



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

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NEWS RELEASE

FOR RELEASE

March 30, 2006

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on Guthrie County, Iowa.

The County had local tax revenue of \$14,165,159 for the year ended June 30, 2005, which included \$789,977 in tax credits from the state. The County forwarded \$10,789,088 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,376,071 of the local tax revenue to finance County operations, a slight decrease from the prior year. Other revenues included charges for service of \$1,585,209, operating grants, contributions and restricted interest of \$3,740,581, capital grants, contributions and restricted interest of \$310,716, local option sales tax of \$621,876, unrestricted investment earnings of \$188,059 and other general revenues of \$156,005.

Expenses for County operations totaled \$10,084,422, a 27.5% increase over the prior year. Expenses included \$4,470,161 for roads and transportation, \$1,220,800 for mental health and \$1,078,727 for county environment and education.

The significant increase in expenses is due primarily to roads and transportation bridge projects.

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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GUTHRIE COUNTY

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

JUNE 30, 2005

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-46
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		48-49
Budget to GAAP Reconciliation		50
Notes to Required Supplementary Information – Budgetary Reporting		51
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54-55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	56-57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	63
Schedule of Expenditures of Federal Awards	6	64-65
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		67-68
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133		69-70
Schedule of Findings and Questioned Costs		71-79
Staff		80

Guthrie County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Jerome Caraher	Board of Supervisors	Jan 2005
Lonnie Bench	Board of Supervisors	Jan 2005
Larry Laughery	Board of Supervisors	Jan 2007
Jim Petersen	Board of Supervisors	Jan 2007
Kevin Wirt	Board of Supervisors	Jan 2007
Janet Dickson	County Auditor	Jan 2005
Marcia Kindred	County Treasurer	Jan 2007
Jacki Sloss	County Recorder	Jan 2007
Stuart Stringham	County Sheriff	Jan 2005
Leanne Striegel	County Attorney	(Resigned Nov 2004)
Barry Stetzel	County Assessor	Jan 2010
(After January 2005)		
Larry Laughery	Board of Supervisors	Jan 2007
Jim Petersen	Board of Supervisors	Jan 2007
Kevin Wirt	Board of Supervisors	Jan 2007
Jerome Caraher	Board of Supervisors	Jan 2009
Lonnie Bench	Board of Supervisors	Jan 2009
John Rutledge	County Auditor	Jan 2009
Marcia Kindred	County Treasurer	Jan 2007
Jacki Sloss	County Recorder	Jan 2007
Roger Baird	County Sheriff	Jan 2009
Mary Benton	County Attorney	Jan 2007
Barry Stetzel	County Assessor	Jan 2010

Guthrie County



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Independent Auditor's Report

To the Officials of Guthrie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie 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 Guthrie 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 Guthrie 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 February 7, 2006 on our consideration of Guthrie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guthrie 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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 7, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Guthrie 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

- The County's governmental fund revenues decreased approximately \$365 thousand from fiscal year 2004 to fiscal year 2005. Capital grants, contributions and restricted interest decreased approximately \$1.13 million and property tax decreased approximately \$120 thousand while tax increment financing increased approximately \$118 thousand and local option sales tax increased approximately \$497 thousand.
- The County's governmental fund expenditures increased by approximately \$2.18 million in fiscal year 2005. Roads and transportation expenditures increased by approximately \$1.64 million and county environment and education expenditures increased approximately \$254 thousand.
- The County's net assets decreased 1%, or approximately \$106 thousand, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Guthrie 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 Guthrie 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 Guthrie 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. 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 and Prescription 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. Guthrie County's combined net assets decreased by 1% from a year ago, decreasing from \$10.4 million to \$10.3 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 11,202,574	11,382,874
Capital assets	6,720,834	6,008,550
Total assets	<u>17,923,408</u>	<u>17,391,424</u>
Long-term liabilities	2,826,178	3,032,122
Other liabilities	4,838,353	3,994,520
Total liabilities	<u>7,664,531</u>	<u>7,026,642</u>
Net assets:		
Invested in capital assets	6,720,834	6,008,550
Restricted	3,223,784	4,398,446
Unrestricted	314,259	(42,214)
Total net assets	<u>\$ 10,258,877</u>	<u>10,364,782</u>

Net assets of Guthrie County's governmental activities decreased by approximately \$106 thousand (\$10.4 million compared to \$10.3 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment). 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—are approximately \$314 thousand at June 30, 2005.

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,585,209	1,573,650
Operating grants, contributions and restricted interest	3,740,581	3,527,863
Capital grants, contributions and restricted interest	310,716	1,438,798
General revenues:		
Property tax	2,801,035	2,921,029
Tax increment financing	408,000	290,331
Penalty and interest on property tax	-	44,880
State tax credits	167,036	168,692
Local option sales tax	621,876	125,280
Grants and contributions not restricted to specific purposes	34,800	15,027
Unrestricted investment earnings	188,059	156,791
Gain on sale of capital assets	21,507	38,644
Other general revenues	99,698	42,423
Total revenues	<u>9,978,517</u>	<u>10,343,408</u>
Program expenses:		
Public safety and legal services	817,374	781,700
Physical health and social services	982,970	965,223
Mental health	1,220,800	1,189,033
County environment and education	1,078,727	824,255
Roads and transportation	4,470,161	2,830,148
Governmental services to residents	356,053	302,542
Administration	757,374	698,211
Non-program	271,405	172,312
Interest on long-term debt	129,558	145,322
Total expenses	<u>10,084,422</u>	<u>7,908,746</u>
Change in net assets	(105,905)	2,434,662
Net assets beginning of year	<u>10,364,782</u>	<u>7,930,120</u>
Net assets end of year	<u>\$ 10,258,877</u>	<u>10,364,782</u>

The County increased property tax rates for 2005 by an average of 5%. Despite this increase, Guthrie County's property taxes levied decreased by approximately \$80 thousand. This reduction in revenues is a direct result of a 9% decrease in taxable valuations from fiscal year 2004 to fiscal year 2005.

For fiscal year 2006, total assessed valuation will increase approximately \$3.4 million. The Board of Supervisors has also raised taxes for the 2006 fiscal year by 13%. These changes will result in approximately \$450 thousand in increased property tax revenue for the year to come. This increase in tax rates was implemented to lessen the dependency on reserves in the General Fund during the year. In addition, rates were increased to build reserves in the struggling Mental Health Fund.

INDIVIDUAL MAJOR FUND ANALYSIS

As Guthrie County completed the year, its governmental funds reported a combined fund balance of \$6 million, a decrease of approximately \$907 thousand from last year's total of \$6.9 million. The decrease in fund balance is primarily attributable to a \$1.25 million reduction in the Secondary Roads fund. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased and expenditures increased compared to the prior year. The ending fund balance increased approximately \$53 thousand from the prior year to approximately \$2.33 million.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1.2 million, an increase of 3% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$46 thousand from the prior year. This has contributed to the deficit fund balance of \$161 thousand. (Increased levies have been implemented for FY 2006 to address this fund's negative balance.)
- The Rural Services Fund balance increased from \$827,446 to \$1,040,569. This increase is due primarily to an increase in revenues from local option sales tax, which was instituted to provide property tax relief. (Decreased levies have been implemented in FY 2006 to control fund reserve growth and provide the intended rural property tax relief).
- Secondary Roads Fund expenditures increased by approximately \$1.8 million over the prior year, due principally to an increase in construction projects, specifically bridge replacements. This increase in expenditures directly impacted the Secondary Roads Fund balance, decreasing the fund balance by approximately \$1.25 million, or 36%.
- At June 30, 2005, the County owed \$2,312,316 on tax increment urban renewal revenue bonds related to capital improvements in the Tall Corn Ethanol urban renewal area. This was a decrease of \$162,684 from the prior year's balance of \$2,475,000 as the County has started collecting tax increment financing revenue from the area.

BUDGETARY HIGHLIGHTS

Over the course of the year, Guthrie County amended its budget once. The amendment was made in April 2005 and resulted in an increase in budgeted disbursements related to capital projects, roads and transportation, county environment and education and government services to residents.

Disbursements did not exceed the amounts budgeted. However, the capital projects function budget was exceeded prior to amendment. Also, disbursements in certain departments exceeded the amounts appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Guthrie County had approximately \$6.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$.7 million, or 12%, over last year.

	Capital Assets of Governmental Activities at Year End	
	June 30,	
	2005	2004
Land	\$ 1,247,717	1,216,275
Construction in progress	161,880	233,153
Buildings and improvements	1,118,286	1,165,886
Improvements other than buildings	6,820	7,161
Equipment and vehicles	2,989,289	2,840,627
Infrastructure	1,196,842	545,448
Total	\$ 6,720,834	6,008,550

The County had depreciation expense of \$488,598 in FY05 and total accumulated depreciation of \$4,173,070 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2005, Guthrie County had \$2,312,316 of TIF bonds outstanding compared to \$2,475,000 at June 30, 2004. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

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. Guthrie County's outstanding general obligation debt is significantly below its constitutional debt limit of \$20.96 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Guthrie County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various County activities.

Amounts available for appropriation in the operating budget are \$10.1 million, a decrease of 20.5% from the final 2005 budget.

When setting tax rates, the Board of Supervisors took into account a 1% valuation increase from the previous year. Despite this minor increase, the Board raised overall tax rates by 13%. Accounting for these adjustments, Guthrie County is projecting approximately \$450,000 in increased property tax revenue. The Board justified this increase at the budget hearing, explaining that they intended to operate with caution during the initial budget prepared by the newly elected County Auditor.

If fiscal year 2006 budget estimates are realized, the County's budgetary operating balance is expected to significantly increase by the close of fiscal year 2006. Preliminary discussion about the fiscal year 2007 budget indicates the Board of Supervisors will aggressively pursue a reduction in fund reserves, with a General Fund reserve goal of 31% by the end of 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Guthrie 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 Guthrie County Auditor's Office, 200 North 5th Street, Guthrie Center, Iowa 50115.

Guthrie County

Basic Financial Statements

Exhibit A

Guthrie County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments:	
County Treasurer	\$ 5,513,984
Held by component unit treasurers	437,251
Receivables:	
Property tax:	
Delinquent	24,122
Succeeding year	3,666,000
Interest and penalty on property tax	12,739
Accounts	54,342
Accrued interest	32,833
Operating reserve due from Country View Estates, Inc.	293,733
Due from other governments	550,255
Inventories	540,594
Prepaid insurance	76,721
Capital assets - nondepreciable	1,409,597
Capital assets - depreciable (net)	5,311,237
	<u>17,923,408</u>
Total assets	
Liabilities	
Accounts payable	511,269
Accrued interest payable	8,848
Salaries and benefits payable	142,420
Due to other governments	216,083
Deferred revenue:	
Succeeding year property tax	3,666,000
Other	293,733
Long-term liabilities:	
Portion due or payable within one year:	
Tax increment urban renewal revenue bonds	197,000
Compensated absences	133,318
Portion due or payable after one year:	
Tax increment urban renewal revenue bonds	2,115,316
Estimated liability for landfill closure and postclosure care	380,544
	<u>7,664,531</u>
Total liabilities	
Net Assets	
Invested in capital assets	6,720,834
Restricted for:	
Supplemental levy purposes	217,648
Secondary roads purposes	2,286,517
Debt service	41,177
Other purposes	678,442
Unrestricted	314,259
	<u>\$ 10,258,877</u>
Total net assets	

See notes to financial statements.

Guthrie County
Statement of Activities
Year ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 817,374	55,630	15,101	-	(746,643)
Physical health and social services	982,970	529,702	322,151	-	(131,117)
Mental health	1,220,800	23,855	607,335	-	(589,610)
County environment and education	1,078,727	403,345	65,677	-	(609,705)
Roads and transportation	4,470,161	23,425	2,728,756	310,716	(1,407,264)
Governmental services to residents	356,053	228,422	223	-	(127,408)
Administration	757,374	65,235	-	-	(692,139)
Non-program	271,405	255,595	1,338	-	(14,472)
Interest on long-term debt	129,558	-	-	-	(129,558)
Total	\$ 10,084,422	1,585,209	3,740,581	310,716	(4,447,916)
General Revenues:					
Property and other county tax levied for general purposes					2,801,035
Tax increment financing					408,000
State tax credits					167,036
Local option sales tax					621,876
Grants and contributions not restricted to specific purpose					34,800
Unrestricted investment earnings					188,059
Gain on sale of capital assets					21,507
Miscellaneous					99,698
Total general revenues					4,342,011
Change in net assets					(105,905)
Net assets beginning of year					10,364,782
Net assets end of year					\$ 10,258,877

See notes to financial statements.

Guthrie County
Balance Sheet
Governmental Funds

June 30, 2005

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments			
County Treasurer	\$ 2,043,345	61,099	933,024
Held by component unit treasurers	-	-	-
Receivables:			
Property tax:			
Delinquent	14,971	4,679	4,472
Succeeding year	2,077,000	581,000	618,000
Interest and penalty on property tax	12,739	-	-
Accounts	25,731	-	12,636
Accrued interest	32,833	-	-
Operating reserve due from Country View Estates, Inc.	293,733	-	-
Due from other funds	2,827	-	-
Due from other governments	127,810	-	217,258
Inventories	-	-	-
Prepaid insurance	39,621	-	3,338
Advances to other funds	201,267	-	-
Total assets	\$ 4,871,877	646,778	1,788,728
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 81,762	17,410	10,701
Salaries and benefits payable	60,222	1,845	4,188
Due to other funds	4,166	2,827	-
Due to other governments	170	199,711	16,189
Deferred revenue:			
Succeeding year property tax	2,077,000	581,000	618,000
Other	321,178	4,645	99,081
Advances from other funds	-	-	-
Total liabilities	2,544,498	807,438	748,159
Fund balances:			
Reserved for:			
Supplemental levy purposes	215,812	-	-
Advances to other funds	201,267	-	-
Debt service	-	-	-
Conservation purposes	-	-	-
Unreserved:			
Designated for closure and postclosure care	-	-	-
Undesignated, reported in:			
General fund	1,910,300	-	-
Special revenue funds	-	(160,660)	1,040,569
Total fund balances	2,327,379	(160,660)	1,040,569
Total liabilities and fund balances	\$ 4,871,877	646,778	1,788,728

See notes to financial statements.

Revenue			
Secondary Roads	Urban Renewal Revenue	Nonmajor	Total
1,859,607	66,912	230,058	5,194,045
-	-	437,251	437,251
-	-	-	24,122
-	390,000	-	3,666,000
-	-	-	12,739
77	-	80	38,524
-	-	-	32,833
-	-	-	293,733
-	-	4,166	6,993
205,187	-	-	550,255
540,594	-	-	540,594
33,762	-	-	76,721
-	-	-	201,267
<u>2,639,227</u>	<u>456,912</u>	<u>671,555</u>	<u>11,075,077</u>
302,555	-	-	412,428
76,165	-	-	142,420
-	-	-	6,993
13	-	-	216,083
-	390,000	-	3,666,000
-	-	-	424,904
-	201,267	-	201,267
<u>378,733</u>	<u>591,267</u>	<u>-</u>	<u>5,070,095</u>
-	-	-	215,812
-	-	-	201,267
-	50,025	-	50,025
-	-	512,539	512,539
-	-	10,000	10,000
-	-	-	1,910,300
2,260,494	(184,380)	149,016	3,105,039
<u>2,260,494</u>	<u>(134,355)</u>	<u>671,555</u>	<u>6,004,982</u>
<u>2,639,227</u>	<u>456,912</u>	<u>671,555</u>	<u>11,075,077</u>

Guthrie County

Guthrie County

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

June 30, 2005

Total governmental fund balances (page 19)	\$ 6,004,982
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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 \$10,893,904 and the accumulated depreciation is \$4,173,070.	6,720,834
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	131,171
--	---------

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance and prescription 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.	236,916
---	---------

Long-term liabilities, including tax increment urban renewal revenue bonds payable, compensated absences payable, accrued interest payable and the estimated liability for landfill closure and postclosure care, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,835,026)</u>
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Net assets of governmental activities (page 16)	<u><u>\$ 10,258,877</u></u>
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See notes to financial statements.

Guthrie County

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

Year ended June 30, 2005

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,639,653	512,726	1,201,450
Interest and penalty on property tax	48,267	-	-
Intergovernmental	915,888	661,681	111,039
Licenses and permits	30,608	-	-
Charges for service	396,494	-	21,680
Use of money and property	228,693	-	-
Miscellaneous	113,451	775	246,835
Total revenues	3,373,054	1,175,182	1,581,004
Expenditures:			
Operating:			
Public safety and legal services	787,038	-	-
Physical health and social services	962,820	-	-
Mental health	-	1,221,325	-
County environment and education	440,926	-	584,979
Roads and transportation	-	-	21,180
Governmental services to residents	320,048	-	-
Administration	742,589	-	-
Non-program	940	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,254,361	1,221,325	606,159
Excess (deficiency) of revenues over (under) expenditures	118,693	(46,143)	974,845
Other financing sources (uses):			
Sale of capital assets	2,200	-	-
Operating transfers in	-	-	-
Operating transfers out	(67,263)	-	(761,722)
Total other financing sources (uses)	(65,063)	-	(761,722)
Net change in fund balances	53,630	(46,143)	213,123
Fund balances beginning of year	2,273,749	(114,517)	827,446
Fund balances end of year	\$ 2,327,379	(160,660)	1,040,569

See notes to financial statements.

Revenue			
Secondary Roads	Urban Renewal Revenue	Nonmajor	Total
-	408,000	-	3,761,829
-	-	-	48,267
3,051,929	245	9,595	4,750,377
736	-	-	31,344
16	-	3,897	422,087
117	1,500	12,391	242,701
30,473	-	59,418	450,952
3,083,271	409,745	85,301	9,707,557
-	-	18,726	805,764
-	-	-	962,820
-	-	-	1,221,325
-	-	32,584	1,058,489
4,654,393	-	-	4,675,573
-	-	40,340	360,388
-	-	-	742,589
-	-	-	940
-	292,864	-	292,864
586,389	-	-	586,389
5,240,782	292,864	91,650	10,707,141
(2,157,511)	116,881	(6,349)	(999,584)
90,450	-	-	92,650
816,846	-	12,139	828,985
-	-	-	(828,985)
907,296	-	12,139	92,650
(1,250,215)	116,881	5,790	(906,934)
3,510,709	(251,236)	665,765	6,911,916
2,260,494	(134,355)	671,555	6,004,982

Guthrie 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) \$ (906,934)

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

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

Expenditures for capital assets	\$ 1,240,412	
Capital assets contributed by the Iowa Department of Transportation	52,064	
Depreciation expense	(488,598)	803,878

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (91,594)

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

Property tax	(22,289)	
Other	(47,611)	(69,900)

Repayment of long-term liabilities is an expenditure in the government funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 162,684

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

Adjustment to estimated costs for closure and postclosure care	3,915	
Compensated absences	39,345	
Interest on long-term debt	622	43,882

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance and prescription benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (47,921)

Change in net assets of governmental activities (page 17) \$ (105,905)

See notes to financial statements.

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

	<u>Internal Service - Employee Group Health and Prescription</u>
Assets	
Cash and cash equivalents	\$ 319,939
Accounts receivable	<u>15,818</u>
Total assets	335,757
Liabilities	
Accounts payable	<u>98,841</u>
Net Assets	
Unrestricted	<u><u>\$ 236,916</u></u>

See notes to financial statements.

Exhibit H

Guthrie County

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

Year ended June 30, 2005

		<u>Internal Service - Employee Group Health and Prescription</u>
Operating revenues:		
Reimbursements from operating funds		\$ 738,261
Reimbursements from employees and others		107,862
Insurance reimbursements		111,253
Total operating revenues		<u>957,376</u>
Operating expenses:		
Medical and health services	\$ 849,122	
Health plan administration and stop loss insurance	163,954	1,013,076
Operating loss		<u>(55,700)</u>
Non-operating revenues:		
Interest income		7,779
Net loss		<u>(47,921)</u>
Net assets beginning of year		<u>284,837</u>
Net assets end of year		<u>\$ 236,916</u>

See notes to financial statements.

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

	Internal Service - Employee Group Health and Prescription
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 738,261
Cash received from employees and others	203,297
Cash paid for health claims	(815,200)
Cash paid for administrative services and stop loss insurance	(163,954)
Net cash used by operating activities	(37,596)
Cash flows from investing activities:	
Interest on investments	7,784
Net decrease in cash and cash equivalents	(29,812)
Cash and cash equivalents beginning of year	349,751
Cash and cash equivalents end of year	\$ 319,939
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (55,700)
Adjustments to reconcile operating income to net cash used by operating activities:	
(Increase) in accounts receivable	(15,818)
Increase in accounts payable	33,922
Net cash used by operating activities	\$ (37,596)

See notes to financial statements.

Guthrie County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

Assets

Cash and pooled investments:

County Treasurer	\$ 600,541
Other County officials	8,819

Receivables:

Property tax:

Delinquent	104,278
Succeeding year	10,201,000

Accounts	10,261
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Special assessments:

Delinquent	20,819
Succeeding year	118,308

Drainage assessments	16,423
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Due from other funds	373
----------------------	-----

Total assets	<u>11,080,822</u>
---------------------	-------------------

Liabilities

Accounts payable	7,370
------------------	-------

Salaries and benefits payable	5,786
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Due to other funds	373
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Due to other governments	11,052,345
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Compensated absences	14,948
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Total liabilities	<u>11,080,822</u>
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Net assets

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

Guthrie County
Notes to Financial Statements
June 30, 2005

(1) Summary of Significant Accounting Policies

Guthrie 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, Guthrie 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 Guthrie 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.

Ten 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 Guthrie County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the individual drainage districts can be obtained from the Guthrie County Auditor's office.

The Prairie Woodland Conservation Foundation (formerly the Guthrie County Conservation Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of environmental education and conservation projects which are not included in the County's budget.

The Guthrie County Historical Village Foundation (formerly the Turn of the Century Museum Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of museum projects and activities which are not included in the County's budget.

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: Guthrie County Assessor's Conference Board and Guthrie County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in several jointly governed organizations for which the County is not financially accountable or the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Area XII Alcoholism and Drug Treatment Unit, Community Opportunities, Inc., South Central Youth and Family Services Commission, Area XII Council of Governments, Western Iowa Tourism, South Central Iowa Regional E-911 Service Board and the Guthrie County Regional Airport Authority.

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 consists of capital assets, net of accumulated depreciation.

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 Urban Renewal Revenue Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal districts and used to pay the principal and interest on the tax increment urban renewal revenue bonds and other indebtedness incurred for urban renewal projects.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments in non-negotiable certificates of deposit 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.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit 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. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

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. Current assessments receivable represents assessments which are due and payable but have not been collected. Succeeding year assessments receivable represents remaining assessments which are payable, but not yet due.

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

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

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.

Advances to/from Other Funds – Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

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 amounts due from County View Estates, Inc., unspent grant proceeds, 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 and amounts due from County View Estates, Inc.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory time 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 column of the Statement of Net Assets.

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 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. However, the capital projects function budget was exceeded prior to amendment. Also, disbursements in certain departments exceeded the amounts appropriated.

(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 Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) County Care Facility

On July 1, 1999, the County entered into a lease agreement with Country View Estates, Inc. for the management and operation of the Guthrie County Care Facility and farm. The renewable lease, through June 30, 2005, is cancelable upon notice by either party. Annually, the County will provide certain financial support for the operation of the care facility.

Under the terms of the agreement, Country View Estates, Inc. (operator) may keep reserve funds up to \$300,000 for operating expenses. Funds in excess of \$300,000 are to be used to adjust the current per diem rate charged to the County. In the event the contract is terminated, all assets, including the reserve funds, are to revert to the County. At June 30, 2005, a receivable titled operating reserve due from Country View Estates, Inc. for \$293,733, the amount of unrestricted cash reported in the financial statements of Country View Estates, Inc. at June 30, 2005, has been recorded in the County's financial statements, with a corresponding amount recorded as deferred revenue.

(4) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 2,827
Special Revenue: Canine Conservation Land Acquisition	General General	223 3,943
Total		<u>\$ 6,993</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.

(5) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	\$ 55,124 761,722
Conservation Land Acquisition	General	5,114
Fairgrounds Amphitheater Trust	General	7,025
Total		<u>\$ 828,985</u>

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

(6) 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	\$ 1,216,275	31,442	-	1,247,717
Construction in progress	233,153	592,168	(663,441)	161,880
Total capital assets not being depreciated	1,449,428	623,610	(663,441)	1,409,597
Capital assets being depreciated:				
Buildings	2,112,746	-	-	2,112,746
Improvements other than buildings	8,525	-	-	8,525
Equipment and vehicles	6,228,765	668,866	(757,634)	6,139,997
Infrastructure, road network	534,865	663,441	-	1,198,306
Infrastructure, other	24,733	-	-	24,733
Total capital assets being depreciated	8,909,634	1,332,307	(757,634)	9,484,307
Less accumulated depreciation for:				
Buildings	946,860	47,600	-	994,460
Improvements other than buildings	1,364	341	-	1,705
Equipment and vehicles	3,388,138	428,610	(666,040)	3,150,708
Infrastructure, road network	3,268	11,058	-	14,326
Infrastructure, other	10,882	989	-	11,871
Total accumulated depreciation	4,350,512	488,598	(666,040)	4,173,070
Total capital assets being depreciated, net	4,559,122	843,709	(91,594)	5,311,237
Governmental activities capital assets, net	\$ 6,008,550	1,467,319	(755,035)	6,720,834

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 46,151
Physical health and social services	25,515
County environment and education	40,296
Roads and transportation	352,132
Governmental services to residents	2,519
Administration	21,985
Total depreciation expense - governmental activities	\$ 488,598

(7) 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	\$ 170
Special Revenue:		
Mental Health	Services	199,711
Rural Services	Services	16,189
Secondary Roads	Services	13
		<u>215,913</u>
Total for governmental funds		<u>\$ 216,083</u>
Agency:		
County Assessor	Collections	\$ 400,410
County Hospital		807,540
Schools		5,979,244
Community Colleges		291,374
Corporations		1,791,941
Townships		229,347
Auto License and Use Tax		240,738
Lake Panorama Rural Improvement Zone		884,707
Diamondhead Lake Rural Improvement Zone		72,095
All other		354,949
Total for agency funds		<u>\$ 11,052,345</u>

(8) Changes in Long-Term Liabilities

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

	Tax Increment Urban Renewal Revenue Bonds	Compen- sated Absences	Estimated Liability for Landfill Closure and Postclosure Care	Total
Balance beginning of year	\$ 2,475,000	172,663	384,459	3,032,122
Additions	-	163,176	850	164,026
Reductions	162,684	202,521	4,765	369,970
Balance end of year	<u>\$ 2,312,316</u>	<u>133,318</u>	<u>380,544</u>	<u>2,826,178</u>
Due within one year	<u>\$ 197,000</u>	<u>133,318</u>	<u>-</u>	<u>330,318</u>

Tax Increment Urban Renewal Revenue Bonds

The County sold \$1,735,000 of tax increment urban renewal revenue bonds dated November 27, 2001 to provide an economic development incentive to the Tall Corn Ethanol Cooperative and for capital improvements in the Tall Corn Ethanol Urban Renewal Area. The County sold an additional \$900,000 of tax increment urban renewal revenue bonds dated June 12, 2003 to provide capital improvements in the Tall Corn Ethanol Urban Renewal Area. The bonds are payable from the income and proceeds from a separate account within the Special Revenue, Urban Renewal Revenue Fund, which has not yet been established, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for purposes which are consistent with the plans of the County’s urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

Interest on the bonds shall be adjusted to a rate per annum equal to the yield at “constant maturity” of the five-year U.S. Treasury Notes, plus 90 basis points, on December 1, 2006, December 1, 2011, December 1, 2016 and December 1, 2021. However, the interest rate may not be more than 2% higher or lower than the preceding rate and the adjusted rate may not exceed 8% per annum or be less than 4% per annum. On December 1, 2004, and on each June 1 and December 1 as long as any of the principal of the bonds remain outstanding, to the extent there are proceeds remaining in the separate account within the Special Revenue, Urban Renewal Revenue Fund following each required payment of interest, such proceeds shall be applied to the payment of principal on the bonds. Since the interest rate and annual collections are variable, an amortization schedule is not included. Repayments of \$277,563, including principal and interest, were made during the year.

(9) Advances to/from Other Funds

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Urban Renewal Revenue	<u>\$ 201,267</u>

During the year ended June 30, 2002, the County authorized a \$417,301 advance from the General Fund to a separate account within the Special Revenue, Urban Renewal Revenue Fund to reimburse the Special Revenue, Secondary Roads Fund for expenses incurred on behalf of the urban renewal area. The advance will be repaid from tax increment financing collected in the separate account within the Special Revenue, Urban Renewal Revenue Fund and will include interest at 6% per annum. Repayments of \$85,000, including principal and interest, were made during the year.

(10) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain

employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$160,439, \$157,164 and \$153,476, respectively, equal to the required contributions for each year.

(11) Contingent Liabilities

General Obligation Sewer Improvement Notes

On June 1, 1989, the County issued \$300,000 of general obligation sewer improvement notes for the South Panorama Sanitary District. In November 1998, the County issued \$200,000 of general obligation sewer improvement notes to refund the remaining \$190,000 of the original issue.

The County is contingently liable on general obligation sewer improvement note indebtedness of \$30,000 outstanding at June 30, 2005. Since the interest and note principal are currently paid out of South Panorama Sanitary District revenues, this liability has not been recorded in the Statement of Net Assets. However, since the notes are a general obligation of the County, if the revenues of the sanitary district in future years are not adequate, a tax may be levied on all taxable property in the County. The transactions for this sewer improvement note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2005 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.35%	\$ 30,000	1,305	31,305

South Central Iowa Regional E-911 Service Board General Obligation E-911 Notes

On April 15, 1999, the County entered into an agreement with the South Central Iowa Regional E-911 Service Board to assist in financing the repayment of debt and specific improvements and upgrades of the E-911 service system. The agreement provided for Guthrie County to sell general obligation E-911 notes on behalf of the Service Board for the purpose outlined above. The notes are to be repaid exclusively from E-911 service surcharge revenue.

The County is contingently liable on \$580,000 of the general obligation E-911 note indebtedness outstanding at June 30, 2005. Since the interest and note principal is currently paid out of South Central Iowa Regional E-911 Service Board revenues, this liability has not been recorded in the Statement of Net Assets. However, since the notes are a general obligation of the County, if the revenues of the Service Board are not adequate, a tax may be levied on all taxable property in the County.

The Service Board is required to make semi-annual payments on each June 1 and December 1 through June 1, 2012. The transactions for this E-911 note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2005 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.35%	\$ 75,000	26,415	101,415
2007	4.40	75,000	23,152	98,152
2008	4.45	80,000	19,853	99,853
2009	4.55	80,000	16,293	96,293
2010	4.60	85,000	12,653	97,653
2011 – 2012	4.70 – 4.75	185,000	13,255	198,255
Total		\$ 580,000	111,621	691,621

(12) Community Economic Betterment Account (CEBA) Loan

Guthrie County entered into a loan agreement dated July 22, 1999 with the Iowa Department of Economic Development for \$75,000. The proceeds were received during the year ended June 30, 2000 and loaned to a local business to assist with economic development. The loan consists of a \$37,500 forgivable loan and a \$37,500 conventional loan with an interest rate of 3% per annum. Repayment of the conventional loan is to be made in 84 equal monthly payments of \$496 with the first payment due on February 1, 2000. The installments due July 1, 2004 through June 30, 2005 have been paid, leaving a balance on the conventional loan at June 30, 2005 of \$9,279. At the project completion date, \$1,500 will be forgiven for each new job created and the balance will be amortized over the remaining two years in equal monthly payments with 6% per annum interest. The County's liability for repayment of these loans is limited to the amounts the County receives as repayments from the local business. Because the loans are to be paid from other than County resources, the loans do not constitute a liability of the County and are not reported in the financial statements.

(13) Risk Management

Guthrie 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 \$154,687.

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.

(14) Employee Group Health and Prescription Plan

The Internal Service, Employee Group Health and Prescription Fund was established to account for the partial self funding of the County's health insurance and prescription benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$32,500. 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 and Prescription 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 Auxiant from the Employee Group Health and Prescription Fund. The County records the plan assets and related liabilities of the Employee Group Health and Prescription Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$738,261.

Amounts payable from the Employee Group Health and Prescription Fund at June 30, 2005 total \$98,841, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. The reserve was \$236,916 at June 30, 2005 and is reported as a designation of the Internal Service, Employee Group Health and Prescription 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 liabilities for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 64,919
Incurred claims (including claims incurred but not reported at June 30, 2005)	849,122
Payment on claims during the fiscal year	<u>(815,200)</u>
Unpaid claims end of year	<u><u>\$ 98,841</u></u>

(15) Closure and Postclosure Care

To comply with federal and state regulations, the County is required to complete a monitoring system plan and a closure/postclosure care 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 requirements is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate a 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, effective for periods beginning after June 15, 1993, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for Guthrie County have been estimated at \$374,271 as of June 30, 2005, and that liability has been recognized. The liability represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the landfill. The County has reserved \$460,428 of its debt capacity to cover these costs.

Guthrie County operates a transfer station where the waste is transferred for disposal under a 28E agreement to a local area landfill. The total costs for Guthrie County have been estimated at \$6,273 as of June 30, 2005, and that liability has been recognized. The County has dedicated \$10,000 in a closure account to cover these costs.

(16) Deficit Fund Balance

The Special Revenue, Mental Health Fund had a deficit balance of \$160,660 at June 30, 2005. The County is investigating options for eliminating the deficit.

(17) Restatements

The beginning balances for Agency Funds were restated to correct prior year property tax receivable, as follows:

	Balance Beginning of Year	Adjustment	Balance Beginning of Year, as Restated
County Hospital	\$ 777,311	63,000	840,311
Schools	5,881,374	102,000	5,983,374
Community Colleges	543,187	(290,000)	253,187
Corporations	2,488,226	(677,000)	1,811,226
Townships	236,848	(9,257)	227,591
Lake Panorama Rural Improvement Zone	-	706,169	706,169
Diamondhead Lake Rural Improvement Zone	-	53,088	53,088

Guthrie County

Required Supplementary Information

Guthrie 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	Net
Receipts:			
Property and other county tax	\$ 3,692,469	-	3,692,469
Interest and penalty on property tax	48,274	-	48,274
Intergovernmental	4,728,072	-	4,728,072
Licenses and permits	31,010	-	31,010
Charges for service	450,792	-	450,792
Use of money and property	196,087	10,732	185,355
Miscellaneous	560,971	44,266	516,705
Total receipts	<u>9,707,675</u>	<u>54,998</u>	<u>9,652,677</u>
Disbursements:			
Public safety and legal services	812,816	-	812,816
Physical health and social services	922,620	-	922,620
Mental health	1,124,625	-	1,124,625
County environment and education	1,068,045	31,148	1,036,897
Roads and transportation	4,357,083	-	4,357,083
Governmental services to residents	357,724	-	357,724
Administration	782,022	-	782,022
Non-program	940	-	940
Debt service	362,562	-	362,562
Capital projects	654,964	-	654,964
Total disbursements	<u>10,443,401</u>	<u>31,148</u>	<u>10,412,253</u>
Excess (deficiency) of receipts over (under) disbursements	(735,726)	23,850	(759,576)
Other financing sources, net	91,842	-	91,842
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(643,884)	23,850	(667,734)
Balance beginning of year	6,275,180	422,315	5,852,865
Balance end of year	<u>\$ 5,631,296</u>	<u>446,165</u>	<u>5,185,131</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,590,671	3,590,671	101,798
-	-	48,274
4,417,136	5,169,558	(441,486)
16,150	16,150	14,860
305,795	350,423	100,369
123,554	123,554	61,801
238,750	374,650	142,055
<u>8,692,056</u>	<u>9,625,006</u>	<u>27,671</u>
863,102	863,102	50,286
1,052,922	1,065,340	142,720
1,157,300	1,157,300	32,675
1,047,432	1,171,773	134,876
3,714,679	4,594,052	236,969
357,744	389,744	32,020
893,990	891,172	109,150
2,500	2,500	1,560
485,000	485,000	122,438
485,000	1,215,000	560,036
<u>10,059,669</u>	<u>11,834,983</u>	<u>1,422,730</u>
(1,367,613)	(2,209,977)	1,450,401
87,200	87,200	4,642
(1,280,413)	(2,122,777)	1,455,043
4,310,122	5,753,072	99,793
<u>3,029,709</u>	<u>3,630,295</u>	<u>1,554,836</u>

Guthrie 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	\$ 9,707,675	(118)	9,707,557
Expenditures	10,443,401	263,740	10,707,141
Net	(735,726)	(263,858)	(999,584)
Other financing sources, net	91,842	808	92,650
Beginning fund balances	6,275,180	636,736	6,911,916
Ending fund balances	\$ 5,631,296	373,686	6,004,982

See accompanying independent auditor's report.

Guthrie 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, Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. 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 \$1,775,314. 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. However, the capital projects function budget was exceeded prior to amendment. Also, disbursements in certain departments exceeded the amounts appropriated.

Guthrie County

Other Supplementary Information

Guthrie County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

								Special
	Flood and Erosion	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Work Release Program	Sheriff Investi- gation	Attorney Seized Property	
Assets								
Cash and pooled investments:								
County Treasurer	\$ 33,108	75,288	14,336	14	1,656	3,100	1,231	
Held by component								
unit treasurers	-	-	-	-	-	-	-	
Accounts receivable	-	-	-	-	-	80	-	
Due from other funds	-	-	-	-	-	-	-	
Total assets	\$ 33,108	75,288	14,336	14	1,656	3,180	1,231	
Liabilities and Fund Equity								
Fund equity:								
Fund balances:								
Reserved for conservation purposes	\$ -	75,288	-	-	-	-	-	
Unreserved:								
Designated for closure and postclosure care	-	-	-	-	-	-	-	
Undesignated	33,108	-	14,336	14	1,656	3,180	1,231	
Total fund equity	33,108	75,288	14,336	14	1,656	3,180	1,231	
Total liabilities and fund equity	\$ 33,108	75,288	14,336	14	1,656	3,180	1,231	

See accompanying independent auditor's report.

Revenue								
Canine	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Drainage Districts	Healthy Activity/ Well Connect	Landfill Transfer Station Closure	Conservation Land Acquisition	Fairgrounds Amphitheater Trust	Total
4,728	-	-	8,914	2,608	10,000	16,826	58,249	230,058
-	388,737	48,514	-	-	-	-	-	437,251
-	-	-	-	-	-	-	-	80
223	-	-	-	-	-	3,943	-	4,166
4,951	388,737	48,514	8,914	2,608	10,000	20,769	58,249	671,555
-	388,737	48,514	-	-	-	-	-	512,539
-	-	-	-	-	10,000	-	-	10,000
4,951	-	-	8,914	2,608	-	20,769	58,249	149,016
4,951	388,737	48,514	8,914	2,608	10,000	20,769	58,249	671,555
4,951	388,737	48,514	8,914	2,608	10,000	20,769	58,249	671,555

Guthrie County

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

Year ended June 30, 2005

	Special						
	Emergency Management Services	Flood and Erosion	Resource Enhance- ment and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Work Release Program	Sheriff Investi- gation
Revenues:							
Intergovernmental	\$ -	-	9,485	-	-	110	-
Charges for service	-	-	-	3,897	-	-	-
Use of money and property	-	-	1,080	126	97	-	169
Miscellaneous	-	-	-	-	-	-	1,557
Total revenues	-	-	10,565	4,023	97	110	1,726
Expenditures:							
Operating:							
Public safety and legal services	180	-	-	-	-	-	10,003
County environment and education	-	1,437	-	-	-	-	-
Governmental services to residents	-	-	-	3,364	36,976	-	-
Total expenditures	180	1,437	-	3,364	36,976	-	10,003
Excess (deficiency) of revenues over (under) expenditures	(180)	(1,437)	10,565	659	(36,879)	110	(8,277)
Other financing sources:							
Operating transfers in	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(180)	(1,437)	10,565	659	(36,879)	110	(8,277)
Fund balances beginning of year	180	34,545	64,723	13,677	36,893	1,546	11,457
Fund balances end of year	\$ -	33,108	75,288	14,336	14	1,656	3,180

See accompanying independent auditor's report.

Revenue									
Attorney Seized Property	Canine	Prairie Woodland Conservation Foundation	Guthrie County Historical Village Foundation	Drainage Districts	Healthy Activity/Well Connect	Landfill Transfer Station Closure	Conservation Land Acquisition	Fairgrounds Amphitheater Trust	Total
-	-	-	-	-	-	-	-	-	9,595
-	-	-	-	-	-	-	-	-	3,897
-	223	10,405	280	-	11	-	-	-	12,391
-	13,271	26,590	17,675	-	325	-	-	-	59,418
-	13,494	36,995	17,955	-	336	-	-	-	85,301
-	8,543	-	-	-	-	-	-	-	18,726
-	-	28,508	2,639	-	-	-	-	-	32,584
-	-	-	-	-	-	-	-	-	40,340
-	8,543	28,508	2,639	-	-	-	-	-	91,650
-	4,951	8,487	15,316	-	336	-	-	-	(6,349)
-	-	-	-	-	-	-	5,114	7,025	12,139
-	4,951	8,487	15,316	-	336	-	5,114	7,025	5,790
1,231	-	380,250	33,198	8,914	2,272	10,000	15,655	51,224	665,765
1,231	4,951	388,737	48,514	8,914	2,608	10,000	20,769	58,249	671,555

Guthrie County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,476	125,615	17,084	119,939
Other county officials	8,819	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,081	2,700	7,456	51,305
Succeeding year	-	125,000	300,000	783,000	5,808,000
Accounts	-	-	-	-	-
Special assessments:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 8,819	128,557	428,315	807,540	5,979,244
Liabilities					
Accounts payable	\$ -	-	7,171	-	-
Salaries and benefits payable	-	-	5,786	-	-
Due to other funds	373	-	-	-	-
Due to other governments	8,446	128,557	400,410	807,540	5,979,244
Compensated absences	-	-	14,948	-	-
Total liabilities	\$ 8,819	128,557	428,315	807,540	5,979,244

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Lake Panorama Rural Improvement Zone	Diamondhead Lake Rural Improvement Zone	Other	Total
5,134	43,866	4,802	13,489	240,738	4,707	2,095	20,596	600,541
-	-	-	-	-	-	-	-	8,819
2,240	31,075	1,545	-	-	-	-	6,876	104,278
284,000	1,717,000	223,000	-	-	880,000	70,000	11,000	10,201,000
-	-	-	-	-	-	-	10,261	10,261
-	-	-	20,819	-	-	-	-	20,819
-	-	-	118,308	-	-	-	-	118,308
-	-	-	-	-	-	-	16,423	16,423
-	-	-	-	-	-	-	373	373
291,374	1,791,941	229,347	152,616	240,738	884,707	72,095	65,529	11,080,822
-	-	-	-	-	-	-	199	7,370
-	-	-	-	-	-	-	-	5,786
-	-	-	-	-	-	-	-	373
291,374	1,791,941	229,347	152,616	240,738	884,707	72,095	65,330	11,052,345
-	-	-	-	-	-	-	-	14,948
291,374	1,791,941	229,347	152,616	240,738	884,707	72,095	65,529	11,080,822

Guthrie County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets and Liabilities					
Balances beginning of year, as restated	\$ 9,967	123,526	372,158	840,311	5,983,374
Additions:					
Property and other county tax	-	123,402	297,269	781,356	5,783,410
State tax credits	-	7,193	17,975	49,629	351,153
Office fees and collections	273,524	-	652	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	48,931	-	-	-	-
Miscellaneous	-	28	71	197	1,243
Total additions	322,455	130,623	315,967	831,182	6,135,806
Deductions:					
Agency remittances:					
To other funds	149,690	-	-	-	-
To other governments	124,982	125,592	259,810	863,953	6,139,936
Trusts paid out	48,931	-	-	-	-
Total deductions	323,603	125,592	259,810	863,953	6,139,936
Balances end of year	\$ 8,819	128,557	428,315	807,540	5,979,244

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Special Assessments	Auto License and Use Tax	Lake Panorama Rural Improvement Zone	Diamondhead Lake Rural Improvement Zone	Other	Total
253,187	1,811,226	227,591	148,544	222,117	706,169	53,088	59,538	10,810,796
283,501	1,713,657	212,492	-	-	880,462	70,749	19,849	10,166,147
14,913	138,894	27,922	-	-	11,368	3,544	350	622,941
-	-	-	-	-	-	-	230,413	504,589
-	-	-	-	2,776,763	-	-	-	2,776,763
-	-	-	35,893	-	-	-	31,694	67,587
-	-	-	-	-	-	-	-	48,931
59	-	64	-	-	-	-	161,806	163,468
298,473	1,852,551	240,478	35,893	2,776,763	891,830	74,293	444,112	14,350,426
-	-	-	-	114,116	-	-	-	263,806
260,286	1,871,836	238,722	31,821	2,644,026	713,292	55,286	438,121	13,767,663
-	-	-	-	-	-	-	-	48,931
260,286	1,871,836	238,722	31,821	2,758,142	713,292	55,286	438,121	14,080,400
291,374	1,791,941	229,347	152,616	240,738	884,707	72,095	65,529	11,080,822

Guthrie County

Guthrie 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	\$ 3,761,829	3,308,558	2,023,158	2,056,844	2,316,548
Interest and penalty on property tax	48,267	47,257	36,371	57,327	43,333
Intergovernmental	4,750,377	4,506,027	4,103,546	5,020,284	6,640,217
Licenses and permits	31,344	33,060	27,877	26,736	20,515
Charges for service	422,087	645,368	579,604	493,553	470,165
Use of money and property	242,701	190,087	171,266	229,775	465,944
Fines, forfeitures and defaults	-	-	7,491	11,108	16,108
Miscellaneous	450,952	199,279	225,244	577,836	190,931
Total	\$ 9,707,557	8,929,636	7,174,557	8,473,463	10,163,761
Expenditures:					
Operating:					
Public safety and legal services	\$ 805,764	813,388	858,199	834,772	772,779
Physical health and social services	962,820	972,204	1,037,535	988,770	937,552
Mental health	1,221,325	1,188,315	1,155,757	1,235,295	1,101,745
County environment and education	1,058,489	894,099	838,822	2,874,990	3,461,949
Roads and transportation	4,675,573	2,959,480	3,035,064	2,612,826	3,252,908
Governmental services to residents	360,388	313,206	308,926	291,620	267,188
Administration	742,589	697,703	873,594	978,609	620,709
Non-program	940	10,164	-	1,000	-
Debt service	292,864	304,272	106,220	63,770	-
Capital projects	586,389	514,861	1,042,239	193,735	532,422
Total	\$ 10,707,141	8,667,692	9,256,356	10,075,387	10,947,252

See accompanying independent auditor's report.

Schedule 6

Guthrie County

Schedule of Federal Financial Assistance

Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 4,099
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C039(31)-8J-39	69,498
Highway Planning and Construction	20.205	BROS-C039(37)-8J-39	29,489
Highway Planning and Construction	20.205	BROS-C039(44)-8J-39	159,664
			258,651
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		5,466
Refugee and Entrant Assistance - State Administered Programs	93.566		7
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,070
Foster Care - Title IV-E	93.658		2,859
Adoption Assistance	93.659		669
Medical Assistance Program	93.778		5,880
Social Services Block Grant	93.667		3,624
Social Services Block Grant	93.667		44,790
			48,414
Iowa Department of Public Health:			
Immunization Grants	93.268	5884I446	1,196
Immunization Grants	93.268	5885I446	2,266
			3,462
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	5885BT28	48,214

Guthrie County
 Schedule of Federal Financial Assistance
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
State Domestic Preparedness Equipment	97.004		70,728 *
Support Program	97.036	FEMA-DR-1518-IA	<u>252,413</u>
Public Assistance Grants	97.039		<u>34</u>
Hazard Mitigation Grant	97.047		<u>1,350</u>
Pre-disaster Mitigation			<u>1,350</u>
Total			<u>\$ 703,316</u>

* - includes \$70,156 of non-cash awards.

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

See accompanying independent auditor's report.

Guthrie County



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

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Auditor of State

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

To the Officials of Guthrie County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Guthrie 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 February 7, 2006. 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 Guthrie 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 Guthrie County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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

Compliance and Other Matters

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

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 7, 2006



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Guthrie County:

Compliance

We have audited the compliance of Guthrie County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Guthrie County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Guthrie County's management. Our responsibility is to express an opinion on Guthrie County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Guthrie County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Guthrie County's compliance with those requirements.

In our opinion, Guthrie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

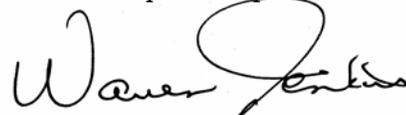
The management of Guthrie County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Guthrie County's internal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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 7, 2006

Guthrie County
Schedule of Findings
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 20.205 – Highway Planning and Construction
 - CFDA Number 97.036 – Public Assistance Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Guthrie County did not qualify as a low-risk auditee.

Guthrie County
 Schedule of Findings
 Year ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties – During our review of the 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) Receipts - listing of mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Sheriff, Recorder and Transfer Station/Landfill
(2) Bank reconciliation is not prepared by someone who doesn't sign checks, handle or record cash.	Treasurer, Sheriff and Recorder
(3) Investments - The person responsible for the detailed record keeping of investments is also the custodian of the investments.	Treasurer
(3) Disbursements - processing of vouchers, check or warrant writing, signing, posting and reconciling.	Recorder

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.

Responses –

Treasurer – We will try to include more people in listing, collecting and depositing, although with people constantly on vacation or sick it is tough. Everyone signs checks in our office so it is difficult to remedy this problem. We will have to look at this and maybe try to make some changes. I will try and designate another person to take turns with part of the investments.

Guthrie County

Schedule of Findings

Year ended June 30, 2005

Recorder – We are a small office with limited staff. We will continue to try to segregate duties.

Sheriff – Sheriff Baird has acquired a book to randomly record mail receipts on different days during each month so a check can be made to see that receipts are recorded and accounted for in the Sheriff's cash book.

Transfer Station/Landfill – With normally only one office person on duty at a time at the Transfer Station it is not possible to have a check over the incoming funds. We do have the Treasurer's receipts returned to the Director's office for review to see that receipts are current. Also, funds that need not be funneled through the Transfer Station (such as the per capita city payments, etc.) do come directly to the Director's office as well. Beyond that it is difficult to do much more to oversee the daily receipts.

Conclusion – Responses acknowledged. For those offices with limited staff, other County personnel could be used to provide additional control through review of financial transactions. Also, the reviews performed by an independent person should be evidenced by initials or signature of the reviewer and the date of review.

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

The County does not have written policies for:

- Procedures to ensure critical files which reside on individual computer hard drives are backed up on a regular basis.
- Requiring passwords to be changed and password history is not used to prevent reuse of passwords.
- Password length set at a minimum number of characters.
- A lockout function if a person repeatedly enters a password incorrectly.
- A written disaster recovery plan.

Recommendation – The County should review its control activities and policies in its information system to determine appropriate controls or policies are implemented for each item presented above.

Response – Essential data from personal computers is stored redundantly on the server, and backed up nightly. Back up tapes are removed daily and stored off-site overnight.

Data stored on personal computers is accessible to staff within the respective office for the daily operation of office business. Data on personal computers is not accessible to staff outside the respective offices.

Guthrie County

Schedule of Findings

Year ended June 30, 2005

Password specifications are not in place, but will be suggested to the respective department heads.

A written disaster recovery plan is not currently in place. A recovery plan will be suggested to the Board of Supervisors as a priority issue.

Conclusion – Response accepted.

Guthrie County

Schedule of Findings

Year ended June 30, 2005

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

No material weaknesses in internal control over major programs were noted.

Guthrie County

Schedule of Findings

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005. However, a new depository resolution was not adopted to reflect the name change of Security State Bank to Meta Bank.

Recommendation – A new resolution naming Meta Bank as an approved depository should be adopted by the Board.

Response – The Board of Supervisors will adopt a new resolution naming Meta Bank.

Conclusion – Response accepted.

IV-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted. However, the capital projects function budget was exceeded prior to amendment.

Also, disbursements in two departments exceeded the amount appropriated and three other departments exceeded the amount appropriated prior to the amendment on April 26, 2005.

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

Response – The budgets in question were amended with the intent of compliance with IA Code 331.435.

Several amendments were scheduled to be completed prior to exceeding appropriations. Our error in these cases occurred in completing amendments within the same month, but after the date of the excess expenditures. In future years, our amendments will be completed prior to the actual date of payment, rather than the month of payment.

The amount necessary for the Transfer Station amendment was incorrectly calculated. Upon review, it was determined that the department head had projected the needed appropriations to complete 3 remaining months. This was incorrect, as the amendment should have accounted for 4 remaining months. Future amendments to the Transfer Station budget will be reviewed to prevent this error from happening again.

Conclusion – Response accepted.

Guthrie County

Schedule of Findings

Year ended June 30, 2005

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

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

IV-E-05 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jerry Cook, employee	Mowing for County	\$ 240 (a)
Larry Long, employee	Mowing for County	45 (a)
Dean Downing, employee	Mowing for County	75 (a)
Lillian Gilson, employee, son is owner of Gilson Construction	Snow removal/repairs	1,427 (a)
Cheryl Jensen, employee, spouse is owner of Jensen Sanitation	Conservation garbage/sewer	1,180 (a)
Todd Plowman, employee, related to owner of Plowman and Stanley Trenching	Watershed repair	1,437 (a)
Stephan Eischeid, employee, father of Austin Eischeid	Roadside mowing, per bid	7,660 (b)
Amy Badger, employee, husband is owner of Badger Sanitation	Garbage pickup, per bid	2,376 (b)

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

The transactions designated with a (b) do not represent a conflict of interest since they were entered into through competitive bid.

IV-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

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

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

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

Guthrie County

Schedule of Findings

Year ended June 30, 2005

Response – Iowa Code 349.18 states: “The county auditor shall furnish a copy of the proceedings to be published, within one week following the adjournment of the board.”

The Guthrie County Attorney has advised the County Auditor that this code section requires that the County Auditor provide the proceedings to the publishers within one week of adjournment. Furthermore, the opinion of the County Attorney indicates that the timeliness of the publication itself is not addressed in IA Code 349.18.

It is the practice to provide board minutes to the publishers on Tuesday of each week. It has been the policy to transmit this information via e-mail. As a result of this policy, the County Auditor will have a detailed record documenting the timely exchange of the minutes for fiscal year 2006.

As the previous County Auditor provided minutes to the publishers via paper copy, the current County Auditor has no documentation to prove that this information was exchanged in a timely manner. Despite the lack of documentation, it is the expectation that this office complied with IA Code 349.18 through out fiscal year 2005.

Conclusion – Response accepted.

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

IV-I-05 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsection (b)(2) and (b)(3).

IV-J-05 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

IV-K-05 Deficit Fund Balance – The Mental Health Fund had a deficit fund balance of \$160,660 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.

Guthrie County

Schedule of Findings

Year ended June 30, 2005

Response – In fiscal year 2006, Guthrie County increased its mental health levy to 100%. With a continued 100% levy in fiscal year 2007, Guthrie County expects the Mental Health Fund to achieve a sound financial position by the end of fiscal year 2008.

Conclusion – Response accepted.

IV-M-05 Special Appraiser's Levy – Chapter 441.50 of the Code of Iowa states:

“The conference board shall have power to employ appraisers or other technical or expert help to assist in the valuation of property, the cost thereof to be paid in the same manner as other expenses of the assessor's office. The conference board may certify for levy annually an amount not to exceed forty and one-half cents per thousand dollars for the purpose of establishing a special appraiser's fund, to be used only for such purposes. From time to time the conference board may direct the transfer of any unexpended balance in the special appraiser's fund to the assessment expense fund.”

Pursuant to an Attorney General's Opinion dated November 2, 1962, “...the appraisal fund created by §441.50 can only be used in the employment and compensation of professional and expert appraisers and cannot be used for the compensation of local appraisers to assist the county assessor.”

The County Assessor's Conference Board levies annually for the special appraiser's levy and utilizes the amount received to supplement operations.

Recommendation – The Conference Board should discontinue budgeting and levying special appraiser's levy to supplement the Assessment Expense Fund.

The County Assessor and Conference Board should consult the County Attorney to determine the proper disposition of the amounts levied for the Special Appraiser's Fund for fiscal 2006 and prior years.

Response – As per our conversation, the County Assessor will assign the percentages of expenses that should be paid out of the Assessment Expense Fund and Special Appraisal Fund and issue requisitions accordingly. These will include salaries since there is only a Chief Deputy, Chief Appraiser and Assistant Appraiser in the Assessor's Office. There are no clerks or office managers. We are all pretty well cross trained and do what ever needs to be done.

Conclusion – Response acknowledged. The Assessor should review his budget and expenses to ensure the special appraiser's levy is not being used to supplement the Assessment Expense Fund.

Guthrie County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
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Michelle L. Harris, 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