



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ February 14, 2006

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

The County had local tax revenue of \$16,473,878 for the year ended June 30, 2005, which included \$945,297 in tax credits from the state. The County forwarded \$12,011,130 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,462,748 of the local tax revenue to finance County operations, a 5 percent increase from the prior year. Other revenues included charges for service of \$1,344,739, operating grants, contributions and restricted interest of \$3,735,042, capital grants, contributions and restricted interest of \$1,893,819, local option sales tax of \$307,504, unrestricted investment earnings of \$134,733 and other general revenues of \$88,984.

Expenses for County operations totaled \$8,896,507, a 3 percent decrease from the prior year. Expenses included \$3,128,427 for roads and transportation, \$1,284,613 for public safety and \$1,244,174 for administration.

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

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GRUNDY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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Grundy County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Leland Arends	Board of Supervisors	Jan 2005
Barbara Smith	Board of Supervisors	Jan 2005
Elmer Willms	Board of Supervisors	Jan 2005
Harlyn Riekema	Board of Supervisors	Jan 2007
Mark Schildroth	Board of Supervisors	Jan 2007
Mary Schmidt	County Auditor	Jan 2005
Brenda Noteboom	County Treasurer	Jan 2007
Charles Kruse	County Recorder	Jan 2007
Rick Penning	County Sheriff	Jan 2005
Bradley J. Harris	County Attorney	Jan 2007
Greg Harms	County Assessor	Jan 2010
(After January 2005)		
Harlyn Riekema	Board of Supervisors	Jan 2007
Mark Schildroth	Board of Supervisors	Jan 2007
Barbara Smith	Board of Supervisors	Jan 2009
Charles Bakker	Board of Supervisors	Jan 2009
James Ross	Board of Supervisors	Jan 2009
Mary Schmidt	County Auditor	Jan 2009
Brenda Noteboom	County Treasurer	Jan 2007
Charles Kruse	County Recorder	Jan 2007
Rick Penning	County Sheriff	Jan 2009
Bradley J. Harris	County Attorney	Jan 2007
Greg Harms	County Assessor	Jan 2010

Grundy County



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Independent Auditor's Report

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Grundy County's management. Our responsibility is to express opinions on these financial statements based on our audit.

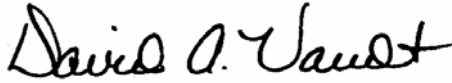
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

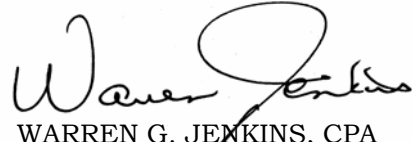
In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2005 on our consideration of Grundy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 10.6%, or approximately \$1,145,000, from fiscal 2004 to fiscal 2005. Property tax for general purposes increased \$271,220, operating grants and contributions decreased \$519,749 and capital grants and contributions increased \$1,367,895.
- Program expenses decreased by approximately \$277,000, or 3.0%, from fiscal 2004 to fiscal 2005. Roads and transportation expenditures decreased by \$665,549 and county environment and education increased \$273,540.
- The County's net assets increased 24%, or \$3,071,062, from June 30, 2004 to June 30, 2005.
- There were a record number of absentee votes in the 2004 General Election. The county had to pay for postage both out and back because of new state legislation.
- The County purchased and installed new financial software (EDEN). Grundy County was the first county in Iowa to run this software and helped develop the program for other Iowa counties.
- The County replaced and upgraded the Sheriff's radio tower equipment damaged by lightning.
- The County joined the statewide Recorder's CLRIS program.
- The County upgraded the Treasurer's statewide motor vehicle program.
- The County received certification that all General Election polling places were Handicap Accessible.
- There was a loss in taxable valuation because of Ag Land revaluation. 487 parcels were changed from Rural Residential to Ag Land Class.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grundy County's operations in more detail than the government-wide

statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grundy County's combined net assets changed from a year ago, increasing from \$12,777,262 to \$15,848,324. The analysis that follows focuses on the changes in the net assets for governmental activities.

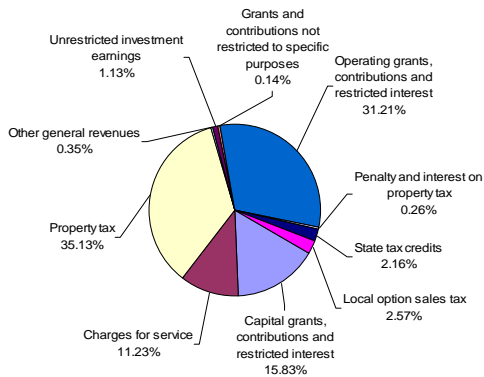
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30, 2005	June 30, 2004
Current and other assets	\$ 11,034	11,747
Capital assets	10,831	7,756
Total assets	<u>21,865</u>	<u>19,503</u>
Long-term liabilities	1,447	1,672
Other liabilities	4,570	5,054
Total liabilities	<u>6,017</u>	<u>6,726</u>
Net assets:		
Invested in capital assets, net of related debt	10,306	7,046
Restricted	4,495	4,833
Unrestricted	<u>1,047</u>	<u>898</u>
Total net assets	<u>\$ 15,848</u>	<u>12,777</u>

Net assets of Grundy County's governmental activities increased by \$3,071,062 (\$12,777,262 compared to \$15,848,324). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from \$898,253 at June 30, 2004 to \$1,046,530 at the end of this year, an increase of 16.6%.

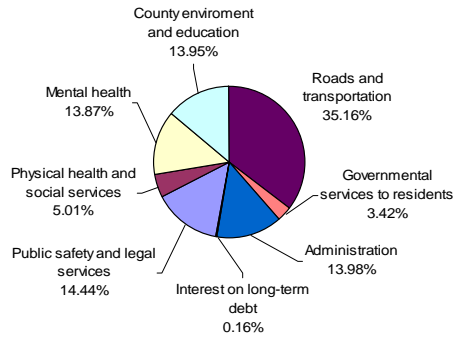
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended	
	June 30, 2005	June 30, 2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,345	1,186
Operating grants, contributions and restricted interest	3,735	4,255
Capital grants, contributions and restricted interest	1,894	526
General revenues:		
Property tax	4,204	3,985
Penalty and interest on property tax	31	27
State tax credits	258	254
Local option sales tax	307	295
Grants and contributions not restricted to specific purposes	17	50
Unrestricted investment earnings	135	114
Other general revenues	41	130
Total revenues	11,967	10,822
Program expenses:		
Public safety and legal services	1,285	1,208
Physical health and social services	446	466
Mental health	1,234	1,235
County environment and education	1,241	968
Roads and transportation	3,128	3,794
Governmental services to residents	304	275
Administration	1,244	1,210
Interest on long-term debt	14	17
Total expenses	8,896	9,173
Increase in net assets	3,071	1,649
Net assets beginning of year	12,777	11,128
Net assets end of year	\$ 15,848	12,777

Revenues by Source



Expenses by Function



Grundy County increased property tax rates by \$0.55236 per \$1,000 of valuation in the rural levy and raised property tax rates by \$0.62112 per \$1,000 of valuation in the county-wide levy. Taxable value by levy, the actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

	For Taxes Levied FY2005	For Taxes Levied FY2004
Countywide taxable value	\$ 546,409,829	573,644,430
Countywide levy rate without debt service	5.78766	5.08721
Dollars levied without debt service	3,162,434	2,918,250
County taxable value for debt service	576,484,734	596,703,706
County debt service levy rate	.20286	.28219
Dollars levied for debt service	116,945	168,384
Total Countywide rate	5.99052	5.3694
Total dollars levied countywide	3,279,379	3,086,634
Rural taxable value	394,150,183	426,541,586
Rural tax levy rate	2.94304	2.39068
Dollars levied rural area only	1,160,000	1,019,724
Total dollars levied	4,439,379	4,106,358

The local option sales tax revenue totaled \$ 307,504. Grundy County uses 100% of the sales tax revenue to reduce property tax in the Rural Services Fund.

INDIVIDUAL MAJOR FUND ANALYSIS

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$6,261,921, a decrease of \$198,543 from last year's total of \$6,460,464. 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 showed an increase of \$237,377 from the prior year to \$1,123,912. Total revenue increased by 1.7%. Total expenditures increased by 1.1%, or \$36,073, compared to FY2004.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,232,838, a decrease of \$18 from the prior year. The Mental Health Fund balance at year end decreased by \$73,635 from the prior year. This has left this fund with a negative GAAP balance, which is being corrected through a review of services. Because of this, Grundy County should also qualify for more state funding and allocation dollars for FY2006 and FY2007.
- The Rural Services Fund balance decreased by \$164,090 from the prior year. The DNR moved up the date when the Grundy County Landfill had to be closed. This made the County increase its contributions to the Landfill Closure Fund in order to reach our \$1,000,000 set aside amount for closure/postclosure costs required by the DNR. \$199,250 of the \$589,746 fund balance is reserved for landfill closure and postclosure care.

- Secondary Roads Fund expenditures decreased by \$299,987 from the prior year, due principally to an decrease in roadway construction. The revenues decreased by \$978,243 because last year the County received a payment of \$1,040,000 from the state for taking over D19 (old Hwy 20). A decrease in revenues, a decrease in expenditures and a decrease in transfers resulted in a decrease in the Secondary Roads Fund ending balance of \$385,297, or 9.9%.
- The Debt Service Fund accumulates and pays the principal and interest for the Law Enforcement Center and the Hospital Sprinkler system. In June 2003, these two bond issues were refunded by one note. The remaining Capital Projects Fund Balance of \$54,341 at June 30, 2004 was transferred in FY2005 to the Debt Service Fund to off-set bonded debt.
- The Landfill Closure Costs Fund receives allocations from the Rural Services Fund for closure/postclosure care at the Landfill. Following the adoption of new state rules for financial assurance, the Landfill has accelerated its payments in FY2005 into this fund from \$50,000 per year to \$200,000 per year. No closure/postclosure care costs were expended from this fund during FY2005.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy County amended its budget one time. The amendment was made on April 18, 2005 and resulted in an increase in budgeted disbursements related to:

• TIF Attorney fees and setup cost	\$	4,800
• Health insurance increase		834
• Medical Examiner fees		8,000
• Sheriff's vehicles		50,373
• Ambulance		183
• Availability to spend grant		1,087
• Replace radio tower/lightning damage		139,967
• Sheriff's state forfeiture fund grant		9,535
• Recorder's CLRIS project		5,000
• Payroll tax		20
• Adjustment to 4-H grant		1,266
• Part-time IT personnel		13,130
• Chemical dependency grant increase		5,000
• Mental health bills from FY2004		79,890
• Increase in audit charges		2,000
• County TIF payments		30,000
• Road advancement of capital projects		70,000

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Grundy County had \$10,831,480 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$3,075,384, or 39.6%, over last year.

Capital Assets of Governmental Activities at Year-End		
	June 30, 2005	June 30, 2004
Land	\$ 797,812	787,189
Construction in process	938,533	-
Buildings and improvements	2,976,441	3,087,426
Equipment and vehicles	2,870,755	3,056,536
Infrastructure	3,247,939	824,945
	<u>\$ 10,831,480</u>	<u>7,756,096</u>
This year's additions included:		
Road network infrastructure		\$ 3,479,745
Land		10,623
Radio tower		131,873
2005 Crown Victoria		21,180
2005 Crown Victoria		20,673
1989 Pup trailer		9,000
Utility box		12,895
Telephone system		7,085
2005 Broom		10,510
Eden Computer Server		10,928
John Deere mower		8,195
John Deere mower		8,195
Tree spade		13,000
2005 Batwing mower		9,000
		<u>\$ 3,752,902</u>

The County had depreciation expense of \$669,359 in FY05 and total accumulated depreciation of \$4,294,775 at June 30, 2005.

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

Long-Term Debt

At June 30, 2005, Grundy County had \$525,000 in general obligation notes outstanding, compared to \$777,074 at June 30, 2004.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Grundy County's outstanding general obligation debt is significantly below its constitutional debt limit of \$43,030,858. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Grundy County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County as of June 2005 stands at 4.0 percent versus 3.4 percent a year ago. This compares with the State's unemployment rate of 4.6 percent. Interest income is starting to climb very slowly after reaching an all time low because of aggressive rate cutting by the Federal Reserve. The State of Iowa's modest financial condition and relatively flat revenue projections continue. The actual revenue shortfalls compared to projected revenue of the State of Iowa are, in fact, causing property tax and charges for service to pick up a larger share of local governmental expenditures.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$4,685,318, a decrease of 5.1 percent from the final 2005 budget. Property tax receipts will stay about the same because the tax rate is staying the same and would only increase because of increases in taxable valuations. An increase in intergovernmental revenue will leave Grundy County with a slight increase in receipts to finance programs we currently offer along with any amounts needed to offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to decrease by \$524,082. Increased wage and cost-of-living adjustments, and an increase in roadway construction, represent the largest increases. The County has added new programs or initiatives to the 2006 budget. They are: Auditor's statewide voter registration system, purchase of HAVA required voting equipment, upgrade in statewide DOT system and increasing mapping layers in the county GIS system.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of 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, Grundy Center, Iowa 50638.

Basic Financial Statements

Exhibit A

Grundy County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,892,952
Receivables:	
Property tax:	
Delinquent	2,003
Succeeding year	4,184,000
Interest and penalty on property tax	1,980
Accounts	27,891
Accrued interest	33,148
Due from other governments	330,347
Inventories	471,295
Prepaid insurance	89,860
Capital assets (net of accumulated depreciation)	<u>10,831,480</u>
Total assets	<u>21,864,956</u>
Liabilities	
Accounts payable	237,185
Accrued interest payable	941
Salaries and benefits payable	19,064
Due to other governments	128,838
Deferred revenue:	
Succeeding year property tax	4,184,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan refunding notes	145,000
Compensated absences	132,508
Portion due or payable after one year:	
General obligation capital loan refunding notes	380,000
Estimated liability for landfill closure and postclosure care	709,389
Compensated absences	<u>79,707</u>
Total liabilities	<u>6,016,632</u>
Net Assets	
Invested in capital assets, net of related debt	10,306,480
Restricted for:	
Supplemental levy purposes	366,965
Landfill closure and postclosure care	300,810
Secondary roads purposes	3,404,131
Debt service	50,434
Other purposes	372,974
Unrestricted	<u>1,046,530</u>
Total net assets	<u>\$ 15,848,324</u>

See notes to financial statements.

Grundy County
 Statement of Activities
 Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,284,613	290,416	29,831	-	(964,366)
Physical health and social services	446,392	3,660	43,148	-	(399,584)
Mental health	1,233,677	6,149	772,818	-	(454,710)
County environment and education	1,241,340	383,568	266,600	-	(591,172)
Roads and transportation	3,128,427	327,374	2,622,189	1,893,819	1,714,955
Governmental services to residents	304,218	233,979	456	-	(69,783)
Administration	1,244,174	99,593	-	-	(1,144,581)
Interest on long-term debt	13,666	-	-	-	(13,666)
Total	\$ 8,896,507	1,344,739	3,735,042	1,893,819	(1,922,907)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,093,962
Debt service					110,294
Penalty and interest on property tax					30,739
State tax credits					258,492
Local option sales tax					307,504
Grants and contributions not restricted to specific purpose					16,631
Unrestricted investment earnings					134,733
Gain on disposal of capital assets					5,541
Miscellaneous					36,073
Total general revenues					4,993,969
Change in net assets					3,071,062
Net assets beginning of year					12,777,262
Net assets end of year					\$ 15,848,324

See notes to financial statements.

Grundy County
Balance Sheet
Governmental Funds

June 30, 2005

	General	Special	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,064,504	15,715	510,665
Receivables:			
Property tax:			
Delinquent	1,478	203	263
Succeeding year	2,458,000	497,000	1,091,000
Interest and penalty on property tax	1,980	-	-
Accounts	1,547	2,534	23,539
Accrued interest	19,357	-	-
Due from other funds	-	-	-
Due from other governments	10,679	15,683	34,587
Inventories	-	-	-
Prepaid insurance	54,700	-	35,160
Total assets	\$ 3,612,245	531,135	1,695,214
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,775	25,777	6,529
Salaries and benefits payable	1,356	157	2,999
Due to other funds	2,755	-	736
Due to other governments	3,106	121,652	3,952
Deferred revenue:			
Succeeding year property tax	2,458,000	497,000	1,091,000
Other	3,341	192	252
Total liabilities	2,488,333	644,778	1,105,468
Fund balances:			
Reserved for:			
Supplemental levy purposes	375,544	-	-
Landfill closure and postclosure care	-	-	199,250
Debt service	-	-	-
Unreserved:			
Designated for old Highway 20 improvements	-	-	-
Undesignated, reported in:			
General fund	748,368	-	-
Special revenue funds	-	(113,643)	390,496
Total fund balances	1,123,912	(113,643)	589,746
Total liabilities and fund balances	\$ 3,612,245	531,135	1,695,214

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
2,904,630	799,354	51,316	243,142	5,589,326
-	-	59	-	2,003
-	-	119,000	19,000	4,184,000
-	-	-	-	1,980
271	-	-	-	27,891
-	11,595	-	2,196	33,148
3,491	-	-	-	3,491
222,046	-	-	47,352	330,347
471,295	-	-	-	471,295
-	-	-	-	89,860
3,601,733	810,949	170,375	311,690	10,733,341
80,104	-	-	-	132,185
14,552	-	-	-	19,064
-	-	-	-	3,491
128	-	-	-	128,838
-	-	119,000	19,000	4,184,000
-	-	57	-	3,842
94,784	-	119,057	19,000	4,471,420
-	-	-	-	375,544
-	810,949	-	-	1,010,199
-	-	51,318	-	51,318
1,072,000	-	-	-	1,072,000
-	-	-	-	748,368
2,434,949	-	-	292,690	3,004,492
3,506,949	810,949	51,318	292,690	6,261,921
3,601,733	810,949	170,375	311,690	10,733,341

Grundy County

Grundy County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 6,261,921

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$15,126,255 and the accumulated depreciation is \$4,294,775. 10,831,480

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 3,842

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 198,626

Long-term liabilities, including notes payable, landfill closure and postclosure care payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,447,545)

Net assets of governmental activities (page 16) \$ 15,848,324

See notes to financial statements.

Grundy County

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

Year ended June 30, 2005

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,618,286	357,586	1,405,327
Interest and penalty on property tax	29,633	-	-
Intergovernmental	488,997	795,466	143,649
Licenses and permits	2,025	-	575
Charges for service	261,002	-	287,938
Use of money and property	106,028	-	-
Miscellaneous	44,961	6,151	14,078
Total revenues	<u>3,550,932</u>	<u>1,159,203</u>	<u>1,851,567</u>
Expenditures:			
Operating:			
Public safety and legal services	1,232,890	-	125,587
Physical health and social services	513,729	-	-
Mental health	-	1,232,838	-
County environment and education	339,706	-	761,031
Roads and transportation	-	-	-
Governmental services to residents	268,810	-	3,800
Administration	949,815	-	152,239
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>3,304,950</u>	<u>1,232,838</u>	<u>1,042,657</u>
Excess (deficiency) of revenues over (under) expenditures	245,982	(73,635)	808,910
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(8,605)	-	(973,000)
Total other financing sources (uses)	<u>(8,605)</u>	<u>-</u>	<u>(973,000)</u>
Net change in fund balances	237,377	(73,635)	(164,090)
Fund balances beginning of year	886,535	(40,008)	753,836
Fund balances end of year	<u>\$ 1,123,912</u>	<u>(113,643)</u>	<u>589,746</u>

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
-	-	110,284	19,302	4,510,785
-	-	-	-	29,633
3,009,953	200,000	6,702	71,630	4,716,397
490	-	-	-	3,090
140	-	9,762	17,658	576,500
600	24,481	-	2,196	133,305
169,281	-	-	-	234,471
3,180,464	224,481	126,748	110,786	10,204,181
-	-	-	17,076	1,375,553
-	-	-	-	513,729
-	-	-	-	1,232,838
-	-	-	19,330	1,120,067
2,961,944	-	-	-	2,961,944
-	-	-	27,177	299,787
-	-	-	-	1,102,054
-	-	199,095	-	199,095
1,576,817	-	-	20,840	1,597,657
4,538,761	-	199,095	84,423	10,402,724
(1,358,297)	224,481	(72,347)	26,363	(198,543)
973,000	-	54,341	8,605	1,035,946
-	-	-	(54,341)	(1,035,946)
973,000	-	54,341	(45,736)	-
(385,297)	224,481	(18,006)	(19,373)	(198,543)
3,892,246	586,468	69,324	312,063	6,460,464
3,506,949	810,949	51,318	292,690	6,261,921

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ (198,543)

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

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

Expenditures for capital assets	\$ 2,076,284	
Capital assets contributed by the Iowa Department of Transportation	1,662,918	
Depreciation expense	(669,359)	3,069,843

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 5,541

Because some property tax 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. 2,065

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 252,074

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

Adjustment to estimated costs for landfill closure and postclosure care	(26,186)	
Compensated absences	(859)	
Interest on long-term debt	429	(26,616)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (33,302)

Change in net assets of governmental activities (page 17) \$ 3,071,062

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 303,626
Liabilities	
Accounts payable	<u>105,000</u>
Net Assets	
Unrestricted	<u><u>\$ 198,626</u></u>

See notes to financial statements.

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

Year ended June 30, 2005

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 665,841
Insurance reimbursements		9,671
Contributions from employees		33,392
Contributions from others		19,216
Total operating revenues		<u>728,120</u>
Operating expenses:		
Medical claims	\$ 745,453	
Administrative fees	17,997	763,450
Operating loss		<u>(35,330)</u>
Non-operating revenues:		
Interest income		2,028
Net loss		<u>(33,302)</u>
Net assets beginning of year		<u>231,928</u>
Net assets end of year		<u>\$ 198,626</u>

See notes to financial statements.

Grundy County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 665,841
Cash received from insurance refunds	9,671
Cash received from employees and others	52,608
Cash paid to suppliers for services	(753,450)
Net cash used for operating activities	<u>(25,330)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,028</u>
Net decrease in cash and cash equivalents	(23,302)
Cash and cash equivalents beginning of year	<u>326,928</u>
Cash and cash equivalents end of year	<u><u>\$ 303,626</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (35,330)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>10,000</u>
Net cash used for operating activities	<u><u>\$ (25,330)</u></u>

See notes to financial statements.

Grundy County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

Assets

Cash and pooled investments:

County Treasurer	\$ 715,166
Other County officials	16,253

Receivables:

Property tax:

Delinquent	7,451
Succeeding year	11,344,000

Accounts	18,937
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Accrued interest	1,181
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Special assessments	161,066
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Due from other governments	1,794
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Total assets	<u>12,265,848</u>
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Liabilities

Accounts payable	16,576
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Due to other governments	12,220,211
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Trusts payable	10,288
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Compensated absences	18,773
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Total liabilities	<u>12,265,848</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2005

(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 that 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.

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.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Debt Service Fund is utilized to account 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for 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 balance sheet:

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

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

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

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

Property tax revenue recognized in these funds 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have

resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Unrestricted Net Assets – The unrestricted net assets of the Internal Service, Employee Group Health Fund are designated for 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, 2005, disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Government 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, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	General	\$ 2,755
	Special Revenue: Rural Services	736
Total		<u>\$ 3,491</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 973,000
County Industrial Park TIF	General	14
Conservation Land Acquisition	General	8,591
Debt Service	Capital Projects	54,341
Total		<u>\$ 1,035,946</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 787,189	10,623	-	797,812
Construction in progress	-	3,479,745	(2,541,212)	938,533
	<u>787,189</u>	<u>3,490,368</u>	<u>(2,541,212)</u>	<u>1,736,345</u>
Capital assets being depreciated:				
Buildings	3,684,651	-	-	3,684,651
Equipment and vehicles	6,104,083	262,534	(50,742)	6,315,875
Infrastructure, road network	848,172	2,541,212	-	3,389,384
Total capital assets being depreciated	<u>10,636,906</u>	<u>2,803,746</u>	<u>(50,742)</u>	<u>13,389,910</u>
Less accumulated depreciation for:				
Buildings	597,225	110,985	-	708,210
Equipment and vehicles	3,047,547	440,156	(42,583)	3,445,120
Infrastructure, road network	23,227	118,218	-	141,445
Total accumulated depreciation	<u>3,667,999</u>	<u>669,359</u>	<u>(42,583)</u>	<u>4,294,775</u>
Total capital assets being depreciated, net	<u>6,968,907</u>	<u>2,134,387</u>	<u>(8,159)</u>	<u>9,095,135</u>
Governmental activities capital assets, net	<u>\$ 7,756,096</u>	<u>5,624,755</u>	<u>(2,549,371)</u>	<u>10,831,480</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 65,782
County environment and education		102,724
Roads and transportation		424,806
Governmental services to residents		9,456
Administration		66,591
		<u>66,591</u>
Total depreciation expense - governmental activities		<u>\$ 669,359</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 3,106
Special Revenue:		
Mental Health	Services	121,652
Rural Services	Services	3,952
Secondary Roads	Services	128
		<u>125,732</u>
Total for governmental funds		<u>\$ 128,838</u>
Agency:		
County Assessor	Collections	\$ 305,127
Schools		7,335,987
Community Colleges		542,635
Corporations		3,132,031
Auto License and Use Tax		328,264
All other		576,167
Total for agency funds		<u>\$ 12,220,211</u>

(7) Changes in Long-Term Liabilities

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

	Capital Loan Notes	General Obligation Loan Refunding Notes	Estimated Liability for Landfill Closure and Postclosure Care	Compensated Absences	Total
Balance beginning of year	\$ 67,074	710,000	683,203	211,356	1,671,633
Increases	-	-	26,186	153,261	179,447
Decreases	67,074	185,000	-	152,402	404,476
Balance end of year	\$ -	525,000	709,389	212,215	1,446,604
Due within one year	\$ -	145,000	-	132,508	277,508

General Obligation Capital Loan Refunding Notes

On June 1, 2003, the County issued \$890,000 in general obligation capital loan refunding notes with an average interest rate of 2.177%, of which \$868,662 was used to advance refund \$868,905 of general obligation notes dated June 1, 1999 and September 1, 2000.

A summary of the County's June 30, 2005 general obligation capital loan refunding notes is as follows:

Year ending June 30,	Interest Rates	General Obligation Capital Loan Refunding Notes - Series 2003		
		Principal	Interest	Total
2006	1.60%	\$ 145,000	11,298	156,298
2007	2.00	95,000	8,978	103,978
2008	2.20	95,000	7,078	102,078
2009	2.50	95,000	40,988	135,988
2010	2.75	95,000	2,613	97,613
Total		\$ 525,000	70,955	595,955

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered salary, except for law enforcement employees in which case the percentages for the year ended June 30, 2005 are 5.10% and 7.60%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$181,217, \$161,318 and \$165,503, respectively, equal to the required contributions for each year.

(9) Risk Management

Grundy County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$228,540.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County’s health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with EPOCH Group L.E. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to EPOCH Group L.E. from the Employee Group Health Fund. The County’s contribution for the year ended June 30, 2005 was \$665,841.

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$105,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$198,626 at June 30, 2005 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 95,000
Incurred claims (including claims incurred but not reported at June 30, 2005)	755,453
Payment on claims during the fiscal year	<u>(745,453)</u>
Unpaid claims end of year	<u>\$ 105,000</u>

(11) Construction Commitment

The County has entered into contracts totaling \$1,350,203 for bridge construction and roadway paving. As of June 30, 2005, costs of \$125,870 on the contracts have been incurred. The balance remaining on the contracts at June 30, 2005 (\$1,224,333) will be paid as work on the projects progress.

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total 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 \$788,210 as of June 30, 2005 and the portion of the liability that has been recognized is \$709,389. This liability represents the cumulative amount reported to date based on the use of approximately 90 percent of the capacity of the landfill with a remaining life of three years. A provision for the above liability has been made on the County's Statement of Net Assets as of June 30, 2005. The County has begun to accumulate resources to fund these costs and, at June 30, 2005, deposits of \$1,010,199 are held for these purposes. These resources are reported in the Special Revenue, Rural Services and Landfill Closure Costs Funds.

(13) Deficit Fund Balance

The Special Revenue, Mental Health Fund had a deficit balance of \$113,643 at June 30, 2005. The deficit will be eliminated through working with the Iowa Department of Human Services for ways to lower costs and improve efficiency.

(14) Developer Agreements

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

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of constructing of a speculative building. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated beginning in the fiscal year ended June 30, 2005 until the speculative building is sold or until December 2006, at which time this matter will be reviewed by the County to determine if said rebate shall continue. During the year ended June 30, 2005, \$4,811 was rebated to the developer, Grundy County Industrial Park.

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of constructing a new storage and processing building. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated beginning in the fiscal year ended June 30, 2005 for three years, with total annual payments to the company between \$15,000 and \$20,000. During the year ended June 30, 2005, \$5,155 was rebated to the developer, Bob's Farm Center, Inc.

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of certain improvements. The incremental 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 figure is less. During the year ended June 30, 2005, \$9,364 was rebated to the developer, R. S. Bacon Veneer Company.

(15) Subsequent Event

By October 1, 2007, Iowa solid waste landfills must meet the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. Non-compliant landfills must implement closure requirements by October 1, 2007 for all cells not meeting RCRA Subtitle D liner requirements and may construct new cells that are in compliance if they are to continue accepting solid waste for disposal. Grundy County Landfill plans to close all existing cells and will be considering opening a transfer station instead of constructing new cells. The Landfill also plans to maintain its recycling program and will use existing resources to finance these activities.

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, 2005

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 4,509,921	-
Interest and penalty on property tax	29,594	-
Intergovernmental	4,637,530	-
Licenses and permits	3,420	-
Charges for service	593,546	-
Use of money and property	124,361	-
Miscellaneous	335,458	-
Total receipts	<u>10,233,830</u>	-
Disbursements:		
Public safety and legal services	1,384,884	-
Physical health and social services	522,082	-
Mental health	1,254,262	-
County environment and education	1,122,087	-
Roads and transportation	3,219,751	-
Governmental services to residents	299,352	-
Administration	1,137,649	-
Debt service	199,095	-
Capital projects	1,855,848	-
Total disbursements	<u>10,995,010</u>	-
Excess (deficiency) of receipts over (under) disbursements	(761,180)	-
Balance beginning of year	6,350,506	22,719
Balance end of year	<u>\$ 5,589,326</u>	<u>22,719</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
4,509,921	4,480,370	4,510,370	(449)
29,594	20,150	20,150	9,444
4,637,530	4,350,789	4,350,789	286,741
3,420	3,400	3,400	20
593,546	528,207	533,207	60,339
124,361	81,800	81,800	42,561
335,458	446,039	587,272	(251,814)
10,233,830	9,910,755	10,086,988	146,842
1,384,884	1,305,557	1,515,536	130,652
522,082	549,439	554,439	32,357
1,254,262	1,181,913	1,261,803	7,541
1,122,087	1,172,275	1,203,541	81,454
3,219,751	3,274,962	3,274,962	55,211
299,352	340,530	345,550	46,198
1,137,649	1,162,176	1,182,106	44,457
199,095	199,095	199,095	-
1,855,848	2,728,290	2,798,290	942,442
10,995,010	11,914,237	12,335,322	1,340,312
(761,180)	(2,003,482)	(2,248,334)	1,487,154
6,327,787	4,937,336	4,937,336	1,390,451
5,566,607	2,933,854	2,689,002	2,877,605

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

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,233,830	(29,649)	10,204,181
Expenditures	10,995,010	592,286	10,402,724
Net	(761,180)	562,637	(198,543)
Beginning fund balances	6,350,506	109,958	6,460,464
Ending fund balances	\$ 5,589,326	672,595	6,261,921

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$421,085. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function.

Grundy County

Other Supplementary Information

Grundy County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	State Drug Forfeiture
Assets				
Cash and pooled investments	\$ 17,815	9,801	53,842	18,948
Receivables:				
Property tax:				
Succeeding year	-	-	-	-
Accrued interest	172	219	566	-
Due from other governments	-	-	-	-
Total assets	\$ 17,987	10,020	54,408	18,948
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Fund equity:				
Fund balances:				
Unreserved	17,987	10,020	54,408	18,948
Total liabilities and fund equity	\$ 17,987	10,020	54,408	18,948

See accompanying independent auditor's report.

Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts	Grundy County Industrial Park TIF	Bob's Farm Center, Inc. TIF	Bacon Veneer TIF	Conservation Land Acquisition	Total
223	265	22,719	-	-	-	119,529	243,142
-	-	-	5,000	5,000	9,000	-	19,000
-	-	-	-	-	-	1,239	2,196
-	-	-	-	-	-	47,352	47,352
223	265	22,719	5,000	5,000	9,000	168,120	311,690
-	-	-	5,000	5,000	9,000	-	19,000
223	265	22,719	-	-	-	168,120	292,690
223	265	22,719	5,000	5,000	9,000	168,120	311,690

Grundy County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special State Drug Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	9,724	-
Charges for service	3,462	14,196	-	-
Use of money and property	172	219	566	-
Total revenues	<u>3,634</u>	<u>14,415</u>	<u>10,290</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	1,942
County environment and education	-	-	-	-
Governmental services to residents	-	27,177	-	-
Capital projects	-	-	5,655	-
Total expenditures	<u>-</u>	<u>27,177</u>	<u>5,655</u>	<u>1,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,634</u>	<u>(12,762)</u>	<u>4,635</u>	<u>(1,942)</u>
Other financing sources:				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>3,634</u>	<u>(12,762)</u>	<u>4,635</u>	<u>(1,942)</u>
Fund balances beginning of year	<u>14,353</u>	<u>22,782</u>	<u>49,773</u>	<u>20,890</u>
Fund balances end of year	<u>\$ 17,987</u>	<u>10,020</u>	<u>54,408</u>	<u>18,948</u>

See accompanying independent auditor's report.

Revenue Funds								
Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts	Grundy County Industrial Park TIF	Bob's Farm Center, Inc. TIF	Bacon Veneer TIF	Conservation Land Acquisition	Capital Projects	Total
-	-	-	4,783	5,155	9,364	-	-	19,302
-	9,535	-	14	-	-	52,357	-	71,630
-	-	-	-	-	-	-	-	17,658
-	-	-	-	-	-	1,239	-	2,196
-	9,535	-	4,797	5,155	9,364	53,596	-	110,786
5,599	9,535	-	-	-	-	-	-	17,076
-	-	-	4,811	5,155	9,364	-	-	19,330
-	-	-	-	-	-	-	-	27,177
-	-	-	-	-	-	15,185	-	20,840
5,599	9,535	-	4,811	5,155	9,364	15,185	-	84,423
(5,599)	-	-	(14)	-	-	38,411	-	26,363
-	-	-	14	-	-	8,591	-	8,605
-	-	-	-	-	-	-	(54,341)	(54,341)
-	-	-	14	-	-	8,591	(54,341)	(45,736)
(5,599)	-	-	-	-	-	47,002	(54,341)	(19,373)
5,822	265	22,719	-	-	-	121,118	54,341	312,063
223	265	22,719	-	-	-	168,120	-	292,690

Grundy County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,830	122,945	116,793
Other County officials	16,253	-	-	-
Receivables:				
Property tax:				
Delinquent	-	63	114	4,194
Succeeding year	-	119,000	201,000	7,215,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 16,253	120,893	324,059	7,335,987
Liabilities				
Accounts payable	\$ -	-	159	-
Due to other governments	5,965	120,893	305,127	7,335,987
Trusts payable	10,288	-	-	-
Compensated absences	-	-	18,773	-
Total liabilities	\$ 16,253	120,893	324,059	7,335,987

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
8,347	24,274	2,717	328,264	109,996	715,166
-	-	-	-	-	16,253
288	2,757	19	-	16	7,451
534,000	3,105,000	149,000	-	21,000	11,344,000
-	-	-	-	18,937	18,937
-	-	-	-	1,181	1,181
-	-	-	-	161,066	161,066
-	-	-	-	1,794	1,794
542,635	3,132,031	151,736	328,264	313,990	12,265,848
-	-	-	-	16,417	16,576
542,635	3,132,031	151,736	328,264	297,573	12,220,211
-	-	-	-	-	10,288
-	-	-	-	-	18,773
542,635	3,132,031	151,736	328,264	313,990	12,265,848

Grundy County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 18,428	112,722	326,807	7,296,069
Additions:				
Property and other county tax	-	120,012	201,928	7,228,149
E911 surcharges	-	-	-	-
State tax credits	-	7,092	12,786	453,364
Office fees and collections	255,866	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	121,549	-	-	-
Miscellaneous	-	-	508	-
Total additions	377,415	127,104	215,222	7,681,513
Deductions:				
Agency remittances:				
To other funds	129,552	-	-	-
To other governments	128,919	118,933	217,970	7,641,595
Trusts paid out	121,119	-	-	-
Total deductions	379,590	118,933	217,970	7,641,595
Balances end of year	\$ 16,253	120,893	324,059	7,335,987

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
528,182	2,948,325	153,518	295,733	469,127	12,148,911
535,076	3,067,038	150,111	-	22,011	11,324,325
-	-	-	-	101,023	101,023
32,467	170,914	8,725	-	1,457	686,805
-	-	-	-	-	255,866
-	-	-	-	3,463	3,463
-	-	-	3,459,745	136	3,459,881
-	-	-	-	-	121,549
-	-	-	-	42,670	43,178
567,543	3,237,952	158,836	3,459,745	170,760	15,996,090
-	-	-	102,627	-	232,179
553,090	3,054,246	160,618	3,324,587	325,897	15,525,855
-	-	-	-	-	121,119
553,090	3,054,246	160,618	3,427,214	325,897	15,879,153
542,635	3,132,031	151,736	328,264	313,990	12,265,848

Schedule 5

Grundy County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 4,510,785	4,255,620	3,879,743	3,622,177	3,359,330
Interest and penalty on property tax	29,633	26,856	25,811	26,850	25,019
Intergovernmental	4,716,397	5,490,809	5,927,767	4,793,199	4,767,388
Licenses and permits	3,090	5,669	2,880	31,412	1,625
Charges for service	576,500	587,891	513,514	664,398	598,473
Use of money and property	133,305	113,088	145,298	205,223	336,303
Miscellaneous	234,471	301,399	173,267	26,600	56,341
Total	\$ 10,204,181	10,781,332	10,668,280	9,369,859	9,144,479
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,375,553	1,170,609	1,190,754	1,133,542	1,106,040
Physical health and social services	513,729	534,020	578,737	565,695	610,081
Mental health	1,232,838	1,232,856	1,102,682	1,136,314	1,011,857
County environment and education	1,120,067	1,052,191	1,124,511	980,275	840,374
Roads and transportation	2,961,944	3,797,749	3,325,895	3,177,583	3,465,244
Governmental services to residents	299,787	262,872	279,209	260,224	240,445
Administration	1,102,054	1,067,246	997,193	924,514	898,108
Non-program	-	308	-	-	-
Debt service	199,095	196,255	210,730	208,600	128,453
Capital projects	1,597,657	1,054,169	673,931	1,133,651	869,910
Total	\$ 10,402,724	10,368,275	9,483,642	9,520,398	9,170,512

See accompanying independent auditor's report.

**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**

Grundy County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

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

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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


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 that are described in the accompanying Schedule of Findings.

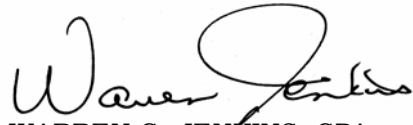
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Grundy County and other parties to whom Grundy County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 20, 2005

Grundy County

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLICANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) 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. A listing of cash and checks received is not prepared by that employee.	Recorder
(2) Receipt collecting, depositing, posting and daily reconciling is performed by the same employee.	Recorder and 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.	Sheriff
(4) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder and Sheriff

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

Grundy County

Schedule of Findings

Year ended June 30, 2005

Responses:

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

County Sheriff – The receipts will be issued by personnel other than the bookkeeper.

The checks shall be co-signed and reviewed by the Chief Deputy or Sheriff.

Monthly bank account reconciliations will be done by someone other than the bookkeeper.

Conclusion – Responses accepted.

- (B) County Sheriff - A reconciliation of book to bank balances was not documented for all accounts as of June 30, 2005. For the Office account, a variance of \$99 existed between the book and bank balance at June 30, 2005. Also, gun permit monies are only deposited at the bank monthly.

Recommendation – Bank and book balances should be reconciled at the end of each month, including listings of reconciling items such as outstanding checks, and variances, if any, should be resolved timely. Gun permit receipts should be deposited timely.

Response – Our current in-house records system has deficiencies in the civil records but we are expecting a new major upgrade in December. Account reconciliations will be accomplished at least monthly and gun permit deposits will be made weekly.

Conclusion – Response accepted.

- (C) County Landfill – The Quarterly Solid Waste Fee Schedule and Retained Fees Report for the quarter ended March 31, 2005 reported an incorrect tonnage of solid waste accepted during the period. The amount paid to the Iowa Department of Natural Resources was underpaid by \$366.

There is a lack of segregation of duties as the person responsible for collecting, depositing, posting and reconciling daily receipts is also the custodian of the cash and change funds.

Recommendation – The Landfill should submit an amended report to the Iowa Department of Natural Resources and remit the proper amount. We realize segregation of duties is difficult with a limited number of office employees. However, the Landfill should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Grundy County

Schedule of Findings

Year ended June 30, 2005

Response – Going forward, we will have a landfill employee who doesn't work in the business office reconcile the receipts to deposits on a random basis. They will initial the work on the dates they have done. We will amend the DNR next quarterly report and include the \$366 underpayment at that time per our conversation with DNR.

Conclusion – Response accepted.

- (D) Capital Asset Records – Capital asset additions and deletions are not recorded on a regular and timely basis and capital asset additions are not tagged timely.

Recommendation – A system should be developed to ensure all assets are added to or deleted from the capital asset listing and properly tagged timely.

Response – We are implementing a new asset software program and should be ready to use in fiscal year 2006.

Conclusion – Response acknowledged. Assets should be tagged timely.

Grundy County

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted by function.
- (3) 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.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) 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.
- (9) 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).
- (10) Solid Waste Fees Retainage – The County used or retained the solid waste fees in accordance with Chapter 455E.11.2(a) of the Code of Iowa.
- (11) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Grundy County

Schedule of Findings

Year ended June 30, 2005

- (12) Emergency Management Services Budget - Disbursements for the Emergency Management Services Fund exceeded the amount budgeted.

Recommendation - The budget should have been amended by the Emergency Management Services Commission in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Budget amendments will be made prior to exceeding disbursements in the future.

Conclusion - Response accepted.

- (13) E911 Commission Budget Hearing Public Notice - The notice of budget hearing for the E911 Commission was published more than 20 days before the public hearing.

Recommendation - Chapter 24.9 of the Code of Iowa states the notice of the hearing must be published at least 10 days but not more than 20 days before the hearing. The E911 Commission Board should insure the publications are made as required.

Response - Budget hearings will comply with prescribed notification dates per Chapter 24.9 of the Code of Iowa.

Conclusion - Response accepted.

- (14) Financial Assurance - Grundy County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 788,210
Less: Balance of funds held in the local dedicated fund at June 30, 2004	<u>755,775</u>
	32,435
Divided by the number of years remaining in the pay-in period	<u>÷ 3</u>
Required payment into the local dedicated fund for the year ended June 30, 2005	10,812
Balance of funds held in the local dedicated fund at June 30, 2004	<u>755,775</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2005	<u>\$ 766,587</u>
Amount County has reserved for closure and postclosure care at June 30, 2005	<u>\$1,010,199</u>

Grundy County

Schedule of Findings

Year ended June 30, 2005

- (15) Financial Condition – The Special Revenue, Mental Health Fund had a deficit balance of \$113,643 at June 30, 2005.

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

Response – We are working closely with the Iowa Department of Human Services to have this corrected by June 30, 2006.

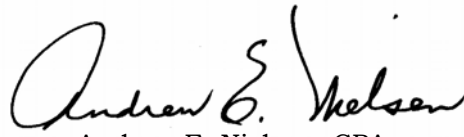
Conclusion – Response accepted.

Grundy County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Dustin S. Boxa, CPA, Staff Auditor
Andrew N. Pulford, Assistant Auditor
Richard W. Reeves, Assistant Auditor
Kara E. Rasmussen, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State