



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

May 6, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Grundy County, Iowa.

The County had local tax revenue of \$20,807,278 for the year ended June 30, 2013, which included \$948,674 in tax credits from the state. The County forwarded \$15,388,964 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,418,314 of the local tax revenue to finance County operations, a 3.9% increase over the prior year. Other revenues included charges for service of \$1,408,608, operating grants, contributions and restricted interest of \$4,040,550, capital grants, contributions and restricted interest of \$309,861, local option sales tax of \$385,885, unrestricted investment earnings of \$42,769 and other general revenues of \$87,684.

Expenses for County operations for the year ended June 30, 2013 totaled \$11,751,084, a 2.7% decrease from the prior year. Expenses included \$5,050,927 for roads and transportation, \$1,775,041 for public safety and legal services and \$1,726,718 for administration.

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/1310-0038-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, 2013**

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**Grundy County**

**Officials**

**(Before January 2013)**

<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

**(After January 2013)**

Harlyn Riekema	Board of Supervisors	Jan 2015
Mark Schildroth	Board of Supervisors	Jan 2015
Charles Bakker	Board of Supervisors	Jan 2017
James Ross	Board of Supervisors	Jan 2017
Barbara Smith	Board of Supervisors	Jan 2017
Rhonda Deters	County Auditor	Jan 2017
Brenda Noteboom	County Treasurer	Jan 2015
Charles Kruse	County Recorder	Jan 2015
Rick Penning	County Sheriff	Jan 2017
Kirby D. Schmidt	County Attorney	Jan 2015
John Freese	County Assessor	Jan 2016

**Grundy County**



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Independent Auditor's Report

To the Officials of Grundy County:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

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 9 through 16 and 50 through 54 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Grundy County's internal control over financial reporting and on 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 in considering Grundy County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 21, 2014

**Grundy County**

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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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 23.8%, or approximately \$3,652,000, from fiscal year 2012. Property tax increased approximately \$164,000, operating grants, contributions and restricted interest decreased approximately \$185,000 and capital grants, contributions and restricted interest decreased approximately \$3,776,000.
- Program expenses decreased approximately \$329,000, or 2.7%, from fiscal year 2012. Roads and transportation expenses increased approximately \$54,000, administration expenses decreased approximately \$155,000 and interest on long-term debt decreased approximately \$28,000.
- The County's net position decreased less than 1%, or approximately \$58,000, from June 30, 2012 to June 30, 2013.

### **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 Position 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 financial 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 Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "Net Position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

The County's governmental activities are presented in the Statement of Net Position 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) The proprietary fund accounts 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 governmental fund financial statements follow the governmental fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. Grundy County's combined net position changed from a year ago, decreasing from approximately \$26,992,000 to approximately \$26,934,000. The analysis that follows focuses on the changes in the net position of governmental activities.

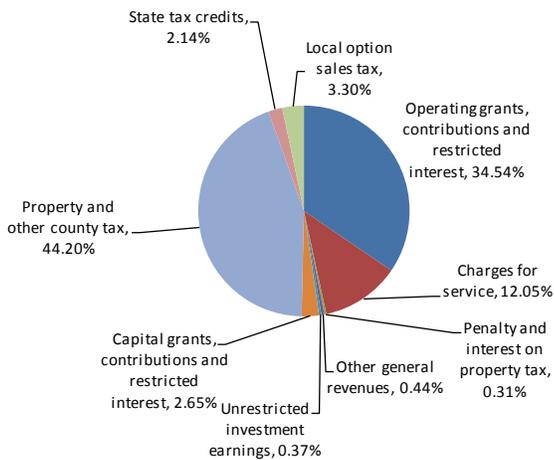
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 27,001	27,182
Capital assets	21,014	21,489
Total assets	48,015	48,671
Long-term liabilities	15,461	16,084
Other liabilities	5,620	5,595
Total liabilities	21,081	21,679
Net position:		
Net investment in capital assets	20,835	21,304
Restricted	4,506	4,198
Unrestricted	1,593	1,490
Total net position	\$ 26,934	26,992

Net position of Grundy County's governmental activities decreased approximately \$58,000 (approximately \$26,992,000 compared to approximately \$26,934,000). The largest portion of the County's net position 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 position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$1,490,000 at June 30, 2012 to approximately \$1,593,000 at the end of this year, an increase of 6.9%.

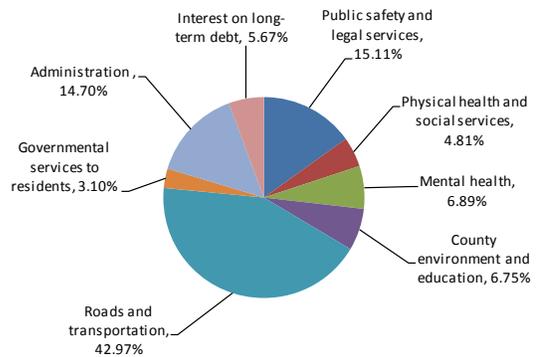
**Changes in Net Position of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,409	1,246
Operating grants, contributions and restricted interest	4,039	4,224
Capital grants, contributions and restricted interest	310	4,086
<b>General revenues:</b>		
Property and other county tax	5,169	5,005
Penalty and interest on property tax	36	35
State tax credits	250	209
Local option sales tax	386	468
Unrestricted investment earnings	43	63
Other general revenues	51	9
<b>Total revenues</b>	<b>11,693</b>	<b>15,345</b>
<b>Program expenses:</b>		
Public safety and legal services	1,775	1,701
Physical health and social services	565	541
Mental health	810	1,037
County environment and education	793	865
Roads and transportation	5,051	4,997
Governmental services to residents	364	363
Administration	1,727	1,882
Interest on long-term debt	666	694
<b>Total expenses</b>	<b>11,751</b>	<b>12,080</b>
<b>Change in net position</b>	<b>(58)</b>	<b>3,265</b>
<b>Net position beginning of year</b>	<b>26,992</b>	<b>23,727</b>
<b>Net position end of year</b>	<b>\$ 26,934</b>	<b>26,992</b>

**Revenues by Source**



**Expenses by Function**



Grundy County's property tax rates have been consistent in prior years. For fiscal year 2013, the rural levy rate dropped slightly to \$3.0693 per \$1,000 of taxable valuation. This is a decrease of \$.01317 per \$1,000 of taxable valuation. The countywide levy was slightly lower at \$5.39961 per \$1,000 of taxable valuation in fiscal year (FY) 2013 as compared to fiscal year (FY) 2012. Taxable valuation by levy, the actual levy rate per \$1,000 of taxable valuation and total dollars levied are as follows:

	Taxes Levied FY2013	Taxes Levied FY2012
Countywide taxable valuation	\$ 690,445,704	648,127,051
Countywide levy rate without debt	5.39961	5.50333
Dollars levied without debt	3,728,137	3,566,857
County taxable debt service valuation	735,073,851	690,874,933
County debt service levy rate	-	-
Dollars levied debt service	-	-
Total countywide rate	5.39961	5.50333
Total dollars levied countywide	3,728,137	3,566,857
Rural taxable valuation	482,240,483	465,350,342
Rural tax levy rate	3.06930	3.08247
Dollars levied rural area only	1,480,141	1,434,428
Total dollars levied	5,208,278	5,001,285

Local option sales tax revenue totaled \$385,885. Grundy County uses 100% of the local option sales tax revenue to reduce property tax in the Special Revenue, Rural Services Fund.

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

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$20,727,125, a decrease from last year's total of \$21,244,681. 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 \$2,952 from the prior year to \$2,089,159. Total revenues increased less than 1%. Total expenditures decreased 1.7%, or \$75,093, compared to fiscal year 2012.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$805,253, a decrease of \$225,490 from the prior year. The Special Revenue, Mental Health Fund year-end balance increased \$9,446 over the prior year. Revenues decreased to \$814,699.
- The Special Revenue, Rural Services Fund balance decreased \$124,114 from the prior year. Expenditures decreased slightly in fiscal year 2013. Revenues decreased \$41,078, primarily due to a decrease in local option sales tax. Of the \$819,396 fund balance, \$287,994 is restricted as a reserve for landfill/transfer station care.

- Special Revenue, Secondary Roads Fund expenditures decreased \$991,304 from the prior year, due primarily to a decrease in capital projects for bridge projects. Revenues decreased \$451,440. The decrease in revenues was a result of fewer reimbursements from the State for capital project costs. The Secondary Roads Fund ending fund balance increased \$222,223 to \$2,116,297.
- The Special Revenue, Landfill Closure Costs Fund balance decreased \$32,992 from the prior year to \$939,181. Closure/postclosure care costs of \$35,024 were expended from this fund during fiscal year 2013.
- 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 is expected to be levied. 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 intergovernmental receipts was primarily due to pass through State grants. The increase in miscellaneous receipts was for other miscellaneous fees and receipts. The budget for the public safety and legal services function was increased slightly due to higher prisoner care costs. The physical health social services function was increased for more assistance to citizens.

The County's actual receipts were \$478,440 more than budgeted, a variance of 4.2%. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated.

Total actual disbursements were \$1,046,207 less than the amended budget, a variance of 8.2%. Actual disbursements for the capital projects, administration and county environment and education functions were \$406,933, \$272,772 and \$129,230, respectively, less than budgeted. Disbursements for the county environment and education and capital projects functions were less than budgeted, due primarily to project completion delays.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Grundy County had \$21,014,273 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$475,350, or approximately 2.2%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2013	2012
Land	\$ 1,333,341	1,328,341
Construction in process, road network	2,745,296	3,713,853
Buildings	2,905,489	2,993,420
Improvements other than buildings	465,977	475,685
Equipment and vehicles	1,894,820	1,955,565
Infrastructure, road network	11,669,350	11,022,759
Total	<u>\$ 21,014,273</u>	<u>21,489,623</u>
This year's major additions include:		
Road network infrastructure		\$ 158,700
2013 Freightliner dump truck		172,760
E911 phone system		92,654
2014 Ford Explorer		27,137
2011 Chevrolet Caprice PPV		25,120
Total		<u>\$ 476,371</u>

The County had depreciation expense of \$1,150,807 in fiscal year 2013 and total accumulated depreciation of \$10,225,547 at June 30, 2013.

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

### Long-Term Debt

At June 30, 2013, Grundy County had \$14,424,000 of general obligation urban renewal capital loan notes and a conservation capital improvement loan outstanding, compared to \$15,041,000 at June 30, 2012.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2013	2012
General obligation notes	\$ 14,245,000	14,855,000
Conservation capital improvement loan	179,000	186,000
Total	<u>\$ 14,424,000</u>	<u>15,041,000</u>

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 \$63,757,000. 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 2014 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 2013 stands at 3.7% versus 3.9% a year ago. This compares with the State's unemployment rate of 4.6%. Interest income is very stagnant after reaching an all time low because of aggressive rate cutting by the Federal Reserve. The State of Iowa currently has a budget surplus, but 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 2014 budget.

These indicators were taken into account when adopting the budget for fiscal year 2014. The fiscal year 2014 budget of \$12,951,385 increased 4.5% from the fiscal year 2013 original budget of \$12,396,132. Property tax will increase slightly, even though the tax rate is decreasing slightly, because assessed valuations have increased. Budgeted disbursements are expected to increase \$267,148 from the fiscal year 2013 final budgeted amounts. The County believes higher fuel costs will impact all departments and amounts available for roads, costs of upgrading computer software and increases in IT/GIS maintenance fees will impact the fiscal year 2014 budget.

If these estimates are realized, the County's ending cash balance is expected to decrease approximately \$1,213,000 by the close of fiscal year 2014 from the fiscal year 2013 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 Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 6,015,466
Receivables:	
Property tax:	
Delinquent	1,587
Succeeding year	5,222,000
Succeeding year tax increment financing	103,000
Interest and penalty on property tax	2,814
Loan to Grundy County Memorial Hospital	14,245,000
Accounts	515
Accrued interest	4,551
Due from other governments	697,070
Inventories	437,232
Prepaid insurance	271,764
Capital assets, net of accumulated depreciation	21,014,273
<b>Total assets</b>	<u>48,015,272</u>
<b>Liabilities</b>	
Accounts payable	169,518
Accrued interest payable	59,067
Salaries and benefits payable	54,671
Due to other governments	12,109
Deferred revenue:	
Succeeding year property tax	5,222,000
Succeeding year tax increment financing	103,000
Long-term liabilities:	
Portion due or payable within one year:	
Conservation capital improvement loan	7,000
General obligation urban renewal capital loan notes	625,000
Compensated absences	159,721
Portion due or payable after one year:	
Conservation capital improvement loan	172,000
General obligation urban renewal capital loan notes	13,620,000
Estimated liability for landfill closure and postclosure care	680,493
Compensated absences	161,498
Net OPEB liability	35,075
<b>Total liabilities</b>	<u>21,081,152</u>
<b>Net Position</b>	
Net investment in capital assets	20,835,273
Restricted for:	
Supplemental levy purposes	391,207
Mental health purposes	306,958
Rural services purposes	531,402
Secondary roads purposes	2,285,440
Landfill closure and postclosure care	546,682
Conservation purposes	249,541
Other purposes	194,917
Unrestricted	1,592,700
<b>Total net position</b>	<u>\$ 26,934,120</u>

See notes to financial statements.

Grundy County

Statement of Activities

Year ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		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	\$ 1,775,041	349,217	13,430	-	(1,412,394)
Physical health and social services	565,114	8,100	197,194	-	(359,820)
Mental health	809,699	82,271	201,057	-	(526,371)
County environment and education	793,345	62,196	27,822	-	(703,327)
Roads and transportation	5,050,927	421,013	2,941,892	309,861	(1,378,161)
Governmental services to residents	364,193	282,908	-	-	(81,285)
Administration	1,726,718	202,903	-	-	(1,523,815)
Interest on long-term debt	666,047	-	659,155	-	(6,892)
Total	\$ 11,751,084	1,408,608	4,040,550	309,861	(5,992,065)
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					5,168,690
Penalty and interest on property tax					36,500
State tax credits					249,624
Local option sales tax					385,885
Unrestricted investment earnings					42,769
Miscellaneous					51,184
Total general revenues					5,934,652
Change in net position					(57,413)
Net position beginning of year					26,991,533
Net position end of year					\$ 26,934,120

See notes to financial statements.

Grundy County  
Balance Sheet  
Governmental Funds

June 30, 2013

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,991,037	273,629	625,551
Receivables:			
Property tax:			
Delinquent	1,081	169	337
Succeeding year	3,216,000	501,000	1,505,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	2,814	-	-
Loan	-	-	-
Accounts	200	-	-
Accrued interest	2,986	-	-
Due from other funds	-	-	-
Due from other governments	9,126	47,879	51,466
Inventories	-	-	-
Prepaid insurance	126,153	-	145,611
<b>Total assets</b>	<b>\$ 5,349,397</b>	<b>822,677</b>	<b>2,327,965</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 16,492	2,019	7
Salaries and benefits payable	6,375	-	2,188
Due to other funds	6,505	-	1,013
Due to other governments	10,971	-	24
Deferred revenue:			
Succeeding year property tax	3,216,000	501,000	1,505,000
Succeeding year tax increment financing	-	-	-
Other	3,895	169	337
<b>Total liabilities</b>	<b>3,260,238</b>	<b>503,188</b>	<b>1,508,569</b>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	126,153	-	145,611
Restricted for:			
Supplemental levy purposes	409,320	-	-
Mental health purposes	-	319,489	-
Rural services purposes	-	-	385,791
Secondary roads purposes	-	-	-
Landfill closure and postclosure care	-	-	-
Landfill/transfer station	-	-	287,994
Conservation land acquisition/capital improvements	249,541	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	1,304,145	-	-
<b>Total fund balances</b>	<b>2,089,159</b>	<b>319,489</b>	<b>819,396</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,349,397</b>	<b>822,677</b>	<b>2,327,965</b>

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
1,558,103	938,196	3,686	194,911	5,585,113
-	-	-	-	1,587
-	-	-	-	5,222,000
-	-	-	103,000	103,000
-	-	-	-	2,814
-	-	14,245,000	-	14,245,000
315	-	-	-	515
-	1,559	-	6	4,551
7,518	-	-	-	7,518
588,599	-	-	-	697,070
437,232	-	-	-	437,232
-	-	-	-	271,764
2,591,767	939,755	14,248,686	297,917	26,578,164
151,000	-	-	-	169,518
45,534	574	-	-	54,671
-	-	-	-	7,518
1,114	-	-	-	12,109
-	-	-	-	5,222,000
-	-	-	103,000	103,000
277,822	-	-	-	282,223
475,470	574	-	103,000	5,851,039
437,232	-	-	-	437,232
-	-	-	-	271,764
-	-	-	-	409,320
-	-	-	-	319,489
-	-	-	-	385,791
1,679,065	-	-	-	1,679,065
-	939,181	-	-	939,181
-	-	-	-	287,994
-	-	-	-	249,541
-	-	14,248,686	-	14,248,686
-	-	-	194,917	194,917
-	-	-	-	1,304,145
2,116,297	939,181	14,248,686	194,917	20,727,125
2,591,767	939,755	14,248,686	297,917	26,578,164

**Grundy County**

Grundy County

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

June 30, 2013

**Total governmental fund balances (page 21)** \$ 20,727,125

***Amounts reported for governmental activities in the Statement of Net Position 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 \$31,239,820 and the accumulated depreciation is \$10,225,547. 21,014,273

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 282,223

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 Position. 430,353

Long-term liabilities, including a conservation capital improvement loan payable, general obligation urban renewal capital loan notes payable, 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 (15,519,854)

**Net position of governmental activities (page 18)** \$ 26,934,120

See notes to financial statements.

Grundy County

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

Year ended June 30, 2013

	General	Mental Health	Special Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,116,816	506,255	1,442,358
Local option sales tax	-	-	385,885
Interest and penalty on property tax	36,486	-	-
Intergovernmental	669,041	307,454	69,878
Licenses and permits	8,150	-	2,400
Charges for service	362,220	990	20,241
Use of money and property	41,691	-	-
Miscellaneous	64,389	-	2,314
Total revenues	4,298,793	814,699	1,923,076
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	1,641,374	-	181,912
Physical health and social services	565,114	-	-
Mental health	-	805,253	-
County environment and education	398,549	-	256,345
Roads and transportation	-	-	-
Governmental services to residents	353,598	-	3,475
Administration	1,318,735	-	166,986
Debt service	16,300	-	-
Capital projects	8,075	-	-
Total expenditures	4,301,745	805,253	608,718
Excess (deficiency) of revenues over (under) expenditures	(2,952)	9,446	1,314,358
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	6,527
Operating transfers out	-	-	(1,444,999)
Total other financing sources (uses)	-	-	(1,438,472)
Change in fund balances	(2,952)	9,446	(124,114)
Fund balances beginning of year	2,092,111	310,043	943,510
Fund balances end of year	\$ 2,089,159	319,489	819,396

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
-	-	-	103,054	5,168,483
-	-	-	-	385,885
-	-	-	-	36,486
3,135,801	-	659,155	9,788	4,851,117
1,740	-	-	-	12,290
-	-	-	2,764	386,215
600	8,559	-	36	50,886
187,978	-	-	2,551	257,232
3,326,119	8,559	659,155	118,193	11,148,594
-	-	-	25	1,823,311
-	-	-	-	565,114
-	-	-	-	805,253
-	35,024	-	94,829	784,747
4,230,656	-	-	-	4,230,656
-	-	-	2,506	359,579
-	-	-	-	1,485,721
-	-	1,269,155	-	1,285,455
318,239	-	-	-	326,314
4,548,895	35,024	1,269,155	97,360	11,666,150
(1,222,776)	(26,465)	(610,000)	20,833	(517,556)
1,444,999	-	-	-	1,451,526
-	(6,527)	-	-	(1,451,526)
1,444,999	(6,527)	-	-	-
222,223	(32,992)	(610,000)	20,833	(517,556)
1,894,074	972,173	14,858,686	174,084	21,244,681
2,116,297	939,181	14,248,686	194,917	20,727,125

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, 2013

**Change in fund balances - Total governmental funds (page 25)** \$ (517,556)

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

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

Expenditures for capital assets	\$ 597,632	
Capital assets contributed by the Iowa Department of	68,825	
Depreciation expense	<u>(1,150,807)</u>	(484,350)

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. 9,000

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

Property tax	212	
Other	<u>277,822</u>	278,034

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 617,000

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	26,127	
Compensated absences	(10,366)	
Other postemployment benefits	(9,505)	
Interest on long-term debt	<u>2,408</u>	8,664

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 position of the Internal Service Fund is reported with governmental activities. 31,795

**Change in net position of governmental activities (page 19)** \$ (57,413)

See notes to financial statements.

Grundy County  
Statement of Net Position  
Proprietary Fund  
June 30, 2013

	<u>Internal Service - Employee Group Health</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 430,353
<b>Liabilities</b>	
None	<u>-</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 430,353</u>

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2013

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 950,426
Contributions from employees		133,364
Contributions from others		<u>18,126</u>
Total operating revenues		1,101,916
Operating expenses:		
Partially self funded medical claims	\$ 157,829	
Medical claims	63,751	
Life insurance premiums	6,906	
Insurance premiums	832,927	
Administrative fees	<u>9,786</u>	<u>1,071,199</u>
Operating income		30,717
Non-operating revenues:		
Interest income		<u>1,078</u>
Net income		31,795
Net position beginning of year		<u>398,558</u>
Net position end of year		<u><u>\$ 430,353</u></u>

See notes to financial statements.

Grundy County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2013

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 950,426
Cash received from employees and others	151,490
Cash paid to suppliers for services	(1,071,199)
Net cash provided by operating activities	30,717
Cash flows from investing activities:	
Interest on investments	1,078
Net increase in cash and cash equivalents	31,795
Cash and cash equivalents beginning of year	398,558
Cash and cash equivalents end of year	\$ 430,353
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 30,717
Adjustment to reconcile operating income to net cash provided by operating activities:	
None	-
Net cash provided by operating activities	\$ 30,717

See notes to financial statements.

## Grundy County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

**Assets**

## Cash and pooled investments:

County Treasurer	\$ 971,125
Other County officials	18,243

## Receivables:

## Property tax:

Delinquent	7,599
Succeeding year	14,685,000

Accounts	9,709
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Accrued interest	29
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Due from other governments	18,943
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<b>Total assets</b>	<u>15,710,648</u>
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**Liabilities**

Accounts payable	19
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Due to other governments	15,684,381
--------------------------	------------

Trusts payable	6,817
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Compensated absences	19,431
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<b>Total liabilities</b>	<u>15,710,648</u>
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**Net position**

\$	<u><u>-</u></u>
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See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2013

**(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 Position (previously referred to as 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 Position presents the County’s nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in following categories.

*Net investment in capital assets* 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 position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, intellectual disabilities 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 Fund and the Special Revenue, Rural Services Fund 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 postclosure care for 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 position 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.

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, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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

Due from 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, 2013, 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 Position. 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 Position 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, 2013. 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 Position.

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 Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the roads and transportation and debt service functions.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2013 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, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 6,505
	Special Revenue:	
	Rural Services	1,013
Total		<u>\$ 7,518</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, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 1,444,999
Special Revenue:	Special Revenue:	
Rural Services	Landfill Closure Costs	6,527
Total		<u>\$ 1,451,526</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, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,328,341	5,000	-	1,333,341
Construction in progress, road network	3,713,853	321,104	(1,289,661)	2,745,296
Total capital assets not being depreciated	5,042,194	326,104	(1,289,661)	4,078,637
Capital assets being depreciated:				
Buildings	4,268,988	-	-	4,268,988
Improvements other than buildings	485,393	-	-	485,393
Equipment and vehicles	6,789,832	349,353	(146,362)	6,992,823
Infrastructure, road network	14,124,318	1,289,661	-	15,413,979
Total capital assets being depreciated	25,668,531	1,639,014	(146,362)	27,161,183
Less accumulated depreciation for:				
Buildings	1,275,568	87,931	-	1,363,499
Improvements other than buildings	9,708	9,708	-	19,416
Equipment and vehicles	4,834,267	410,098	(146,362)	5,098,003
Infrastructure, road network	3,101,559	643,070	-	3,744,629
Total accumulated depreciation	9,221,102	1,150,807	(146,362)	10,225,547
Total capital assets being depreciated, net	16,447,429	488,207	-	16,935,636
Governmental activities capital assets, net	\$ 21,489,623	814,311	(1,289,661)	21,014,273

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 78,324
Mental health	2,106
County environment and education	49,268
Roads and transportation	964,669
Governmental services to residents	4,000
Administration	52,440
Total depreciation expense - governmental activities	<u>\$ 1,150,807</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 10,971
Special Revenue:		
Rural Services	Services	24
Secondary Roads	Services	1,114
		<u>1,138</u>
Total for governmental funds		<u>\$ 12,109</u>
Agency:		
Agricultural Extension Education	Collections	\$ 159,956
County Assessor		674,199
Schools		9,190,485
Community Colleges		891,637
Corporations		3,968,646
Townships		231,811
Auto License and Use Tax		310,981
All other		256,666
Total for agency funds		<u>\$ 15,684,381</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2013 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	\$ 186,000	14,855,000	706,620	310,853	25,570	16,084,043
Increases	-	-	-	315,200	9,505	324,705
Decreases	7,000	610,000	26,127	304,834	-	947,961
Balance end of year	<u>\$ 179,000</u>	<u>14,245,000</u>	<u>680,493</u>	<u>321,219</u>	<u>35,075</u>	<u>15,460,787</u>
Due within one year	<u>\$ 7,000</u>	<u>625,000</u>	<u>-</u>	<u>159,721</u>	<u>-</u>	<u>791,721</u>

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, including interest, on October 15 of each year, 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, 2013 conservation capital improvement loan is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	5.00	7,000	7,550	14,550
2019-2020	5.00	144,000	14,050	158,050
Total		\$ 179,000	55,300	234,300

#### 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 of 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, 2013 general obligation urban renewal capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	4.25	730,000	520,105	1,250,105
2019-2023	4.25-4.40	4,205,000	2,104,535	6,309,535
2024-2028	4.50-4.70	5,395,000	1,077,193	6,472,193
2029	4.75	1,265,000	60,088	1,325,088
Total		\$ 14,245,000	6,129,216	20,374,216

During the year ended June 30, 2013, the County retired \$610,000 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 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$318,227, \$290,115 and \$249,030, 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 679 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, 2013 were \$213,390.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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, 2013 was \$950,426.

The County did not obtain the required actuarial report for the year ended June 30, 2013.

**(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 \$680,493 as of June 30, 2013 and the portion of the liability that has been recognized is \$680,493. 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 Position as of June 30, 2013. The County has accumulated resources to fund these costs and, at June 30, 2013, deposits of \$939,181 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 67 active and no 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 would 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, 2013, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 9,924
Interest on net OPEB obligation	1,151
Adjustment to annual required contribution	(1,570)
Annual OPEB cost	9,505
Contributions made	-
Increase in net OPEB obligation	9,505
Net OPEB obligation beginning of year	25,570
Net OPEB obligation end of year	\$ 35,075

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, 2013.

For the year ended June 30, 2013, the County did not contribute 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
2011	\$ 11,560	22%	\$ 20,085
2012	11,966	54	25,570
2013	9,505	0	35,075

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$66,770, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$66,770. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,556,000 and the ratio of the UAAL to covered payroll was 1.88%. As of June 30, 2013, 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, 2012 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 7%. 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 \$13,748 annually for retirees less than age 65 and \$20,365 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 3% 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, 2013, \$8,924 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, 2013, \$31,981 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, 2013, \$2,291 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, 2013, \$36,685 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, 2013, \$4,852 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, 2013, \$9,226 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, 2013

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 5,576,863	-	5,576,863
Interest and penalty on property tax	36,472	-	36,472
Intergovernmental	5,633,648	-	5,633,648
Licenses and permits	9,460	-	9,460
Charges for service	371,842	-	371,842
Use of money and property	54,154	30	54,124
Miscellaneous	165,593	1,295	164,298
Total receipts	11,848,032	1,325	11,846,707
<b>Disbursements:</b>			
Public safety and legal services	1,818,867	-	1,818,867
Physical health and social services	552,529	-	552,529
Mental health	805,534	-	805,534
County environment and education	785,722	681	785,041
Roads and transportation	4,221,804	-	4,221,804
Governmental services to residents	359,214	-	359,214
Administration	1,483,271	-	1,483,271
Debt service	1,285,455	-	1,285,455
Capital projects	326,315	-	326,315
Total disbursements	11,638,711	681	11,638,030
Excess (deficiency) of receipts over (under) disbursements	209,321	644	208,677
Balance beginning of year	5,375,792	47,864	5,327,928
Balance end of year	\$ 5,585,113	48,508	5,536,605

See accompanying independent auditor's report.

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Budgeted Amounts		Final to Net Variance
Original	Final	
5,599,606	5,599,606	(22,743)
-	-	36,472
5,093,605	5,195,096	438,552
6,450	6,450	3,010
252,898	255,398	116,444
72,520	72,520	(18,396)
141,154	239,197	(74,899)
<u>11,166,233</u>	<u>11,368,267</u>	<u>478,440</u>
1,824,806	1,891,606	72,739
540,785	642,976	90,447
872,784	872,784	67,250
903,522	914,271	129,230
4,092,326	4,190,369	(31,435)
410,865	413,715	54,501
1,748,571	1,756,043	272,772
1,269,225	1,269,225	(16,230)
733,248	733,248	406,933
<u>12,396,132</u>	<u>12,684,237</u>	<u>1,046,207</u>
(1,229,899)	(1,315,970)	1,524,647
<u>4,748,296</u>	<u>4,748,296</u>	<u>579,632</u>
<u>3,518,397</u>	<u>3,432,326</u>	<u>2,104,279</u>

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Grundy County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,848,032	(699,438)	11,148,594
Expenditures	11,638,711	27,439	11,666,150
Net	209,321	(726,877)	(517,556)
Beginning fund balances	5,375,792	15,868,889	21,244,681
Ending fund balances	\$ 5,585,113	15,142,012	20,727,125

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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 \$288,105. 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, 2013, disbursements exceeded the amounts budgeted in the roads and transportation and debt service functions.

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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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2010	Jul 1, 2009	-	\$ 72	72	0.00%	\$ 3,057	2.30%
2011	Jul 1, 2009	-	72	72	0.00	3,359	2.14
2012	Jul 1, 2009	-	72	72	0.00	3,440	2.09
2013	Jul 1, 2012	-	67	67	0.00	3,556	1.88

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, 2013

	County Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 22,249	101,797	1,225	1,223	265
Receivables:					
Succeeding year tax increment financing	-	-	-	-	-
Accrued interest	1	5	-	-	-
<b>Total assets</b>	<b>\$ 22,250</b>	<b>101,802</b>	<b>1,225</b>	<b>1,223</b>	<b>265</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Deferred revenue:					
Succeeding year tax increment financing	\$ -	-	-	-	-
Fund balances:					
Restricted for:					
Other purposes	22,250	101,802	1,225	1,223	265
<b>Total liabilities and fund balances</b>	<b>\$ 22,250</b>	<b>101,802</b>	<b>1,225</b>	<b>1,223</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	-	-	8,914	-	-	-	730	10,000	27,253	194,911
-	9,000	32,000	12,000	36,000	5,000	9,000	-	-	-	103,000
-	-	-	-	-	-	-	-	-	-	6
21,255	9,000	32,000	20,914	36,000	5,000	9,000	730	10,000	27,253	297,917
-	9,000	32,000	12,000	36,000	5,000	9,000	-	-	-	103,000
21,255	-	-	8,914	-	-	-	730	10,000	27,253	194,917
21,255	9,000	32,000	20,914	36,000	5,000	9,000	730	10,000	27,253	297,917

Grundy County

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

Year ended June 30, 2013

	Special					
	County					
	Recorder's	Resource	State	Federal	Sheriff's	Drainage
	Records	Enhancement	Drug	Drug	Grant	Districts
	Management	and Protection	Forfeiture	Forfeiture		
<b>Revenues:</b>						
Property and other county tax	\$ -	-	-	-	-	-
Intergovernmental	-	9,780	-	-	-	-
Charges for service	2,764	-	-	-	-	-
Use of money and property	1	5	-	-	-	-
Miscellaneous	-	-	256	1,000	-	-
Total revenues	2,765	9,785	256	1,000	-	-
<b>Expenditures:</b>						
Operating:						
Public safety	-	-	25	-	-	-
County environment and education	-	-	-	-	-	-
Governmental services to residents	2,506	-	-	-	-	-
Total expenditures	2,506	-	25	-	-	-
Charge in fund balances	259	9,785	231	1,000	-	-
Fund balances beginning of year	21,991	92,017	994	223	265	21,255
Fund balances end of year	\$ 22,250	101,802	1,225	1,223	265	21,255

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	Convenience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Total
181	8,924	31,981	11,205	36,685	4,852	9,226	-	-	-	103,054
8	-	-	-	-	-	-	-	-	-	9,788
-	-	-	-	-	-	-	-	-	-	2,764
-	-	-	-	-	-	-	-	-	30	36
-	-	-	-	-	-	-	-	-	1,295	2,551
189	8,924	31,981	11,205	36,685	4,852	9,226	-	-	1,325	118,193
-	-	-	-	-	-	-	-	-	-	25
189	8,924	31,981	2,291	36,685	4,852	9,226	-	-	681	94,829
-	-	-	-	-	-	-	-	-	-	2,506
189	8,924	31,981	2,291	36,685	4,852	9,226	-	-	681	97,360
-	-	-	8,914	-	-	-	-	-	644	20,833
-	-	-	-	-	-	-	730	10,000	26,609	174,084
-	-	-	8,914	-	-	-	730	10,000	27,253	194,917

Grundy County

Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Community Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,903	304,518	107,453	10,378
Other County officials	18,243	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	53	131	3,032	259
Succeeding year	-	158,000	389,000	9,080,000	881,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 18,243</b>	<b>159,956</b>	<b>693,649</b>	<b>9,190,485</b>	<b>891,637</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	19	-	-
Due to other governments	11,426	159,956	674,199	9,190,485	891,637
Trusts payable	6,817	-	-	-	-
Compensated absences	-	-	19,431	-	-
<b>Total liabilities</b>	<b>\$ 18,243</b>	<b>159,956</b>	<b>693,649</b>	<b>9,190,485</b>	<b>891,637</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
49,567	2,810	310,981	16,630	166,885	971,125
-	-	-	-	-	18,243
4,079	1	-	-	44	7,599
3,915,000	229,000	-	-	33,000	14,685,000
-	-	-	-	9,709	9,709
-	-	-	-	29	29
-	-	-	5,548	13,395	18,943
<u>3,968,646</u>	<u>231,811</u>	<u>310,981</u>	<u>22,178</u>	<u>223,062</u>	<u>15,710,648</u>
-	-	-	-	-	19
3,968,646	231,811	310,981	22,178	223,062	15,684,381
-	-	-	-	-	6,817
-	-	-	-	-	19,431
<u>3,968,646</u>	<u>231,811</u>	<u>310,981</u>	<u>22,178</u>	<u>223,062</u>	<u>15,710,648</u>

Grundy County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2013

<b>Assets and Liabilities</b>	County	Agricultural	County	
	Offices	Extension Education	Assessor	Schools
Balances beginning of year	\$ 38,354	160,800	536,069	8,995,024
Additions:				
Property and other county tax	-	158,922	390,235	9,104,636
E911 surcharges	-	-	-	-
State tax credits	-	7,935	17,575	441,869
Office fees and collections	277,048	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	214,562	-	-	-
Miscellaneous	-	-	30	-
Total additions	491,610	166,857	407,840	9,546,505
Deductions:				
Agency remittances:				
To other funds	46,347	-	-	-
To other governments	234,746	167,701	250,260	9,351,044
Trusts paid out	230,628	-	-	-
Total deductions	511,721	167,701	250,260	9,351,044
Balances end of year	\$ 18,243	159,956	693,649	9,190,485

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
889,862	4,177,649	222,699	328,800	22,177	204,774	15,576,208
884,872	3,887,923	230,029	-	-	33,297	14,689,914
-	-	-	-	-	110,698	110,698
42,224	176,691	10,898	-	-	1,858	699,050
-	-	-	-	-	-	277,048
-	-	-	4,709,504	-	-	4,709,504
-	-	-	-	-	7,989	7,989
-	-	-	-	-	-	214,562
-	-	-	-	58,954	95,054	154,038
927,096	4,064,614	240,927	4,709,504	58,954	248,896	20,862,803
-	-	-	135,194	-	-	181,541
925,321	4,273,617	231,815	4,592,129	58,953	230,608	20,316,194
-	-	-	-	-	-	230,628
925,321	4,273,617	231,815	4,727,323	58,953	230,608	20,728,363
891,637	3,968,646	231,811	310,981	22,178	223,062	15,710,648

Grundy County

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Revenues:</b>				
Property and other county tax	\$ 5,168,483	5,006,401	4,820,922	4,744,720
Local option sales tax	385,885	468,137	398,479	423,331
Interest and penalty on property tax	36,486	33,978	34,100	33,687
Intergovernmental	4,851,117	5,579,690	5,219,156	5,111,675
Licenses and permits	12,290	15,340	10,655	13,095
Charges for service	386,215	355,300	343,261	355,019
Use of money and property	50,886	71,975	97,289	120,179
Miscellaneous	257,232	273,170	371,245	735,346
<b>Total</b>	<b>\$ 11,148,594</b>	<b>11,803,991</b>	<b>\$ 11,295,107</b>	<b>11,537,052</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,823,311	1,659,250	1,588,665	1,548,778
Physical health and social services	565,114	541,127	504,726	412,399
Mental health	805,253	1,030,743	1,037,365	1,039,977
County environment and education	784,747	844,536	816,407	802,089
Roads and transportation	4,230,656	4,174,887	4,012,543	4,259,408
Governmental services to residents	359,579	360,231	339,285	345,716
Administration	1,485,721	1,676,696	1,425,191	1,227,867
Nonprogram	-	-	-	-
Debt service	1,285,455	1,274,230	1,300,618	719,826
Capital projects	326,314	1,407,034	551,140	797,378
<b>Total</b>	<b>\$ 11,666,150</b>	<b>12,968,734</b>	<b>\$ 11,575,940</b>	<b>11,153,438</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
4,527,545	4,392,566	4,370,337	4,196,442	4,203,281	3,961,060
406,653	383,424	415,586	338,860	307,504	294,560
28,501	33,931	39,124	30,889	29,633	26,856
4,378,944	4,413,276	4,438,662	5,078,363	4,716,397	5,490,809
13,460	7,460	11,705	6,685	3,090	5,669
296,114	408,315	592,272	551,572	576,500	587,891
162,741	306,813	342,613	290,924	133,305	113,088
148,347	376,504	246,785	148,427	234,471	301,399
9,962,305	10,322,289	10,457,084	10,642,162	10,204,181	10,781,332
1,476,327	1,528,670	1,470,990	1,309,667	1,375,553	1,170,609
421,682	440,207	447,720	434,940	513,729	534,020
1,094,457	1,158,773	1,214,556	1,237,419	1,232,838	1,232,856
886,733	1,006,215	955,184	938,294	1,120,067	1,052,191
4,051,213	4,546,283	3,379,405	3,804,400	2,961,944	3,797,749
330,577	370,588	333,656	349,062	299,787	262,872
1,292,981	1,545,307	1,248,445	1,150,151	1,102,054	1,067,246
1,464	-	-	-	-	308
100,288	102,227	104,127	156,598	199,095	196,255
201,526	800,942	671,079	1,184,598	1,597,657	1,054,169
9,857,248	11,499,212	9,825,162	10,565,129	10,402,724	10,368,275

**Schedule 6**

## Grundy County

## Schedule of Expenditures of Federal Awards

For Year ended June 30, 2013

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		\$ 4,653
U. S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C038(82)--8J-38	241,035
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 13-03, Task 161	4,500
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance- State Administered Programs	93.566		21
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,075
Foster Care - Title IV-E	93.658		1,621
Adoption Assistance	93.659		452
Social Services Block Grant	93.667		18
Children's Health Insurance Program	93.767		4,631
Medical Assistance Program	93.778		1,409
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4126IA	245,137
Hazard Mitigation Grant	97.039	DR-1737	1,515
Emergency Management Performance Grants	97.042	EMPG-12-PT-38	10,448
Emergency Management Performance Grants	97.042	EMPG-13-PT-38	10,400
			20,848
Total			\$ 526,915

**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**

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA  
Auditor of State

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 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grundy County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grundy County's internal control. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and 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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 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-C-13 and II-D-13 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 certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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

Grundy County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Grundy County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 21, 2014



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by OMB Circular A-133

To the Officials of Grundy County:

Report on Compliance for Each Major Federal Program

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 each of its major federal programs for the year ended June 30, 2013. Grundy County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Grundy County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Grundy County's compliance.

Opinion on Each Major Federal Program

In our opinion, Grundy County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Grundy County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grundy County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 internal control over compliance exists when the design or operation of a control over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 21, 2014

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

- (a) Unmodified 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 programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (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 programs were as follows:
  - CFDA Number 20.205 – Highway Planning and Construction.
  - CFDA Number 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (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 and Questioned Costs

Year ended June 30, 2013

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 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

Also, while bank to book reconciliations are performed by the County Treasurer’s Office, there is no evidence of review by an independent person.

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 – Due to limited staff, we will try to segregate duties as much as possible and conduct internal reviews monthly.

County Treasurer – A person who does not prepare the bank reconciliation will review and sign off the bank reconciliation.

Conclusions – Responses accepted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

II-B-13 Financial Reporting – During the audit, we identified material amounts of receivables which were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include the receivables in the financial statements.

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

Response – The County Treasurer will review receivables to ensure all amounts are properly recorded and included in the County’s financial statements.

Conclusion – Response accepted.

II-C-13 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.

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

Response – The County Conservation Board will ensure all minutes are signed. The secretary will collect the campground deposits, the Director will make the deposit and the Conservation Board Chair or member will review and initial deposits.

Conclusion – Response accepted.

II-D-13 Disaster Recovery Plan – The County has not prepared a written disaster recovery plan which addresses the identification of staff responsibilities, establishment of a predetermined priority for processing, record recovery or restoration, identification of an alternate site and making provisions for the use of manual procedures, if necessary.

Recommendation – The County should commit its disaster recovery plan to writing and address all required elements.

Response – The County will commit its informal disaster recovery plan to writing and will continue work on a disaster recovery plan which addresses such recovery beyond the technology needs of the County.

Conclusion – Response accepted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the roads and transportation and debt service functions.

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

Response – The Auditor’s Office will review monthly the amounts budgeted by function to ensure payables do not exceed said amounts.

Conclusion – Response accepted.

IV-B-13 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-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-13 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-13 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-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-13 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-13 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-13 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, 2013 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.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Conclusion – Response accepted.

IV-J-13 Financial Assurance – The County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided by Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$680,493. The balance at June 30, 2013 reserved for landfill closure and postclosure care is \$939,181. Therefore, the closure and postclosure care costs are fully funded at June 30, 2013.

IV-K-13 Health Insurance – The County provides employees health insurance and other benefits through partial self-funding of the County's health insurance plan. Chapter 509A.15 of the Code of Iowa requires the County to obtain an actuarial opinion issued by a fellow of the Society of Actuaries, which attests to the adequacy of reserves, rates, and the financial condition of the plan.

Recommendation – The County should obtain an actuarial opinion issued by a fellow of the Society of Actuaries, as required.

Response – The County received a waiver of such actuarial opinion from the Iowa Insurance Commission on October 11, 2013.

Conclusion – Response acknowledged. The waiver appears to have been granted based on 2% of the County's total budget rather than 2% of the County's General Fund budget. Because total claims for the year ended June 30, 2013 exceeded 2% of the County's General Fund budget, the County is not exempt from this requirement and the County should obtain an actuarial opinion in future years.

IV-L-13 Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of management on or before December 1 and no exceptions were noted.

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Grundy County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Darryl Brumm, CPA, Senior Auditor II  
Kelly Hilton, Senior Auditor  
Thomas S. Hebert, Staff Auditor  
Tiffany N. Aliprandi, Assistant Auditor  
Corey Vannausdle, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State