	5,362
Total liabilities	21,679	22,023
Net assets:		
Invested in capital assets, net of related debt	21,304	17,450
Restricted	4,198	4,645
Unrestricted	1,490	1,632
Total net assets	\$ 26,992	23,727

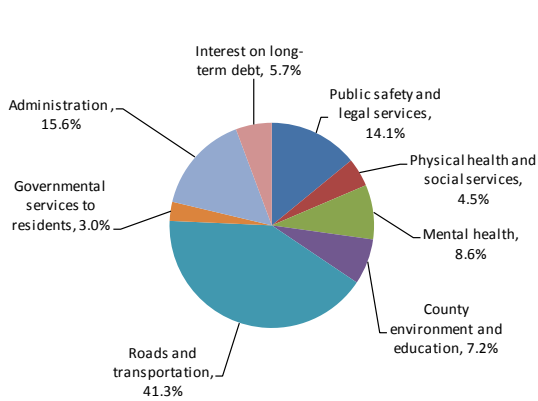
Net assets of Grundy County's governmental activities increased \$3,264,840 (\$23,726,693 compared to \$26,991,533). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,632,000 at June 30, 2011 to approximately \$1,490,000 at the end of this year, a decrease of 8.7%.

**Changes in Net Assets of Governmental Activities**

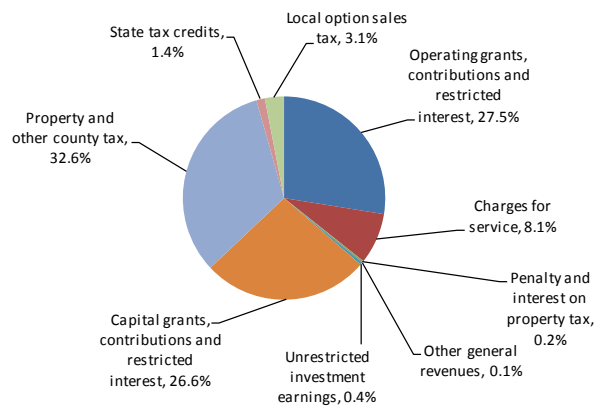
(Expressed in Thousands)

	Year ended June 30,	
	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,246	1,212
Operating grants, contributions and restricted interest	4,224	4,201
Capital grants, contributions and restricted interest	4,086	972
<b>General revenues:</b>		
Property and other county tax	5,005	4,822
Penalty and interest on property tax	35	35
State tax credits	209	212
Local option sales tax	468	398
Unrestricted investment earnings	63	85
Other general revenues	9	32
<b>Total revenues</b>	<b>15,345</b>	<b>11,969</b>
<b>Program expenses:</b>		
Public safety and legal services	1,701	1,601
Physical health and social services	541	505
Mental health	1,037	1,040
County environment and education	865	879
Roads and transportation	4,997	4,934
Governmental services to residents	363	347
Administration	1,882	1,648
Interest on long-term debt	694	722
<b>Total expenses</b>	<b>12,080</b>	<b>11,676</b>
<b>Increase in net assets</b>	<b>3,265</b>	<b>293</b>
<b>Net assets beginning of year</b>	<b>23,727</b>	<b>23,434</b>
<b>Net assets end of year</b>	<b>\$ 26,992</b>	<b>23,727</b>

**Expenses by Function**



**Revenues by Source**



Grundy County's property tax rates have been consistent in the rural levy since 2005. The rural levy rate remained the same as the prior year at \$3.08247 per \$1,000 of taxable valuation while the countywide levy was slightly lower at \$5.50333 per \$1,000 of taxable valuation in fiscal year (FY) 2012 as compared to fiscal year (FY) 2011. Taxable valuation by levy, the actual levy rate per \$1,000 of taxable valuation and total dollars levied are as follows:

	Taxes Levied FY2012	Taxes Levied FY2011
Countywide taxable valuation	\$ 648,127,051	624,645,417
Countywide levy rate without debt	5.50333	5.51137
Dollars levied without debt	3,566,857	3,442,652
County taxable debt service valuation	690,874,933	666,760,097
County debt service levy rate	-	-
Dollars levied debt service	-	-
Total countywide rate	5.50333	5.51137
Total dollars levied countywide	3,566,857	3,442,652
Rural taxable valuation	465,350,342	449,524,148
Rural tax levy rate	3.08247	3.08247
Dollars levied rural area only	1,434,428	1,385,645
Total dollars levied	5,001,285	4,828,297

Local option sales tax revenue totaled \$468,137. Grundy County uses 100% of the local option sales tax revenue to reduce property tax in the Rural Services Fund.

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

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$21,244,681, a decrease of \$1,164,743 from last year's total of \$22,409,424. The decrease in fund balance is primarily attributable to long term debt payments on the hospital general obligation urban renewal capital loan notes and higher capital projects costs for bridge projects. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance decreased \$87,740 from the prior year to \$2,092,111. Total revenues decreased 4.5%. Total expenditures increased 2.4%, or \$102,911, compared with fiscal year 2011. The Conservation Land Acquisition Fund is now a part of the General Fund for reporting purposes due to implementation of GASB Statement No. 54 in fiscal year 2011.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,030,743, a decrease of \$6,622 from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased \$72,831 from the prior year. While revenue increased slightly to \$957,912, the property tax rate decreased from fiscal year 2011. The increase in revenues resulted from an increase in taxable valuation over the prior year.
- The Special Revenue, Rural Services Fund balance decreased \$95,232 from the prior year. Expenditures increased \$10,015 in fiscal year 2012. Revenues increased \$126,360, primarily due to an increase in local option sales tax. Of the \$943,510 fund balance, \$321,281 is restricted as a reserve for landfill/transfer station care.

- Special Revenue, Secondary Roads Fund expenditures increased \$1,294,575 over the prior year, due primarily to an increase in capital projects for bridge projects. Revenues increased \$587,937. The increase in revenues was a direct result of more reimbursements from the State for the higher capital project costs. The Secondary Roads Fund ending fund balance decreased \$312,642 to \$1,894,074.
- The Special Revenue, Landfill Closure Costs Fund balance decreased \$17,749 from the prior year to \$972,173. Closure/postclosure care costs of \$29,373 were expended from this fund during fiscal year 2012.
- The Debt Service Fund accumulates and pays the principal and interest on debt issued for the general obligation urban renewal capital loan notes which were received in fiscal year 2010. The proceeds were used to make a loan to the Grundy County Memorial Hospital for a building expansion project. These notes are anticipated to be paid by Grundy County Memorial Hospital and, therefore, no debt service tax will be levied at this time. The fund balance is restricted for debt service. The fund balance is large because the related debt is not recorded as a fund liability under the modified accrual basis of accounting.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Grundy County amended its budget once. The increase in the intergovernmental receipts budget was primarily due to miscellaneous non-departmental items. The increase in the miscellaneous receipts budget was for pass through State grants and other miscellaneous fees and receipts. The budget for the roads and transportation function was increased for highway projects. The administration function budget was increased due to a change in office staffing. The physical health and social services function budget was increased for pass through State grants and the public safety and legal services function was increased due to a County telephone system upgrade.

The County's actual receipts were \$185,350 more than budgeted, a variance of 1.5%. The most significant variance resulted from the County receiving more miscellaneous receipts than anticipated.

Total actual disbursements were \$1,652,637 less than the amended budget, a variance of 11.3%. Actual disbursements for the county environment and education, capital projects and administration functions were \$855,046, \$243,844 and \$197,669, respectively, less than budgeted. Disbursements for the county environment and education and capital projects function were less than budgeted, due primarily to project completion delays until 2013. The disbursements for the general and non-departmental funds under the administration function were less than anticipated due to a decrease in the hospital bond costs.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Grundy County had \$21,489,623 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$3,846,204, or approximately 21.8%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 1,328,341	1,233,534
Construction in process	3,713,853	1,059,976
Buildings	2,993,420	3,049,637
Improvements other than buildings	475,685	-
Equipment and vehicles	1,955,565	2,039,101
Infrastructure, road network	11,022,759	10,261,171
Total	\$ 21,489,623	17,643,419
This year's major additions include:		
Land		\$ 94,807
Road network infrastructure		3,139,270
Buildings - Grundy County Lake storage shed		31,714
Improvements other than buildings - Dike Lake Trail System		485,393
2011 John Deere 220DW Exavator		250,950
2012 Chevrolet Tahoe		28,562
Total		\$ 4,030,696

The County had depreciation expense of \$1,159,238 in fiscal year 2012 and total accumulated depreciation of \$9,221,102 at June 30, 2012.

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

### Long-Term Debt

At June 30, 2012, Grundy County had \$15,041,000 of general obligation urban renewal capital loan notes and a conservation capital improvement loan outstanding, compared to \$15,638,000 at June 30, 2011.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2012	2011
General obligation notes	\$ 14,855,000	15,445,000
Conservation capital improvement loan	186,000	193,000
Total	\$ 15,041,000	15,638,000

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's corporate limits. Grundy County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$56,100,000. Additional information about the County's long-term debt and other long-term liabilities is presented in Note 7 to the financial statements.

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

Grundy County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County as of June 2012 stands at 3.9% versus 5.0% a year ago. This compares with the State's unemployment rate of 5.1%. Interest income is very stagnant after reaching an all time low because of aggressive rate cutting by the Federal Reserve. The State of Iowa's sluggish financial condition and relatively flat revenue projections continue. The uncertainty of revenue projections for the State of Iowa are keeping Grundy County's state funding in question for the fiscal year 2013 budget.

These indicators were taken into account when adopting the budget for fiscal year 2013. The fiscal year 2013 budget of \$12,396,132 decreased 13.8% from the fiscal year 2012 original budget of \$14,374,410. Property tax will increase slightly, even though the tax rate is decreasing slightly, because assessed valuations have increased. Budgeted disbursements are expected to decrease \$2,194,361 from the fiscal year 2012 final budgeted amounts. A significant decrease is budgeted for capital projects due to a decrease in bridge projects completed during fiscal year 2012. The County knows of the following items which will impact the fiscal year 2013 budget: higher fuel costs which will impact all departments, amount available for roads, costs of upgrading computer software and increases in IT/GIS maintenance fees.

If these estimates are realized, the County's ending cash balance is expected to decrease approximately \$1,810,000 by the close of fiscal year 2013 from the fiscal year 2012 ending cash balance.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Grundy 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 Grundy County Auditor's Office, 706 G Ave, City of Grundy Center, Iowa 50638.



## **Basic Financial Statements**

**Exhibit A**

Grundy County  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, pooled investments and cash equivalents	\$ 5,774,350
Receivables:	
Property tax:	
Delinquent	1,389
Succeeding year	5,044,000
Succeeding year tax increment financing	105,000
Interest and penalty on property tax	2,800
Accounts	4,586
Loan to Grundy County Memorial Hospital	14,855,000
Accrued interest	7,764
Due from other governments	500,643
Inventories	610,800
Prepaid insurance	274,662
Capital assets, net of accumulated depreciation	<u>21,489,623</u>
<b>Total assets</b>	<u>48,670,617</u>
<b>Liabilities</b>	
Accounts payable	325,299
Accrued interest payable	61,475
Salaries and benefits payable	55,560
Due to other governments	3,707
Deferred revenue:	
Succeeding year property tax	5,044,000
Succeeding year tax increment financing	105,000
Long-term liabilities:	
Portion due or payable within one year:	
Conservation capital improvement loan	7,000
General obligation urban renewal capital loan notes	610,000
Compensated absences	155,400
Portion due or payable after one year:	
Conservation capital improvement loan	179,000
General obligation urban renewal capital loan notes	14,245,000
Estimated liability for landfill closure and postclosure care	706,620
Compensated absences	155,453
Net OPEB liability	25,570
<b>Total liabilities</b>	<u>21,679,084</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	21,303,623
Restricted for:	
Supplemental levy purposes	539,198
Mental health purposes	300,224
Rural services purposes	622,229
Secondary roads purposes	1,762,512
Landfill closure and postclosure care	586,834
Conservation purposes	213,211
Other purposes	174,084
Unrestricted	<u>1,489,618</u>
<b>Total net assets</b>	<u>\$ 26,991,533</u>

See notes to financial statements.

Grundy County

Statement of Activities

Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,700,787	325,940	21,677	-	(1,353,170)
Physical health and social services	541,125	13,596	153,194	-	(374,335)
Mental health	1,037,455	15,311	570,649	-	(451,495)
County environment and education	864,650	57,869	58,598	47,521	(700,662)
Roads and transportation	4,997,277	380,969	2,735,845	4,038,202	2,157,739
Governmental services to residents	363,301	259,467	21	-	(103,813)
Administration	1,881,561	192,760	-	-	(1,688,801)
Interest on long-term debt	693,880	-	684,230	-	(9,650)
<b>Total</b>	<b>\$ 12,080,036</b>	<b>1,245,912</b>	<b>4,224,214</b>	<b>4,085,723</b>	<b>(2,524,187)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					5,004,832
Penalty and interest on property tax					35,025
State tax credits					209,413
Local option sales tax					468,137
Unrestricted investment earnings					62,584
Miscellaneous					9,036
<b>Total general revenues</b>					<b>5,789,027</b>
Change in net assets					3,264,840
Net assets beginning of year					23,726,693
Net assets end of year					<b>\$ 26,991,533</b>

See notes to financial statements.

Grundy County  
Balance Sheet  
Governmental Funds

June 30, 2012

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, pooled investments and cash equivalents	\$ 1,958,024	297,705	722,361
Receivables:			
Property tax:			
Delinquent	1,061	172	156
Succeeding year	3,106,000	504,000	1,434,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	2,800	-	-
Loan	-	-	-
Accounts	3,853	174	-
Accrued interest	5,662	-	-
Due from other funds	-	-	-
Due from other governments	19,633	14,464	73,940
Inventories	-	-	-
Prepaid insurance	124,358	-	150,304
<b>Total assets</b>	<b>\$ 5,221,391</b>	<b>816,515</b>	<b>2,380,761</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 7,589	1,484	559
Salaries and benefits payable	5,772	640	1,994
Due to other funds	2,729	-	340
Due to other governments	3,329	176	202
Deferred revenue:			
Succeeding year property tax	3,106,000	504,000	1,434,000
Succeeding year tax increment financing	-	-	-
Other	3,861	172	156
<b>Total liabilities</b>	<b>3,129,280</b>	<b>506,472</b>	<b>1,437,251</b>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	124,358	-	150,304
Restricted for:			
Supplemental levy purposes	553,968	-	-
Mental health purposes	-	310,043	-
Rural services purposes	-	-	471,925
Secondary roads purposes	-	-	-
Landfill closure and postclosure care	-	-	-
Landfill/transfer station	-	-	321,281
Conservation land acquisition/capital improvements	213,211	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	1,200,574	-	-
<b>Total fund balances</b>	<b>2,092,111</b>	<b>310,043</b>	<b>943,510</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,221,391</b>	<b>816,515</b>	<b>2,380,761</b>

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
1,249,402	970,640	3,686	173,974	5,375,792
-	-	-	-	1,389
-	-	-	-	5,044,000
-	-	-	105,000	105,000
-	-	-	-	2,800
-	-	14,855,000	-	14,855,000
559	-	-	-	4,586
-	1,992	-	110	7,764
3,069	-	-	-	3,069
392,606	-	-	-	500,643
610,800	-	-	-	610,800
-	-	-	-	274,662
<u>2,256,436</u>	<u>972,632</u>	<u>14,858,686</u>	<u>279,084</u>	<u>26,785,505</u>
315,667	-	-	-	325,299
46,695	459	-	-	55,560
-	-	-	-	3,069
-	-	-	-	3,707
-	-	-	-	5,044,000
-	-	-	105,000	105,000
-	-	-	-	4,189
<u>362,362</u>	<u>459</u>	<u>-</u>	<u>105,000</u>	<u>5,540,824</u>
610,800	-	-	-	610,800
-	-	-	-	274,662
-	-	-	-	553,968
-	-	-	-	310,043
-	-	-	-	471,925
1,283,274	-	-	-	1,283,274
-	972,173	-	-	972,173
-	-	-	-	321,281
-	-	-	-	213,211
-	-	14,858,686	-	14,858,686
-	-	-	174,084	174,084
-	-	-	-	1,200,574
<u>1,894,074</u>	<u>972,173</u>	<u>14,858,686</u>	<u>174,084</u>	<u>21,244,681</u>
<u>2,256,436</u>	<u>972,632</u>	<u>14,858,686</u>	<u>279,084</u>	<u>26,785,505</u>

**Grundy County**

Grundy County

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

June 30, 2012

**Total governmental fund balances (page 19)** \$ 21,244,681

***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 governmental funds. The cost of assets is \$30,710,725 and the accumulated depreciation is \$9,221,102. 21,489,623

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 4,189

The Internal Service Fund is used by management to charge the costs of the 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. 398,558

Long-term liabilities, including a conservation capital improvement loan, general obligation urban renewal capital loan notes, landfill closure and postclosure care payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (16,145,518)

**Net assets of governmental activities (page 16)** \$ 26,991,533

See notes to financial statements.

Grundy County

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

Year ended June 30, 2012

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,135,632	356,509	1,408,913
Local option sales tax	-	-	468,137
Interest and penalty on property tax	31,998	-	-
Intergovernmental	643,987	600,555	58,152
Licenses and permits	10,250	-	3,700
Charges for service	328,270	582	23,045
Use of money and property	61,581	-	-
Miscellaneous	77,380	266	2,207
Total revenues	<u>4,289,098</u>	<u>957,912</u>	<u>1,964,154</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,483,939	-	175,311
Physical health and social services	541,127	-	-
Mental health	-	1,030,743	-
County environment and education	450,660	-	258,791
Roads and transportation	-	-	-
Governmental services to residents	355,380	-	2,600
Administration	1,504,010	-	172,686
Debt service	16,650	-	-
Capital projects	25,072	-	-
Total expenditures	<u>4,376,838</u>	<u>1,030,743</u>	<u>609,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,740)</u>	<u>(72,831)</u>	<u>1,354,766</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	-	-	(1,449,998)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,449,998)</u>
Change in fund balances	(87,740)	(72,831)	(95,232)
Fund balances beginning of year	<u>2,179,851</u>	<u>382,874</u>	<u>1,038,742</u>
Fund balances end of year	<u>\$ 2,092,111</u>	<u>310,043</u>	<u>943,510</u>

See notes to financial statements.



Revenue		Debt		Total
Secondary Roads	Landfill Closure Costs	Service	Nonmajor	
-	-	-	105,347	5,006,401
-	-	-	-	468,137
-	-	-	-	31,998
3,582,257	-	684,230	10,509	5,579,690
1,390	-	-	-	15,340
-	-	-	3,403	355,300
600	11,624	-	150	73,955
193,312	-	-	5	273,170
3,777,559	11,624	684,230	119,414	11,803,991
-	-	-	-	1,659,250
-	-	-	-	541,127
-	-	-	-	1,030,743
-	29,373	-	105,712	844,536
4,174,887	-	-	-	4,174,887
-	-	-	2,251	360,231
-	-	-	-	1,676,696
-	-	1,274,230	-	1,290,880
1,365,312	-	-	-	1,390,384
5,540,199	29,373	1,274,230	107,963	12,968,734
(1,762,640)	(17,749)	(590,000)	11,451	(1,164,743)
1,449,998	-	-	-	1,449,998
-	-	-	-	(1,449,998)
1,449,998	-	-	-	-
(312,642)	(17,749)	(590,000)	11,451	(1,164,743)
2,206,716	989,922	15,448,686	162,633	22,409,424
1,894,074	972,173	14,858,686	174,084	21,244,681

Grundy County

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

Year ended June 30, 2012

**Change in fund balances - Total governmental funds (page 23)** \$(1,164,743)

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

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

Expenditures for capital assets	\$ 1,621,802	
Capital assets contributed by the Iowa Department of Transportation	3,377,457	
Depreciation expense	<u>(1,159,238)</u>	3,840,021

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 6,183

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. 1,457

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. 597,000

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

Adjustment to estimated costs for landfill closure and postclosure care	5,967	
Compensated absences	(19,963)	
Other postemployment benefits	(5,485)	
Interest on long-term debt	<u>2,338</u>	(17,143)

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. 2,065

**Change in net assets of governmental activities (page 17)** \$ 3,264,840

See notes to financial statements.

Grundy County  
Statement of Net Assets  
Proprietary Fund  
June 30, 2012

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 398,558
<b>Liabilities</b>	
None	<u>-</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 398,558</u>

See notes to financial statements.

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

Year ended June 30, 2012

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 991,530
Contributions from employees		124,590
Contributions from others		<u>18,706</u>
Total operating revenues		1,134,826
Operating expenses:		
Partially self funded medical claims	\$ 98,224	
Medical claims	65,563	
Life insurance premiums	6,914	
Insurance premiums	953,168	
Administrative fees	<u>10,011</u>	<u>1,133,880</u>
Operating income		946
Non-operating revenues:		
Interest income		<u>1,119</u>
Net income		2,065
Net assets beginning of year		<u>396,493</u>
Net assets end of year		<u><u>\$ 398,558</u></u>
See notes to financial statements.		

Grundy County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2012

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds	\$ 991,530
Cash received from employees and others	143,296
Cash paid to suppliers for services	(1,133,880)
Net cash provided by operating activities	946
Cash flows from investing and capital activities:	
Interest on investments	1,119
Net increase in cash and cash equivalents	2,065
Cash and cash equivalents beginning of year	396,493
Cash and cash equivalents end of year	\$ 398,558
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 946
Adjustment to reconcile operating income to net cash provided by operating activities:	
None	-
Net cash provided by operating activities	\$ 946

See notes to financial statements.

Grundy County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

**Assets**

Cash and pooled investments:

County Treasurer	\$ 848,246
Other County officials	37,611

Receivables:

Property tax:	
Delinquent	7,793
Succeeding year	14,647,000
Accounts	10,919
Accrued interest	80
Special assessments	1,516

Due from other governments	23,043
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<b>Total assets</b>	<u>15,576,208</u>
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**Liabilities**

Accounts payable	444
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Due to other governments	15,536,237
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Trusts payable	22,882
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Compensated absences	16,645
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<b>Total liabilities</b>	<u>15,576,208</u>
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<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2012

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

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

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

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

The Grundy County Heritage Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa. The primary function of the Foundation shall be to solicit and receive contributions, gifts, grants, devises and bequests of personal property and/or real property from individuals, corporations, partnerships, trusts, foundations, governmental bodies and agencies and any other parties and to distribute and apply such assets and/or the income therefrom from time to time to or for the benefit of the Grundy County Conservation Board and any affiliated organizations of the Conservation Board. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Grundy County Heritage Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Grundy County Assessor’s Conference Board, Grundy County Emergency Management Commission and Grundy 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.

In February 2012 the County began participating in County Social Services (CSS), a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. CSS is a consortium established for the purpose of administering mental health and disability services for its member counties. Pursuant to the consortium agreement, Butler County is the operating agency. Each member county is represented on the consortium board which is responsible for administering the consortium.

B. Basis of Presentation

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

The Statement of Net Assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in following 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 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 the road use tax allocation from the State of Iowa, required transfers from the General and Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Landfill Closure Costs Fund is used to accumulate monies for closure and post closure care for the closing of the County Landfill.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

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 year or soon enough thereafter to pay liabilities of the current year. 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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 the Internal Service Fund 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 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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 represents assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2012, 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 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, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 and tax increment financing 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 sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Net Assets – The net assets of the Internal Service, Employee Group Health 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.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General	\$ 2,729
	Special Revenue: Rural Services	340
Total		<u>\$ 3,069</u>

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 1,449,998</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,233,534	94,807	-	1,328,341
Construction in progress	485,393	-	(485,393)	-
Construction in progress, road network	574,583	4,526,422	(1,387,152)	3,713,853
Total capital assets not being depreciated	2,293,510	4,621,229	(1,872,545)	5,042,194
Capital assets being depreciated:				
Buildings	4,237,274	31,714	-	4,268,988
Improvements other than buildings	-	485,393	-	485,393
Equipment and vehicles	6,465,712	363,756	(39,636)	6,789,832
Infrastructure, road network	12,737,166	1,387,152	-	14,124,318
Total capital assets being depreciated	23,440,152	2,268,015	(39,636)	25,668,531
Less accumulated depreciation for:				
Buildings	1,187,637	87,931	-	1,275,568
Improvements other than buildings	-	9,708	-	9,708
Equipment and vehicles	4,426,611	436,035	(28,379)	4,834,267
Infrastructure, road network	2,475,995	625,564	-	3,101,559
Total accumulated depreciation	8,090,243	1,159,238	(28,379)	9,221,102
Total capital assets being depreciated, net	15,349,909	1,108,777	(11,257)	16,447,429
Governmental activities capital assets, net	\$ 17,643,419	5,730,006	(1,883,802)	21,489,623

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 68,381
Mental health	3,385
County environment and education	51,230
Roads and transportation	968,661
Governmental services to residents	4,880
Administration	62,701
Total depreciation expense - governmental activities	\$ 1,159,238

**(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 at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 3,329
Special Revenue:		
Mental Health	Services	176
Rural Services	Services	202
		378
Total for governmental funds		\$ 3,707
Agency:		
Agricultural Extension Education	Collections	\$ 160,800
County Assessor		519,380
Schools		8,995,024
Community Colleges		889,862
Corporations		4,177,649
Townships		222,699
Auto License and Use Tax		328,800
All other		242,023
Total for agency funds		\$ 15,536,237

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Conservation Capital Improvement Loan	General Obligation Urban Renewal Capital Loan Notes	Estimated Liability for Landfill Closure and Postclosure Care	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 193,000	15,445,000	712,587	290,890	20,085	16,661,562
Increases	-	-	-	279,137	11,966	291,103
Decreases	7,000	590,000	5,967	259,174	6,481	868,622
Balance end of year	\$ 186,000	14,855,000	706,620	310,853	25,570	16,084,043
Due within one year	\$ 7,000	610,000	-	155,400	-	772,400

Conservation Capital Improvement Loan

On October 5, 2009, the County entered into a loan agreement with Black Hawk Economic Development, Inc. to borrow \$200,000 for capital improvements at the Grundy County Lake campground. The loan bears interest at 5% per annum and requires annual payments on October 15, including interest, with the final payment due on October 15, 2019. The loan will be paid from resources of the Grundy County Conservation Board.

A summary of the County's June 30, 2012 conservation capital improvement loan is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	5.00%	\$ 7,000	9,300	16,300
2014	5.00	7,000	8,950	15,950
2015	5.00	7,000	8,600	15,600
2016	5.00	7,000	8,250	15,250
2017	5.00	7,000	7,900	14,900
2018-2020	5.00	151,000	21,600	172,600
Total		\$ 186,000	64,600	250,600

General Obligation Urban Renewal Capital Loan Notes

On July 15, 2009, the County issued \$16,020,000 of general obligation urban renewal capital loan notes for an expansion project at the Grundy County Memorial Hospital and to refund the Hospital's outstanding principal balance of \$4,025,000 of hospital revenue bonds issued in 2004. The notes bear interest payable semiannually on the first of June and December in each year at rates ranging from 4.25% to 4.75% per annum.



The County loaned the general obligation urban renewal capital loan note proceeds to the Grundy County Memorial Hospital. Under the loan agreement, the Grundy County Memorial Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation urban renewal capital loan notes. The principal and interest payments from the Grundy County Memorial Hospital are credited to the Debt Service Fund.

A summary of the County's June 30, 2012 general obligation urban renewal capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.25%	\$ 610,000	658,655	1,268,655
2014	4.25	625,000	632,730	1,257,730
2015	4.25	650,000	606,168	1,256,168
2016	4.25	675,000	578,542	1,253,542
2017	4.25	700,000	549,855	1,249,855
2018-2022	4.25-4.30	4,010,000	2,275,400	6,285,400
2023-2027	4.40-4.65	5,125,000	1,310,180	6,435,180
2028-2029	4.70-4.75	2,460,000	176,340	2,636,340
Total		\$ 14,855,000	6,787,870	21,642,870

During the year ended June 30, 2012, the County retired \$590,000 of general obligation urban renewal capital loan notes.

**(8) Loan Receivable**

As detailed in Note 7 of the Notes to Financial Statements, the County loaned bond proceeds to the Grundy County Memorial Hospital. Under the loan agreement, the Grundy County Memorial Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation urban renewal capital loan notes.

**(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$290,115, \$249,030 and \$236,314, respectively, equal to the required contributions for each year.

**(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% 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, 2012 were \$209,795.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Traveler's Insurance Company.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**(11) 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 Iowa Governmental Health Care Plan. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the deductible of \$2,000/\$4,000 per single/family plan with a maximum out of pocket expense of \$4,000/\$8,000 per single/family plan. The deductible and maximum out of pocket expense for the County is reduced by the deductible amount paid by the employee of \$750/\$1,500 per single/family plan and employee maximum out of pocket expense of \$1,500/\$3,000 per single/family plan. Claims in excess of deductibles are covered by Iowa Governmental Health Care Plan.

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 Two Rivers Bank & Trust, Burlington, Iowa and Iowa Governmental Health Care Plan administers the plan funds. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2012 was \$991,530.

The County was not required to obtain an actuarial report for the year ended June 30, 2012 since its plan qualifies as a "mini plan."

**(12) Closure and Postclosure Care Costs**

To comply with federal and state regulations, the County Landfill is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, 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 cost consists 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 for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the County Landfill have been estimated at \$706,620 as of June 30, 2012 and the portion of the liability that has been recognized is \$706,620. This liability represents the cumulative amount reported to date based on the use of approximately 100% of the capacity of the landfill. By October 1, 2007, Iowa solid waste landfills must have met the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. The County implemented closure requirements by October 1, 2007 for all cells not meeting RCRA Subtitle D liner requirements and opened a transfer station instead of constructing new cells. The Landfill plans to maintain its recycling program and will use existing resources to finance these activities. A provision for the above liability has been made in the County's Statement of Net Assets as of June 30, 2012. The County has accumulated resources to fund these costs and, at June 30, 2012, deposits of \$972,173 are held for these purposes. These resources are reported in the Special Revenue, Landfill Closure Costs Fund.

### **(13) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 68 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 11,062
Interest on net OPEB obligation	904
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	11,966
Contributions made	<u>(6,481)</u>
Increase in net OPEB obligation	5,485
Net OPEB obligation beginning of year	<u>20,085</u>
Net OPEB obligation end of year	<u>\$ 25,570</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$6,481 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 11,062	0%	\$ 11,062
2011	11,560	22	20,085
2012	11,966	54	25,570

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$71,561, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$71,561. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,440,000 and the ratio of the UAAL to covered payroll was 2.1%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are \$12,847 annually for retirees less than age 65 and \$20,037 annually for retirees and spouses less than age 65. All coverage ceases when the retiree reaches age 65. Therefore, claim costs are not calculated for retirees over the age of 65. The salary increase rate was assumed to be 1% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(14) Developer Agreements**

The County entered into six developer agreements to assist in urban renewal projects, as follows:

The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Bacon Veneer Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between June 1, 2004 and June 1, 2018, but shall not exceed the developer's actual infrastructure costs as certified to the County or \$1,000,000, whichever is less. During the year ended June 30, 2012, \$20,450 was rebated to the developer, R. S. Bacon Veneer Company.

The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for the costs of certain improvements for the "Welcome Center" in the Grundy County Industrial Park Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between July 1, 2007 and June 30, 2017 (semi annual payments for ten years), but shall not exceed the developer's actual infrastructure costs as certified to the County or \$316,026, whichever is less. During the year ended June 30, 2012, \$28,493 was rebated to the developer, Grundy County Heritage Center, Grundy County Rural Electric Cooperative and Corn Belt & Industrial Park.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Industrial Park Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated until \$105,000 is rebated or the agreement is terminated, whichever occurs first. During the year ended June 30, 2012, \$9,535 was rebated to the developer, Olderog Wholesale Tires, Inc.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Titan Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between January 1, 2009 and December 31, 2028 (up to forty semi-annual payments for twenty years) until \$225,000 is rebated or the agreement is terminated, whichever occurs first. During the year ended June 30, 2012, \$34,620 was rebated to the developer, Dealer Site LLC.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of new commercial development in the OXBO Urban Renewal District within 2 miles of the City of Grundy Center. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between July 1, 2010 and June 30, 2020 (annual payments for ten years) or until termination of the agreement, whichever occurs first. During the year ended June 30, 2012, \$3,886 was rebated to the developer, OXBO International Corporation/Byron Midwest Corporation.

The County agreed to rebate 80% of the incremental property tax paid by the developer in exchange for the costs of new commercial development in the Grundy County Industrial Park Urban Renewal Area. The incremental property tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between December 1, 2011 and June 1, 2021 (semi-annual payments for ten years) or until termination of the agreement, whichever occurs first. During the year ended June 30, 2012, \$8,281 was rebated to the developer, Cardinal Construction, Inc.

**Grundy County**



**Required Supplementary Information**

Grundy 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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 5,437,167	-	5,437,167
Interest and penalty on property tax	31,997	-	31,997
Intergovernmental	5,999,310	-	5,999,310
Licenses and permits	15,340	-	15,340
Charges for service	354,322	-	354,322
Use of money and property	76,678	40	76,638
Miscellaneous	275,217	5	275,212
Total receipts	<u>12,190,031</u>	<u>45</u>	<u>12,189,986</u>
<b>Disbursements:</b>			
Public safety and legal services	1,664,374	-	1,664,374
Physical health and social services	543,162	-	543,162
Mental health	1,158,147	-	1,158,147
County environment and education	843,790	365	843,425
Roads and transportation	4,008,514	-	4,008,514
Governmental services to residents	360,584	-	360,584
Administration	1,678,386	-	1,678,386
Debt service	1,290,880	-	1,290,880
Capital projects	1,390,384	-	1,390,384
Total disbursements	<u>12,938,221</u>	<u>365</u>	<u>12,937,856</u>
Excess (deficiency) of receipts over (under) disbursements	(748,190)	(320)	(747,870)
Other financing sources (uses), net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(748,190)	(320)	(747,870)
Balance beginning of year	<u>6,123,982</u>	<u>48,184</u>	<u>6,075,798</u>
Balance end of year	<u>\$ 5,375,792</u>	<u>47,864</u>	<u>5,327,928</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,355,802	5,356,397	80,770
-	-	31,997
6,082,184	6,130,539	(131,229)
6,400	6,450	8,890
280,248	280,443	73,879
90,100	90,100	(13,462)
114,783	140,707	134,505
11,929,517	12,004,636	185,350
1,765,442	1,806,109	141,735
539,263	578,695	35,533
1,251,384	1,251,384	93,237
1,697,876	1,698,471	855,046
3,899,302	4,024,302	15,788
449,843	426,919	66,335
1,842,742	1,876,055	197,669
1,294,330	1,294,330	3,450
1,634,228	1,634,228	243,844
14,374,410	14,590,493	1,652,637
(2,444,893)	(2,585,857)	1,837,987
900,000	900,000	(900,000)
(1,544,893)	(1,685,857)	937,987
5,438,838	5,438,838	636,960
3,893,945	3,752,981	1,574,947

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Grundy County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,190,031	(386,040)	11,803,991
Expenditures	12,938,221	30,513	12,968,734
Net	(748,190)	(416,553)	(1,164,743)
Beginning fund balances	6,123,982	16,285,442	22,409,424
Ending fund balances	\$ 5,375,792	15,868,889	21,244,681

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten 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, one budget amendment increased budgeted disbursements by \$216,083. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted by function.

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Grundy County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

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Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 72	72	0.00%	\$ 3,057	2.30%
2011	Jul 1, 2009	-	72	72	0.00	3,359	2.10
2012	Jul 1, 2009	-	72	72	0.00	3,440	2.10

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

Grundy County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant
<b>Assets</b>					
Cash and pooled investments	\$ 21,969	91,929	994	223	265
Receivables:					
Succeeding year tax increment financing	-	-	-	-	-
Accrued interest	22	88	-	-	-
<b>Total assets</b>	<b>\$ 21,991</b>	<b>92,017</b>	<b>994</b>	<b>223</b>	<b>265</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Deferred revenue:					
Succeeding year tax increment financing	\$ -	-	-	-	-
Fund balances:					
Restricted for:					
Other purposes	21,991	92,017	994	223	265
<b>Total liabilities and fund balances</b>	<b>\$ 21,991</b>	<b>92,017</b>	<b>994</b>	<b>223</b>	<b>265</b>

See accompanying independent auditor's report.



Special Revenue										
Drainage Districts	Bacon Veneer TIF	Welcome Center TIF	Olderog TIF	Titan TIF	OXBO TIF	Cardinal Construction TIF	Convenience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Total
21,255	-	-	-	-	-	-	730	10,000	26,609	173,974
-	9,000	32,000	12,000	37,000	5,000	10,000	-	-	-	105,000
-	-	-	-	-	-	-	-	-	-	-
21,255	9,000	32,000	12,000	37,000	5,000	10,000	730	10,000	26,609	279,084
-	9,000	32,000	12,000	37,000	5,000	10,000	-	-	-	105,000
21,255	-	-	-	-	-	-	730	10,000	26,609	174,084
21,255	9,000	32,000	12,000	37,000	5,000	10,000	730	10,000	26,609	279,084

Grundy County

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

Year ended June 30, 2012

	Special					
	County					
	Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts
Revenues:						
Property and other county tax	\$ -	-	-	-	-	-
Intergovernmental	-	10,509	-	-	-	-
Charges for service	3,403	-	-	-	-	-
Use of money and property	22	88	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>3,425</u>	<u>10,597</u>	-	-	-	-
Expenditures:						
Operating:						
County environment and education	-	-	-	-	-	-
Governmental services to residents	2,251	-	-	-	-	-
Total expenditures	<u>2,251</u>	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,174	10,597	-	-	-	-
Fund balances beginning of year	<u>20,817</u>	<u>81,420</u>	<u>994</u>	<u>223</u>	<u>265</u>	<u>21,255</u>
Fund balances end of year	<u>\$ 21,991</u>	<u>92,017</u>	<u>994</u>	<u>223</u>	<u>265</u>	<u>21,255</u>

See accompanying independent auditor's report.

Revenue										
Grundy County Industrial Park	Bacon Veneer TIF	Welcome Center TIF	Olderog TIF	Titan TIF	OXBO TIF	Cardinal Construction TIF	Conven- ience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Total
82	20,450	28,493	9,535	34,620	3,886	8,281	-	-	-	105,347
-	-	-	-	-	-	-	-	-	-	10,509
-	-	-	-	-	-	-	-	-	-	3,403
-	-	-	-	-	-	-	-	-	40	150
-	-	-	-	-	-	-	-	-	5	5
82	20,450	28,493	9,535	34,620	3,886	8,281	-	-	45	119,414
82	20,450	28,493	9,535	34,620	3,886	8,281	-	-	365	105,712
-	-	-	-	-	-	-	-	-	-	2,251
82	20,450	28,493	9,535	34,620	3,886	8,281	-	-	365	107,963
-	-	-	-	-	-	-	-	-	(320)	11,451
-	-	-	-	-	-	-	730	10,000	26,929	162,633
-	-	-	-	-	-	-	730	10,000	26,609	174,084

Grundy County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,731	182,916	117,192	10,567
Other County officials	37,611	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	69	153	3,832	295
Succeeding year	-	159,000	353,000	8,874,000	879,000
Accounts	743	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 38,354</b>	<b>160,800</b>	<b>536,069</b>	<b>8,995,024</b>	<b>889,862</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	44	-	-
Due to other governments	15,472	160,800	519,380	8,995,024	889,862
Trusts payable	22,882	-	-	-	-
Compensated absences	-	-	16,645	-	-
<b>Total liabilities</b>	<b>\$ 38,354</b>	<b>160,800</b>	<b>536,069</b>	<b>8,995,024</b>	<b>889,862</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
46,228	2,699	328,800	12,105	146,008	848,246
-	-	-	-	-	37,611
3,421	-	-	-	23	7,793
4,128,000	220,000	-	-	34,000	14,647,000
-	-	-	-	10,176	10,919
-	-	-	-	80	80
-	-	-	-	1,516	1,516
-	-	-	10,072	12,971	23,043
<u>4,177,649</u>	<u>222,699</u>	<u>328,800</u>	<u>22,177</u>	<u>204,774</u>	<u>15,576,208</u>
-	-	-	-	400	444
4,177,649	222,699	328,800	22,177	204,374	15,536,237
-	-	-	-	-	22,882
-	-	-	-	-	16,645
<u>4,177,649</u>	<u>222,699</u>	<u>328,800</u>	<u>22,177</u>	<u>204,774</u>	<u>15,576,208</u>

Grundy County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 19,948	134,748	413,556	9,069,921
Additions:				
Property and other county tax	-	159,205	353,582	8,893,609
E911 surcharges	-	-	-	-
State tax credits	-	5,769	10,548	387,636
Office fees and collections	320,224	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	312,206	-	-	-
Miscellaneous	-	-	66	-
Total additions	632,430	164,974	364,196	9,281,245
Deductions:				
Agency remittances:				
To other funds	146,023	-	-	-
To other governments	168,955	138,922	241,683	9,356,142
Trusts paid out	299,046	-	-	-
Total deductions	614,024	138,922	241,683	9,356,142
Balances end of year	\$ 38,354	160,800	536,069	8,995,024

See accompanying independent auditor's report.

Community Colleges	Corpora- tions	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
862,112	3,969,482	212,936	389,354	22,177	213,153	15,307,387
881,891	4,090,853	221,442	-	-	34,039	14,634,621
-	-	-	-	-	92,505	92,505
35,120	152,857	8,616	-	-	1,367	601,913
-	-	-	-	-	-	320,224
-	-	-	4,493,435	-	-	4,493,435
-	-	-	-	-	4,708	4,708
-	-	-	-	-	-	312,206
-	-	-	-	58,102	62,388	120,556
917,011	4,243,710	230,058	4,493,435	58,102	195,007	20,580,168
-	-	-	132,847	-	-	278,870
889,261	4,035,543	220,295	4,421,142	58,102	203,386	19,733,431
-	-	-	-	-	-	299,046
889,261	4,035,543	220,295	4,553,989	58,102	203,386	20,311,347
889,862	4,177,649	222,699	328,800	22,177	204,774	15,576,208

Grundy County

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Property and other county tax	\$ 5,006,401	4,820,922	4,744,720	4,527,545
Local option sales tax	468,137	398,479	423,331	406,653
Interest and penalty on property tax	33,978	34,100	33,687	28,501
Intergovernmental	5,579,690	5,219,156	5,111,675	4,378,944
Licenses and permits	15,340	10,655	13,095	13,460
Charges for service	355,300	343,261	355,019	296,114
Use of money and property	71,975	97,289	120,179	162,741
Miscellaneous	273,170	371,245	735,346	148,347
<b>Total</b>	<b>\$ 11,803,991</b>	<b>\$ 11,295,107</b>	<b>11,537,052</b>	<b>9,962,305</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,659,250	1,588,665	1,548,778	1,476,327
Physical health and social services	541,127	504,726	412,399	421,682
Mental health	1,030,743	1,037,365	1,039,977	1,094,457
County environment and education	844,536	816,407	802,089	886,733
Roads and transportation	4,174,887	4,012,543	4,259,408	4,051,213
Governmental services to residents	360,231	339,285	345,716	330,577
Administration	1,676,696	1,425,191	1,227,867	1,292,981
Nonprogram	-	-	-	1,464
Debt service	1,274,230	1,300,618	719,826	100,288
Capital projects	1,407,034	551,140	797,378	201,526
<b>Total</b>	<b>\$ 12,968,734</b>	<b>\$ 11,575,940</b>	<b>11,153,438</b>	<b>9,857,248</b>

See accompanying independent auditor's report.



Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
4,392,566	4,370,337	4,196,442	4,203,281	3,961,060	3,602,860
383,424	415,586	338,860	307,504	294,560	276,883
33,931	39,124	30,889	29,633	26,856	25,811
4,413,276	4,438,662	5,078,363	4,716,397	5,490,809	5,927,767
7,460	11,705	6,685	3,090	5,669	2,880
408,315	592,272	551,572	576,500	587,891	513,514
306,813	342,613	290,924	133,305	113,088	145,298
376,504	246,785	148,427	234,471	301,399	173,267
10,322,289	10,457,084	10,642,162	10,204,181	10,781,332	10,668,280
1,528,670	1,470,990	1,309,667	1,375,553	1,170,609	1,190,754
440,207	447,720	434,940	513,729	534,020	578,737
1,158,773	1,214,556	1,237,419	1,232,838	1,232,856	1,102,682
1,006,215	955,184	938,294	1,120,067	1,052,191	1,124,511
4,546,283	3,379,405	3,804,400	2,961,944	3,797,749	3,325,895
370,588	333,656	349,062	299,787	262,872	279,209
1,545,307	1,248,445	1,150,151	1,102,054	1,067,246	997,193
-	-	-	-	308	-
102,227	104,127	156,598	199,095	196,255	210,730
800,942	671,079	1,184,598	1,597,657	1,054,169	673,931
11,499,212	9,825,162	10,565,129	10,402,724	10,368,275	9,483,642

**Schedule 6**

Grundy County

Schedule of Expenditures of Federal Awards

For Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 6,638
U.S. Department of Transportation:			
Iowa Department of Transportation:			
ARRA - Highway Planning and Construction	20.205	ESL-C038(86)-7S-38	25,072
Highway Planning and Construction	20.205	BROS-C038(82)--8J-38	660,745
			685,817
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 11-03, Task 0477	3,472
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0170-10-01-00	46,005
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		-
Refugee and Entrant Assistance-State Administered Programs	93.566		12
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,471
Foster Care - Title IV-E	93.658		2,422
Adoption Assistance	93.659		707
Children's Health Insurance Program	93.767		23
Medical Assistance Program	93.778		6,236
Social Services Block Grant	93.667		2,126
Social Services Block Grant	93.667		31,710
			33,836
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Hazard Mitigation Grant	97.039	DR-1737	13,488
Emergency Management Performance Grants	97.042	EMPG-11-PT-38	5,200
Total			\$ 805,327

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

See accompanying independent auditor's report.



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

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Auditor of State

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

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 21, 2013. 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

The management of Grundy County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Grundy County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Grundy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-12 and II-E-12 to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy 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 an immaterial instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

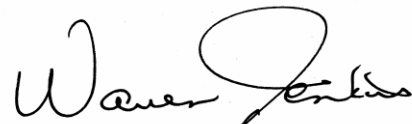
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grundy County and other parties to whom Grundy County may report, including federal awarding agencies and pass-through entities, and 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 Grundy 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

February 21, 2013



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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Officials of Grundy County:

Compliance

We have audited Grundy County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Grundy County's major federal program is 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 its major federal program is the responsibility of Grundy County's management. Our responsibility is to express an opinion on Grundy 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 Grundy 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 Grundy County's compliance with those requirements.

In our opinion, Grundy County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

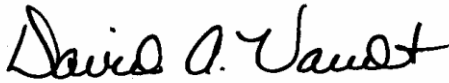
Internal Control Over Compliance

The management of Grundy 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 Grundy 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control over compliance.

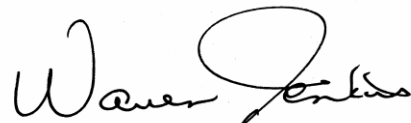
A deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grundy County and other parties to whom Grundy County may report, including federal awarding agencies and pass-through entities, and 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

February 21, 2013

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

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

Grundy County

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	County Recorder
(2) Receipt collecting, depositing, posting and daily reconciling is performed by the same employee.	County Recorder and County Sheriff
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks, approve disbursements or record disbursements. After signing, the checks are not mailed without allowing them to return to individuals who prepare the checks or approve payment.	County Sheriff

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

Responses:

County Recorder – We understand the potential weakness. However, it is difficult to segregate duties with only two full-time employees. We will monitor procedures to try to comply as much as possible with our limited staff.

County Sheriff – The Sheriff or Chief Deputy receipts incoming money and the secretary deposits and disburses money. The Chief Deputy reviews deposit spreadsheet and bank reconciliations. We try to segregate as much and as often as possible in a small office.



Grundy County

Schedule of Findings

Year ended June 30, 2012

Conclusions – Responses acknowledged. The County Recorder and County Sheriff should utilize current personnel, including personnel from other offices or elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

- II-B-12 Financial Reporting – During the audit, we identified material amounts of receivables, payables and infrastructure additions which were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and infrastructure additions are properly recorded and included in the County’s financial statements.

Response – Department Heads will review payables, receivables and infrastructure additions to ensure all amounts are properly recorded and included in the County’s financial statements.

Conclusion – Response accepted.

- II-C-12 Held Check – A check for \$100,747 in payment of equipment which had not been received by the County Sheriff’s Office at the end of the year was signed and held until the items were received. This was corrected for financial reporting.

Recommendation – Checks should not be written until the goods or services have been received. Writing and holding checks can weaken the control the Board has over disbursements if it is not determined all goods and services have been received prior to payment.

Response – Department Heads will be instructed to request warrants after receipts of goods and services.

Conclusion - Response accepted.

- II-D-12 County Conservation Board Minutes - Certain minutes of the County Conservation Board were not signed. Also, responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts. A restrictive endorsement is not placed on checks received until preparation of the deposits and cash receipts were not always properly safeguarded.

Recommendation - The minutes should be signed to authenticate the record. Responsibilities for collection, deposit preparation and reconciliation functions should be segregated from those for recording and accounting for cash receipts. A restrictive endorsement should be placed on all checks immediately upon receipt and cash receipts should be properly safeguarded in a locked drawer, file or safe.

Response – We will order and place a “deposit only” stamp in the campground office for endorsement at site. Envelopes will be placed in a locked depository at the conservation board office for removal by the secretary for recording. The Director

Grundy County

Schedule of Findings

Year ended June 30, 2012

will make the deposit and return the receipts for recording. The Conservation Board Chair or member will review deposits and initial they matched records at the monthly board meeting. We will ensure all minutes are signed.

Conclusion – Response accepted.

- II-E-12 Compensated Absences – Compensatory time, including vacation and sick leave, are maintained in the County Auditor’s payroll records for all departments with the exception of Deputy Sheriff’s in the Sheriff’s Department. Although records are maintained by the County Sheriff, information was not current for the Sheriff’s Deputies for inclusion in the year end computation.

Recommendation – All payroll records should be maintained on a consistent and uniform basis to document potential liabilities of the County, including liabilities not maintained within the payroll system.

Response – Compensatory time, including vacation and sick leave, will be maintained in the County Auditor’s payroll records for all departments.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Grundy County

Schedule of Findings

Year ended June 30, 2012

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

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted by function.
- IV-B-12 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-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-12 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-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-12 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-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record as required.

Response – We agree to sign minutes in a timely manner in the future.

Conclusion – Response accepted.

Grundy County

Schedule of Findings

Year ended June 30, 2012

- IV-J-12 Financial Assurance – The County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$706,620. The balance at June 30, 2012 reserved for landfill closure and postclosure care is \$972,173. Therefore, the closure and postclosure care costs are fully funded at June 30, 2012.

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Grundy County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Kayley R. Alexander, Assistant Auditor  
William B. Corley, Assistant Auditor  
Thomas S. Hebert, Assistant Auditor  
Joshua W. Ostrander, Assistant Auditor  
Laura M. Wernimont, Assistant Auditor

A handwritten signature in black ink, reading "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