



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

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**NEWS RELEASE**

FOR RELEASE

\_\_\_\_\_ May 4, 2006 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$14,481,880 for the year ended June 30, 2005, which included \$965,108 in tax credits from the state. The County forwarded \$10,556,066 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,925,814 of the local tax revenue to finance County operations, a 5.9 percent decrease from the prior year. Other revenues included charges for service of \$632,111, operating grants, contributions and restricted interest of \$2,879,103, capital grants, contributions and restricted interest of \$587,886, unrestricted investment earnings of \$47,397 and other general revenues of \$158,331.

Expenses for County operations totaled \$7,668,707, a 3.8 percent decrease from the prior year. Expenses included \$2,999,256 for roads and transportation, \$1,189,201 for mental health and \$1,122,205 for administration.

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

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**GREENE COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2005**

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**Greene County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
Bill Raney	Board of Supervisors	Jan 2005
Jack Anderson	Board of Supervisors	Jan 2005
Guy Richardson	Board of Supervisors	Jan 2005
Terrance F. Adams	Board of Supervisors	Jan 2007
Duane Larson	Board of Supervisors	Jan 2007
Jane Heun	County Auditor	Jan 2005
Donna Lawson	County Treasurer	Jan 2007
Marcia Tasler	County Recorder	Jan 2007
Jeffrey R. Roeder	County Sheriff	Jan 2005
Nicola J. Martino	County Attorney	Jan 2007
Jim Spearman	County Assessor	(Resigned Dec 2004)
<b>(After January 2005)</b>		
Bill Raney	Board of Supervisors	(Resigned Jan 2006)
Terrance F. Adams	Board of Supervisors	Jan 2007
Duane Larson	Board of Supervisors	Jan 2007
Mary Jane Fields	Board of Supervisors	Jan 2009
Guy Richardson	Board of Supervisors	Jan 2009
Jane Heun	County Auditor	Jan 2009
Donna Lawson	County Treasurer	Jan 2007
Marcia Tasler	County Recorder	Jan 2007
Thomas F. Heater	County Sheriff	Jan 2009
Nicola J. Martino	County Attorney	Jan 2007
Linda Spearman	County Assessor	Jan 2011

**Greene County**



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Independent Auditor's Report

To the Officials of Greene County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Greene 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 Greene County's management. Our responsibility is to express opinions on these financial statements based on our audit.

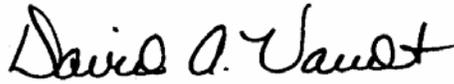
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Greene County at June 30, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2006 on our consideration of Greene 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 42 through 45 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 Greene County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 26, 2006

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Greene County provides this Management's Discussion and Analysis of its annual 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.

Greene County implemented new reporting standards last year with significant changes in content and structure. Now much of the information is easily comparable to the prior year.

### 2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 13.3%, or approximately \$1,265,000, from fiscal 2004 to fiscal 2005. Property tax decreased approximately \$225,000 from fiscal 2004, primarily because of the decrease in property valuations. Operating grants, contributions and restricted interest decreased approximately \$50,000 and capital grants, contributions and restricted interest decreased approximately \$1,092,000.
- The program expenses of the County's governmental activities decreased 3.77%, or approximately \$300,000. Roads and transportation expenses decreased approximately \$466,000 and county environment and education expenses increased approximately \$129,000.
- The County's net assets increased 3.77%, or approximately \$562,000, 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 Greene 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 Greene 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 Greene 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 that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

## **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 that 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 two 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 the General Fund, Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads, and the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily 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) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage district funds, emergency management services, the County Assessor and all the property tax funds necessary to collect and distribute the taxes to schools, cities, townships and all other taxing authorities. Greene County excludes these activities from the county-wide financial statements because these assets cannot be used to finance its operations. Fiduciary funds report a liability, due to other governments, and, therefore, no fund balance is reported.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below focuses on the changes in the County's net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 8,228	7,487
Capital assets	12,172	12,008
Total assets	20,400	19,495
Long-term liabilities	297	466
Other liabilities	4,644	4,132
Total liabilities	4,941	4,598
Net assets:		
Invested in capital assets, net of related debt	12,155	11,803
Restricted	1,974	2,145
Unrestricted	1,330	949
Total net assets	\$ 15,459	14,897

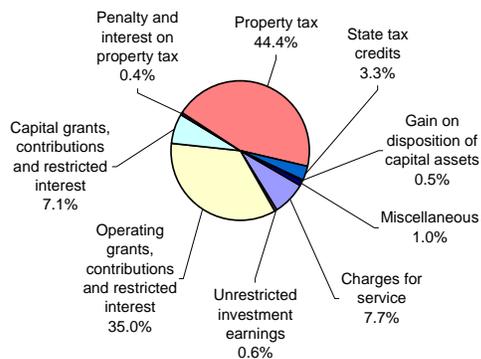
Net assets of Greene County's governmental activities increased by approximately \$562,000, or 3.77%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$949,000 at June 30, 2004 to approximately \$1,330,000 and the end of this year, an increase of 40.1%.

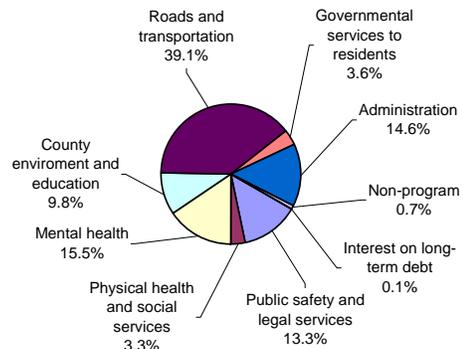
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 632	616
Operating grants, contributions and restricted interest	2,879	2,929
Capital grants, contributions and restricted interest	588	1,680
<b>General revenues:</b>		
Property tax	3,652	3,877
Penalty and interest on property tax	37	29
State tax credits	274	297
Unrestricted investment earnings	47	26
Miscellaneous	41	34
Gain on disposition of capital assets	80	7
Total revenues	<u>8,230</u>	<u>9,495</u>
<b>Program expenses:</b>		
Public safety and legal services	1,019	1,000
Physical health and social services	253	282
Mental health	1,189	1,195
County environment and education	748	619
Roads and transportation	2,999	3,465
Governmental services to residents	275	232
Administration	1,122	1,086
Non-program	57	65
Interest on long-term debt	6	24
Total expenses	<u>7,668</u>	<u>7,968</u>
Increase in net assets	562	1,527
Net assets beginning of year	14,897	13,370
Net assets end of year	<u>\$ 15,459</u>	<u>14,897</u>

**Revenue by Source**



**Expenditures by Program**



Greene County decreased property taxes levied county-wide by \$214,944, or 7.59%, and decreased rural property taxes levied by \$14,371, or 1.21%. Taxable value (without gas and electric utilities) for each and total dollars levied are as follows:

	For Taxes Levied	
	FY 2005	FY 2004
County-wide taxable value	\$ 383,543,736	480,697,522
Dollars levied county-wide	2,616,412	2,831,356
Rural taxable value	259,680,567	361,298,838
Dollars levied rural area only	1,168,563	1,182,934
Total dollars levied	3,784,975	4,014,290

County-wide property tax revenue is budgeted to increase by approximately \$343,000 in FY06, while rural services property tax revenue is budgeted to further decrease by \$18,000. County-wide taxable value increases slightly in FY06 to \$389,631,138 (1.59%) after the severe decrease in rural valuation statewide in FY05.

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

As Greene County completed the year, its governmental funds reported a combined fund balance of \$3.47 million, an increase of approximately \$194,000 above last year's total of \$3.28 million. The increase in fund balance is primarily attributable to holding total expenditures below revenues. The following are reasons for the more significant changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased approximately \$35,000, while expenditures decreased approximately \$193,000. The ending fund balance increased approximately \$57,000 over the prior year to approximately \$1,156,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. The County lowered its mental health levy rate to 70% of the maximum allowable levy in an effort to lower taxes. The ending fund balance decreased approximately \$186,000, or 78%, from the prior year to approximately \$53,000.
- The Rural Services Fund fund balance remained relatively unchanged, but transfers to the Secondary Roads Fund from the Rural Services Fund decreased by approximately \$172,000.
- Secondary Roads Fund expenditures decreased approximately \$826,000 from the prior year, due mainly to completion of road projects during fiscal year 2004. Capital projects expenditures decreased from approximately \$458,000 during the prior year to zero during the current year.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Greene County amended its budget twice. The first amendment was made in September 2004 and resulted in an increase to budgeted revenues of \$13,000 and an increase to budgeted expenditures of \$35,000. This amendment was made to a special revenue fund to allow the Recorder's office to expend monies that had been accumulated for the purpose of establishing the County Land Records Information System (CLRIS). The second amendment was made in May 2005 to decrease revenue estimates by \$166,000 while decreasing overall expenditures by \$227,306 and to increase proceeds from the sale of capital assets by \$2,670.

During the year, the following situations/actions impacted the County's budget:

- County-wide taxable valuation dropped nearly \$100,000,000 (20%) from the prior year's taxable valuation. Likewise, rural taxable valuation fell slightly more than \$100,000,000 (28%). These severe decreases in county-wide and rural valuations compelled the Board of Supervisors to raise both the general and rural basic levies above the statutory limits. Department heads were asked to cut costs and most outside agencies requesting County funding were held to prior year funding or lesser levels.
- Elected officials each received a two percent salary increase, with the exception of the supervisors who requested no increase from the compensation board. The employee deductible self-funded portion was increased to \$200/\$400 from \$100/\$200 in an effort to save money. Prescriptions were paid down to \$10 from the prior level of \$2.
- Approximately \$100,000 of uniform patrol services costs, which is net of approximately \$30,000 of contract law enforcement revenue, were moved from the General Fund budget to the Rural Services Fund budget for the current fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2005, Greene County had approximately \$12 million invested in a broad range of capital assets, including public safety equipment, building, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 1,279	1,172
Buildings and improvements	1,059	1,095
Equipment and vehicles	3,377	3,333
Construction in progress	-	1,238
Infrastructure	6,457	5,170
Total	\$ 12,172	12,008

This year's major additions included the capital assets contributed by the Iowa Department of Transportation totaling \$395,000 and replacement of two motor graders and other secondary roads equipment totaling \$449,000.

The County had depreciation expense of \$820,482 in FY05 and total accumulated depreciation of \$7,317,924 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

During the year, Greene County paid \$215,766 on the final capital lease purchase payments for three motor graders and three radios. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2005	2004
Capital lease purchase agreement	\$ 16,481	204,881
Drainage warrants	91,961	82,545
Total	\$ 108,442	287,426

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

Greene County's elected and appointed officials and citizens considered many factors when setting the fiscal 2006 budget, tax rates and fees charged for various County activities. After weathering the effects of a 28% drop in the rural valuation (from \$374,677,579 to \$269,276,093) in FY05, the County's FY06 countywide valuation rose slightly .41% to \$270,387,806. As in fiscal 2005, the Board's budget exceeded the maximum levies in both general and rural services as permitted by Iowa Code due to the extraordinary circumstances clause. Property tax is anticipated to increase by approximately \$325,000, of which \$182,000 is from the mental health levy restored to 100% of the maximum allowable levy. Expenditures for 2006 include an estimate of up to \$150,000 for voter equipment required by the Help America Vote Act. Capital projects include completion of a Lion's Club Tree Park. Fund balances are expected to decline somewhat in order that property taxes not be raised significantly.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Greene 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 Greene County Auditor's Office, 114 N. Chestnut, Jefferson, Iowa 50129-2144.

**Greene County**

## **Basic Financial Statements**

**Exhibit A**

Greene County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,685,174
Receivables:	
Property tax:	
Delinquent	13,271
Succeeding year	3,981,000
Interest and penalty on property tax	12,197
Accounts	2,966
Accrued interest	4,612
Drainage assessments	80,999
Due from other governments	236,147
Inventories	1,211,809
Prepaid insurance	544
Capital assets (net of accumulated depreciation)	<u>12,171,587</u>
<b>Total assets</b>	<u>20,400,306</u>
<b>Liabilities</b>	
Accounts payable	480,306
Accrued interest payable	93
Salaries and benefits payable	64,735
Due to other governments	117,969
Deferred revenue:	
Succeeding year property tax	3,981,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	5,791
Compensated absences	132,209
Portion due or payable after one year:	
Capital lease purchase agreement	10,690
Compensated absences	56,380
Drainage warrants	<u>91,961</u>
<b>Total liabilities</b>	<u>4,941,134</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,155,106
Restricted for:	
Supplemental levy purposes	325,639
Mental health purposes	54,768
Secondary roads purposes	1,547,637
Other purposes	45,690
Unrestricted	<u>1,330,332</u>
<b>Total net assets</b>	<u>\$ 15,459,172</u>

See notes to financial statements.

Greene County  
Statement of Activities  
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,019,176	100,854	19,795	-	(898,527)
Physical health and social services	253,245	7,142	35,676	-	(210,427)
Mental health	1,189,201	47,517	518,155	-	(623,529)
County environment and education	748,172	89,475	9,120	192,698	(456,879)
Roads and transportation	2,999,256	130,704	2,296,357	395,188	(177,007)
Governmental services to residents	274,436	174,676	-	-	(99,760)
Administration	1,122,205	11,517	-	-	(1,110,688)
Non-program	56,926	70,226	-	-	13,300
Interest on long-term debt	6,090	-	-	-	(6,090)
<b>Total</b>	<b>\$ 7,668,707</b>	<b>632,111</b>	<b>2,879,103</b>	<b>587,886</b>	<b>(3,569,607)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					3,652,112
Penalty and interest on property tax					36,740
State tax credits					273,702
Unrestricted investment earnings					47,397
Miscellaneous					41,491
Gain on sale of capital assets					80,100
<b>Total general revenues</b>					<b>4,131,542</b>
Change in net assets					561,935
Net assets beginning of year					14,897,237
Net assets end of year					<b>\$ 15,459,172</b>

See notes to financial statements.

Greene County  
Balance Sheet  
Governmental Funds

June 30, 2005

	General	Mental Health
<b>Assets</b>		
Cash and pooled investments	\$ 1,206,675	191,838
Receivables:		
Property tax:		
Delinquent	10,868	2,097
Succeeding year	2,281,000	587,000
Interest and penalty on property tax	12,197	-
Accounts	482	-
Accrued interest	4,451	-
Drainage assessments	-	-
Due from other funds	-	-
Due from other governments	61,335	-
Inventories	-	-
Prepaid insurance	544	-
	\$ 3,577,552	780,935
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 85,983	26,334
Salaries and benefits payable	23,281	57
Due to other funds	625	-
Due to other governments	4,030	112,775
Deferred revenue:		
Succeeding year property tax	2,281,000	587,000
Other	27,063	2,097
Total liabilities	2,421,982	728,263
Fund balances:		
Reserved for:		
Supplemental levy purposes	325,221	-
Inventories	-	-
Drainage warrants	-	-
Unreserved, reported in:		
General fund	830,349	-
Special revenue funds	-	52,672
Capital projects fund	-	-
Total fund balances	1,155,570	52,672
	\$ 3,577,552	780,935

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
255,656	655,467	375,538	2,685,174
306	-	-	13,271
1,113,000	-	-	3,981,000
-	-	-	12,197
-	2,484	-	2,966
-	144	17	4,612
-	-	80,999	80,999
-	4,488	-	4,488
5,556	169,256	-	236,147
-	1,211,809	-	1,211,809
-	-	-	544
<b>1,374,518</b>	<b>2,043,648</b>	<b>456,554</b>	<b>8,233,207</b>
6,900	358,987	2,102	480,306
15,298	26,099	-	64,735
3,863	-	-	4,488
-	1,129	35	117,969
1,113,000	-	-	3,981,000
306	-	80,999	110,465
<b>1,139,367</b>	<b>386,215</b>	<b>83,136</b>	<b>4,758,963</b>
-	-	-	325,221
-	1,211,809	-	1,211,809
-	-	327,728	327,728
-	-	-	830,349
235,151	445,624	45,687	779,134
-	-	3	3
<b>235,151</b>	<b>1,657,433</b>	<b>373,418</b>	<b>3,474,244</b>
<b>1,374,518</b>	<b>2,043,648</b>	<b>456,554</b>	<b>8,233,207</b>

**Greene County**

Greene County

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

June 30, 2005

**Total governmental fund balances (page 19)** \$ 3,474,244

***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 \$19,489,511 and the accumulated depreciation is \$7,317,924. 12,171,587

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 110,465

Long-term liabilities, including a capital lease purchase agreement, drainage warrants, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (297,124)

**Net assets of governmental activities (page 16)** \$ 15,459,172

See notes to financial statements.

Greene County

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

Year ended June 30, 2005

	General	Mental Health
Revenues:		
Property and other county tax	\$ 2,109,395	407,267
Interest and penalty on property tax	29,058	-
Intergovernmental	309,397	589,859
Licenses and permits	6,992	-
Charges for service	309,542	6,377
Use of money and property	73,526	-
Miscellaneous	5,807	-
Total revenues	<u>2,843,717</u>	<u>1,003,503</u>
Expenditures:		
Operating:		
Public safety and legal services	783,001	-
Physical health and social services	250,503	-
Mental health	-	1,189,201
County environment and education	424,509	-
Roads and transportation	-	-
Governmental services to residents	236,188	-
Administration	1,044,282	-
Non-program	7,601	-
Debt service	-	-
Capital projects	-	-
Total expenditures	<u>2,746,084</u>	<u>1,189,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>97,633</u>	<u>(185,698)</u>
Other financing sources (uses):		
Sale of capital assets	2,670	-
Capital lease purchase agreement	16,481	-
Operating transfers in	-	-
Operating transfers out	(60,000)	-
Drainage warrants issued	-	-
Total other financing sources (uses)	<u>(40,849)</u>	<u>-</u>
Net change in fund balances	56,784	(185,698)
Fund balances beginning of year	<u>1,098,786</u>	<u>238,370</u>
Fund balances end of year	<u>\$ 1,155,570</u>	<u>52,672</u>

See notes to financial statements.

Special Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
1,123,890	-	-	3,640,552
-	-	-	29,058
123,389	2,296,357	122,680	3,441,682
-	25,165	-	32,157
-	-	2,576	318,495
-	6,750	304	80,580
-	108,039	72,074	185,920
1,247,279	2,436,311	197,634	7,728,444
170,908	-	10,231	964,140
-	-	-	250,503
-	-	-	1,189,201
267,470	-	-	691,979
-	2,999,673	-	2,999,673
-	-	35,341	271,529
22	-	-	1,044,304
-	-	-	7,601
-	-	48,197	48,197
-	-	222,409	222,409
438,400	2,999,673	316,178	7,689,536
808,879	(563,362)	(118,544)	38,908
-	81,750	-	84,420
-	-	-	16,481
-	828,000	40,000	868,000
(808,000)	-	-	(868,000)
-	-	53,986	53,986
(808,000)	909,750	93,986	154,887
879	346,388	(24,558)	193,795
234,272	1,311,045	397,976	3,280,449
235,151	1,657,433	373,418	3,474,244

Greene 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)** \$ 193,795

**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	\$ 593,116	
Capital assets contributed by the Iowa Department of Transportation	395,188	
Depreciation expense	<u>(820,482)</u>	167,822

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. (4,320)

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	11,561	
Other	<u>15,349</u>	26,910

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

Issued	(70,467)	
Repaid	<u>249,451</u>	178,984

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:

Compensated absences	(9,678)	
Interest on long-term debt	<u>8,422</u>	<u>(1,256)</u>

**Change in net assets of governmental activities (page 17)** \$ 561,935

See notes to financial statements.

Greene County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 696,077
Other County officials	11,761
Receivables:	
Property tax:	
Delinquent	81,253
Succeeding year	9,840,000
Accounts	12
Special assessments	19,058
Due from other funds	208
Due from other governments	765
<b>Total assets</b>	10,649,134

**Liabilities**

Accounts payable	506
Salaries and benefits payable	2,214
Due to other funds	208
Due to other governments	10,633,402
Trusts payable	5,183
Compensated absences	7,621
<b>Total liabilities</b>	10,649,134

<b>Net assets</b>	\$ -
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See notes to financial statements.

Greene County

Notes to Financial Statements

June 30, 2005

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

Greene 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, Greene 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 Greene 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.

Certain 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 Greene 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 for the individual drainage districts can be obtained from the Greene County Auditor's office.

The Raccoon River Valley Trail Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Greene County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial transactions of this foundation have been reported as a Special Revenue Fund.

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: Greene County Assessor's Conference Board, County Emergency Management Commission and Greene County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Central Iowa Juvenile Detention Center, Region V Hazardous Materials Response Commission and Region XII Council of Governments, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa. In addition, the County also participates in the following jointly governed organizations: Second Judicial District Department of Correctional Services, M & M Divide Resource Conservation & Development, Inc. and Greene County Development Corporation.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly

benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds 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 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 roads construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agency 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 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 County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

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

The following accounting policies are followed in preparing the balance sheet:

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

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.

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.

<u>Asset Class</u>	<u>Amount</u>
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 and improvements	25 - 50
Infrastructure	10 - 65
Equipment	2 - 20
Vehicles	5 - 15

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

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.

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 exceeded the amount budgeted in the roads and transportation and the capital projects functions. 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.

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

At June 30, 2005 the County had the following investments:

Type	Fair Value	Maturity
Dreyfus Government Cash Management Investor Money Market Fund	\$ 727,573	
Federal National Mortgage Association (FNMA) note	498,967	July 2005
Federal Home Loan Mortgage Corporation (FHLMC) note	497,668	August 2005
FNMA interest only strip	262	February 2017
Total	<u>\$ 1,724,470</u>	

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$149 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk. The County's FHLMC and FNMA investments at June 30, 2005 are rated AAA by Moody's Investors Service. The investments in the Dreyfus Government Cash Management Investor Money Market Fund and the Iowa Public Agency Investment Trust are unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County's investments are in the Dreyfus Government Cash Management Investor Money Market Fund, the FNMA note and the FHLMC note. The County's investment in the Dreyfus Government Cash Management Investor Money Market Fund is 42.19 percent, in the FNMA note is 28.93 percent and in the FHLMC note is 28.86 percent of the County's total investments, respectively.

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

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

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 625
	Special Revenue:	
	Rural Services	3,863
		<u>          </u>
Total		<u>\$ 4,488</u>

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

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 20,000
	Special Revenue:	
	Rural Services	808,000
Conservation Land Acquisition	General	30,000
REAP	General	10,000
		<u>          </u>
Total		<u>\$ 868,000</u>

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

**(5) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,171,833	106,700	-	1,278,533
Construction in progress	1,237,631	395,188	(1,632,819)	-
Total capital assets not being depreciated	<u>2,409,464</u>	<u>501,888</u>	<u>(1,632,819)</u>	<u>1,278,533</u>
Capital assets being depreciated:				
Buildings	2,235,977	-	-	2,235,977
Equipment and vehicles	6,429,013	517,016	(198,466)	6,747,563
Infrastructure, road network	7,594,619	1,632,819	-	9,227,438
Total capital assets being depreciated	<u>16,259,609</u>	<u>2,149,835</u>	<u>(198,466)</u>	<u>18,210,978</u>
Less accumulated depreciation for:				
Buildings	1,140,801	36,632	-	1,177,433
Equipment and vehicles	3,095,569	438,143	(163,546)	3,370,166
Infrastructure, road network	2,424,618	345,707	-	2,770,325
Total accumulated depreciation	<u>6,660,988</u>	<u>820,482</u>	<u>(163,546)</u>	<u>7,317,924</u>
Total capital assets being depreciated, net	<u>9,598,621</u>	<u>1,329,353</u>	<u>(34,920)</u>	<u>10,893,054</u>
Governmental activities capital assets, net	<u>\$ 12,008,085</u>	<u>1,831,241</u>	<u>(1,667,739)</u>	<u>12,171,587</u>

Equipment costing \$16,481 was purchased under a capital lease agreement. Accumulated depreciation on this asset was \$1,099 at June 30, 2005.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 53,104
Physical health and social services	599
County environment and education	32,051
Roads and transportation	634,828
Governmental services to residents	850
Administration	<u>99,050</u>
Total depreciation expense - governmental activities	<u>\$ 820,482</u>

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 4,030
Special Revenue:		
Mental Health	Services	112,775
Secondary Roads	Services	1,129
Nonmajor	Services	35
		<u>113,939</u>
Total for governmental funds		<u>\$ 117,969</u>
Agency:		
County Assessor	Collections	\$ 347,418
Schools		6,077,947
Community Colleges		329,619
Corporations		2,229,547
Auto License and Use Tax		197,452
County Hospital		1,068,254
All other		383,165
Total for agency funds		<u>\$ 10,633,402</u>

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

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

	Capital Lease Purchase Agreements	Drainage Warrants	Compen- sated Absences	Total
Balance beginning of year	\$ 204,881	82,545	178,911	466,337
Increases	16,481	53,986	168,723	239,190
Decreases	204,881	44,570	159,045	408,496
Balance end of year	<u>\$ 16,481</u>	<u>91,961</u>	<u>188,589</u>	<u>297,031</u>
Due within one year	<u>\$ 5,791</u>	<u>-</u>	<u>132,209</u>	<u>138,000</u>

### Capital Lease Purchase Agreement

On May 11, 1005, the County entered into a capital lease purchase agreement to lease a Toro Groundmaster. The following is a schedule of the future minimum lease payments, including interest at 6.65% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2005:

Year ending June 30,	
2006	\$ 5,884
2007	5,884
2008	5,884
Total minimum lease payments	17,652
Less amount representing interest	(1,171)
Present value of net minimum lease payments	\$ 16,481

Final payments were made under capital lease purchase agreements for three motor graders and three radios totaling \$215,766, including interest, for the year ended June 30, 2005.

### Drainage Warrants Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

### **(8) Contingent Liability and Medical Center Revenue Notes**

On March 1, 1998, the County issued \$2,405,000 of general obligation refunding bonds, with interest rates ranging from 3.95% to 4.85% per annum, to refund outstanding general obligation bonds issued in 1991 for the Greene County Medical Center.

The County entered into an irrevocable escrow agreement with Bankers Trust Company and deposited cash sufficient to retire the 1991 bonds when callable on May 1, 2001. These bonds were called on May 1, 2001 and are no longer outstanding.

The County is contingently liable on the general obligation refunding bonds. Since the interest and bond principal are currently paid from an annual tax levy certified by the Hospital Board of Trustees, this liability has not been recorded on Exhibit A. However, since the bonds are a general obligation of the County, a tax may be levied on all taxable property in the County if the revenues of the Greene County Medical Center in future years are not adequate to pay the bond principal and interest. The transactions for this bond issue are accounted for in an Agency Fund.

Details of this general obligation refunding bond indebtedness at June 30, 2005 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2006	4.40%	\$ 190,000	59,353	249,353
2007	4.50	195,000	50,992	245,992
2008	4.60	210,000	42,218	252,218
2009	4.65	220,000	32,557	252,557
2010	4.75	225,000	22,328	247,328
2011	4.85	240,000	11,640	251,640
Total		\$ 1,280,000	219,088	1,499,088

**(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 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 \$150,669, \$143,941 and \$137,102, respectively, equal to the required contributions for each year.

**(10) Risk Management**

Greene 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 \$133,283.

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 \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) E911 Lease Agreement**

On July 23, 2002, the E911 Service Board approved a \$150,000 municipal lease agreement with United Bank of Churdan for the purchase of radio equipment. The lease calls for 5 annual payments of \$37,321, including interest at 7.89% per annum. Since the lease principal and interest is to be paid exclusively from E911 surcharge revenues, this liability has not been recorded in the County's financial statements.

**(12) Subsequent Event**

During the period March through October 1, 2005, the County sought an interested party to take over operation of Cedar Lane Estates, the County's adult residential care facility. In a prior year, the County received a \$318,410 Affordable Housing Program grant. One of the grant provisions was the entire \$318,410 is required to be repaid when the County ceases to fund operations for fifteen years and closes the facility. On October 1, 2005, the County closed Cedar Lane Estates.

On January 6, 2006, the County entered into a repayment agreement with the Federal Home Loan Bank to repay the original grant in three annual installments, with no interest, starting August 1, 2006. The County anticipates using the proceeds from the sale of the facility and approximately 63 acres of farmland to repay the grant.

**Greene County**

**Required Supplementary Information**

Greene 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
<b>Receipts:</b>			
Property and other county tax	\$ 3,640,992	-	3,640,992
Interest and penalty on property tax	29,630	-	29,630
Intergovernmental	3,422,273	-	3,422,273
Licenses and permits	31,857	-	31,857
Charges for service	332,691	-	332,691
Use of money and property	77,628	-	77,628
Miscellaneous	186,116	69,492	116,624
Total receipts	<u>7,721,187</u>	<u>69,492</u>	<u>7,651,695</u>
<b>Disbursements:</b>			
Public safety and legal services	959,429	-	959,429
Physical health and social services	257,936	-	257,936
Mental health	1,210,620	-	1,210,620
County environment and education	647,202	-	647,202
Roads and transportation	3,275,023	-	3,275,023
Governmental services to residents	272,667	-	272,667
Administration	1,041,827	-	1,041,827
Non-program	6,000	-	6,000
Debt service	3,628	3,628	-
Capital projects	253,115	65,364	187,751
Total disbursements	<u>7,927,447</u>	<u>68,992</u>	<u>7,858,455</u>
Excess (deficiency) of receipts over (under) disbursements	(206,260)	500	(206,760)
Other financing sources, net	93,836	9,416	84,420
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(112,424)	9,916	(122,340)
Balance beginning of year	<u>2,797,598</u>	<u>322,107</u>	<u>2,475,491</u>
Balance end of year	<u>\$ 2,685,174</u>	<u>332,023</u>	<u>2,353,151</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
3,658,800	3,654,625	(13,633)
15,200	15,200	14,430
3,583,784	3,406,896	15,377
8,940	33,940	(2,083)
307,023	325,023	7,668
42,111	66,900	10,728
138,000	97,900	18,724
<u>7,753,858</u>	<u>7,600,484</u>	<u>51,211</u>
957,763	984,613	25,184
294,240	299,884	41,948
1,253,800	1,253,800	43,180
760,728	713,328	66,126
3,264,500	3,234,500	(40,523)
277,005	316,105	43,438
1,087,027	1,092,027	50,200
7,500	7,500	1,500
-	-	-
285,000	93,500	(94,251)
<u>8,187,563</u>	<u>7,995,257</u>	<u>136,802</u>
(433,705)	(394,773)	188,013
-	2,670	81,750
(433,705)	(392,103)	269,763
2,207,699	2,453,893	21,598
<u>1,773,994</u>	<u>2,061,790</u>	<u>291,361</u>

Greene 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	\$ 7,721,187	7,257	7,728,444
Expenditures	7,927,447	(237,911)	7,689,536
Net	(206,260)	245,168	38,908
Other financing sources, net	93,836	61,051	154,887
Beginning fund balances	2,797,598	482,851	3,280,449
Ending fund balances	\$ 2,685,174	789,070	3,474,244

See accompanying independent auditor's report.

Greene County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$192,306. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the roads and transportation and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

**Greene County**

**Other Supplementary Information**

Greene County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	REAP	County Recorder's Electronic Transaction Fee
<b>Assets</b>			
Cash and pooled investments	\$ 13,488	23,093	1,756
Receivables:			
Accrued interest	11	4	2
Drainage assessments	-	-	-
<b>Total assets</b>	<b>\$ 13,499</b>	<b>23,097</b>	<b>1,758</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	1,144	-
Due to other governments	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	1,144	-
Fund equity:			
Fund balances:			
Reserved for drainage warrants	-	-	-
Unreserved, reported in:			
Special revenue funds	13,499	21,953	1,758
Capital projects fund	-	-	-
Total fund equity	13,499	21,953	1,758
<b>Total liabilities and fund equity</b>	<b>\$ 13,499</b>	<b>23,097</b>	<b>1,758</b>

See accompanying independent auditor's report.

Special Revenue							
Forfeiture	Drainage Districts	Conservation Land Acquisition	K-9	Raccoon River Valley Trail Foundation	Capital Projects		Total
3,083	327,728	1,886	206	4,295	3		375,538
-	-	-	-	-	-		17
-	80,999	-	-	-	-		80,999
3,083	408,727	1,886	206	4,295	3		456,554
842	-	-	116	-	-		2,102
35	-	-	-	-	-		35
-	80,999	-	-	-	-		80,999
877	80,999	-	116	-	-		83,136
-	327,728	-	-	-	-		327,728
2,206	-	1,886	90	4,295	-		45,687
-	-	-	-	-	3		3
2,206	327,728	1,886	90	4,295	3		373,418
3,083	408,727	1,886	206	4,295	3		456,554

Greene County

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

Year ended June 30, 2005

	County Recorder's Records Management	REAP	County Recorder's Electronic Transaction Fee
Revenues:			
Intergovernmental	\$ -	9,120	-
Charges for service	2,576	-	-
Use of money and property	133	15	156
Miscellaneous	-	-	-
Total revenues	2,709	9,135	156
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	-	-	35,341
Debt service	-	-	-
Capital projects	-	24,407	-
Total expenditures	-	24,407	35,341
Excess (deficiency) of revenues over (under) expenditures	2,709	(15,272)	(35,185)
Other financing sources:			
Operating transfers in	-	10,000	-
Drainage warrants issued	-	-	-
Total other financing sources	-	10,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	2,709	(5,272)	(35,185)
Fund balances beginning of year	10,790	27,225	36,943
Fund balances end of year	\$ 13,499	21,953	1,758

See accompanying independent auditor's report.

Special Revenue						
Forfeiture	Drainage Districts	Conservation Land Acquisition	K-9	Raccoon River Valley Trail Foundation	Capital Projects	Total
5,660	-	107,900	-	-	-	122,680
-	-	-	-	-	-	2,576
-	-	-	-	-	-	304
350	66,557	-	2,232	2,935	-	72,074
6,010	66,557	107,900	2,232	2,935	-	197,634
8,089	-	-	2,142	-	-	10,231
-	-	-	-	-	-	35,341
-	48,197	-	-	-	-	48,197
-	49,325	137,299	-	11,378	-	222,409
8,089	97,522	137,299	2,142	11,378	-	316,178
(2,079)	(30,965)	(29,399)	90	(8,443)	-	(118,544)
-	-	30,000	-	-	-	40,000
-	53,986	-	-	-	-	53,986
-	53,986	30,000	-	-	-	93,986
(2,079)	23,021	601	90	(8,443)	-	(24,558)
4,285	304,707	1,285	-	12,738	3	397,976
2,206	327,728	1,886	90	4,295	3	373,418

Greene County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	2,100	86,931	110,149
Other County officials	11,761	-	-	-
Receivables:				
Property tax:				
Delinquent	-	571	824	32,798
Succeeding year	-	114,000	270,000	5,935,000
Accounts	12	-	-	-
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 11,773</b>	<b>116,671</b>	<b>357,755</b>	<b>6,077,947</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	502	-
Salaries and benefits payable	-	-	2,214	-
Due to other funds	208	-	-	-
Due to other governments	6,382	116,671	347,418	6,077,947
Trusts payable	5,183	-	-	-
Compensated absences	-	-	7,621	-
<b>Total liabilities</b>	<b>\$ 11,773</b>	<b>116,671</b>	<b>357,755</b>	<b>6,077,947</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	County Hospital	Other	Total
5,190	30,609	3,048	148	197,452	169,620	90,830	696,077
-	-	-	-	-	-	-	11,761
1,429	40,938	51	-	-	4,634	8	81,253
323,000	2,158,000	144,000	-	-	894,000	2,000	9,840,000
-	-	-	-	-	-	-	12
-	-	-	19,058	-	-	-	19,058
-	-	-	-	-	-	208	208
-	-	-	-	-	-	765	765
<b>329,619</b>	<b>2,229,547</b>	<b>147,099</b>	<b>19,206</b>	<b>197,452</b>	<b>1,068,254</b>	<b>93,811</b>	<b>10,649,134</b>
-	-	-	-	-	-	4	506
-	-	-	-	-	-	-	2,214
-	-	-	-	-	-	-	208
329,619	2,229,547	147,099	19,206	197,452	1,068,254	93,807	10,633,402
-	-	-	-	-	-	-	5,183
-	-	-	-	-	-	-	7,621
<b>329,619</b>	<b>2,229,547</b>	<b>147,099</b>	<b>19,206</b>	<b>197,452</b>	<b>1,068,254</b>	<b>93,811</b>	<b>10,649,134</b>

Greene County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2005

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 49,863	113,569	256,980	5,955,621
Additions:				
Property and other county tax	-	114,165	270,683	5,948,804
State tax credits	-	8,311	12,015	438,039
E911 surcharge	-	-	-	-
Office fees and collections	237,401	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	127,753	-	-	-
Miscellaneous	-	-	77	20
Total additions	<u>365,154</u>	<u>122,476</u>	<u>282,775</u>	<u>6,386,863</u>
Deductions:				
Agency remittances:				
To other funds	117,522	-	-	-
To other governments	116,786	119,374	182,000	6,264,537
Trusts paid out	168,936	-	-	-
Total deductions	<u>403,244</u>	<u>119,374</u>	<u>182,000</u>	<u>6,264,537</u>
Balances end of year	<u>\$ 11,773</u>	<u>116,671</u>	<u>357,755</u>	<u>6,077,947</u>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	County Hospital	Other	Total
279,661	2,106,668	152,619	1,367	185,203	1,045,946	104,549	10,252,046
323,693	2,164,721	144,239	-	-	895,873	2,482	9,864,660
20,559	135,613	11,430	-	-	65,328	111	691,406
-	-	-	-	-	-	77,762	77,762
-	-	-	-	-	-	2,576	239,977
-	-	-	-	2,334,680	-	-	2,334,680
-	-	-	19,519	-	-	9,605	29,124
-	-	-	-	-	-	-	127,753
-	22	-	-	-	4	17,131	17,254
344,252	2,300,356	155,669	19,519	2,334,680	961,205	109,667	13,382,616
-	-	-	-	101,546	-	-	219,068
294,294	2,177,477	161,189	1,680	2,220,885	938,897	120,405	12,597,524
-	-	-	-	-	-	-	168,936
294,294	2,177,477	161,189	1,680	2,322,431	938,897	120,405	12,985,528
329,619	2,229,547	147,099	19,206	197,452	1,068,254	93,811	10,649,134

**Schedule 5**

## Greene 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	\$ 3,640,552	3,877,732	3,902,119	3,919,675	3,810,728
Interest and penalty on property tax	29,058	27,398	27,660	22,838	20,086
Intergovernmental	3,441,682	3,694,585	3,860,912	3,809,673	3,754,997
Licenses and permits	32,157	17,760	8,082	2,722	1,517
Charges for service	318,495	331,423	378,589	277,477	282,444
Use of money and property	80,580	44,253	65,497	101,981	161,709
Fines, forfeitures and defaults	-	-	-	4,475	11,984
Miscellaneous	185,920	218,601	787,417	531,250	382,774
Total	<u>\$ 7,728,444</u>	<u>8,211,752</u>	<u>9,030,276</u>	<u>8,670,091</u>	<u>8,426,239</u>
Expenditures:					
Operating:					
Public safety and legal services	\$ 964,140	1,039,041	1,007,160	1,005,995	967,785
Physical health and social services	250,503	279,004	163,267	146,692	159,243
Mental health	1,189,201	1,195,522	1,305,554	1,204,554	1,331,577
County environment and education	691,979	648,394	700,151	642,927	684,435
Roads and transportation	2,999,673	3,368,306	2,967,035	3,934,224	2,745,011
Governmental services to residents	271,529	234,034	223,006	216,302	216,062
Administration	1,044,304	991,378	965,603	985,066	146,189
Non-program	7,601	12,717	89,196	88,079	328,630
Debt service	48,197	59,597	514,055	344,386	903,977
Capital projects	222,409	601,710	613,615	744,749	373,195
Total	<u>\$ 7,689,536</u>	<u>8,429,703</u>	<u>8,548,642</u>	<u>9,312,974</u>	<u>7,856,104</u>

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 Greene County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Greene 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 January 26, 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 Greene 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 Greene County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

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

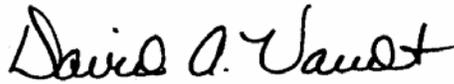
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greene 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 the accompanying Schedule of Findings.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 26, 2006

Greene County

Schedule of Findings

Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

	<u>Applicable Offices</u>
(1) Receipts - opening and listing mail receipts (at least on a test basis), collecting, depositing, posting and daily reconciling.	Treasurer, Sheriff and County Extension Office
(2) Investments – custody, accounting and recording interest earnings.	Treasurer

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 officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Treasurer –

- (1) I will date and initial when reconciling collections, deposits and daily postings. We will continue to use other office personnel to segregate duties in the office.
- (2) I will continue to train additional personnel with the investments earnings.

County Sheriff – I continue to maintain a part-time secretary who assists with the opening of the daily mail and checking our receipts and cash book. I also review the financial transactions, reconciliations and monthly bills and reports. Additionally, I spot check the daily and weekend mail and record check numbers and cash so that it can be checked against the cash book.

County Extension Office – Additional internal control steps over receipts have been added including the balancing of income and receipts on a regular basis by an employee who does not regularly collect money.

Conclusion – Responses accepted.

Greene County

Schedule of Findings

Year ended June 30, 2005

- (B) Compensated Absences – Certain employees have accumulated unused vacation and compensatory time hours in excess of the maximum hours allowed to be carried forward to the next year under the County’s personnel policy and union agreement.

Recommendation – The County should comply with its personnel policy and union agreements.

Response – The County intends to review its personnel policies and make changes as necessary to be in compliance.

Conclusion – Response accepted.

- (C) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the County’s computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- Requiring password changes because software does not require the user to change passwords periodically.
- Requiring the computer system to log password history so the same password can not be used again.
- Requiring the computer system to deny access to the user after three failed attempts to gain access to the computer system.
- Requiring the computer system to have an automatic log off function, after a certain period of inactivity, and requiring the use of screen saver passwords.
- Requiring password length set at a minimum number of characters.
- Requiring passwords to remain confidential between department heads and staff.

Also, the County does not have a written disaster recovery plan.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. A written disaster recovery plan should be developed.

Response – The County’s written policy for computer use currently includes the use of passwords, but not to the extent as pointed out above. County will review recommendations and implement into written policy all within the County’s capabilities.

A written disaster recovery plan has been started but remains unfinished.

Conclusion – Response accepted.

Greene County

Schedule of Findings

Year ended June 30, 2005

- (D) County Treasurer – Monthly reconciliations of the Treasurer’s general ledger accounts to the bank were not prepared. In addition, the general ledger balance exceeded the bank balance by \$632 at June 30, 2005.

Recommendation – Monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control.

Response – We have started this process and will be able to resolve variances in a timely manner.

Conclusion – Response accepted.

- (E) County Engineer – County equipment was sold prior to purchasing replacement equipment. Checks from the sale of five equipment items totaling \$81,750 were made out to both the County and the vendor from whom new equipment was purchased. The proceeds were used for the purchase of replacement equipment. However, the amounts were not receipted and the disbursements were not reflected in the County records.

Recommendation – All checks received from the sale of equipment should be recorded and deposited with the County Treasurer. Collections and subsequent disbursements should be reflected in the County’s accounting system and be subject to review by the Board of Supervisors. These transactions are reported in this financial report.

Response – We felt our process was in the best interest of the County for replacing equipment. However, we do now understand the need to process the receipts and expenditures through the County’s accounting system and will do so with all future sales and purchases.

Conclusion – Response accepted.

- (F) County Conservation Department – The Department received a wetland mitigation check totaling \$107,900 for the purchase of land for a wildlife management area. The check was provided to the seller of the land without being receipted or disbursed through the County records.

Recommendation – All checks received should be recorded and deposited with the County Treasurer. Collections and subsequent disbursements should be reflected in the County’s accounting system and be subject to review by the Board of Supervisors. These transactions are reported in this financial report.

Response – This being a DOT mitigation funded project, I never gave a thought to the procedure we use with grants. Future funds of any type will be deposited in the County Treasurer’s Office first.

Conclusion – Response accepted.

Greene County

Schedule of Findings

Year ended June 30, 2005

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the roads and transportation and capital projects functions. Disbursements in certain departments exceeded the amounts appropriated before amendment.

Recommendation – The budget should have been amended as required by Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Response – This comment resulted from reportable conditions (E) and (F) indicated previously. We will continue to amend the budget to reflect increases in disbursements.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

Greene County

Schedule of Findings

Year ended June 30, 2005

- (10) 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.

- (11) Outstanding Checks and Warrants – All checks and warrants outstanding for longer than one year should be cancelled, removed from the list of outstanding checks and warrants, deposited to the account from which the check or warrant was written and credited as unclaimed fees and trusts.

The Treasurer is required to maintain a list of the checks and warrants cancelled one year after issuance based on Chapter 331.554(6) and (7) of the Code of Iowa.

Four checks and warrants were outstanding for more than one year.

Recommendation – All checks and warrants outstanding for more than one year should be processed as required by Chapter 331.554(6) and (7) of the Code of Iowa.

Response – The checks have been processed in accordance with the recommendation.

Conclusion – Response accepted.

- (12) E911 Services Board Budget – Disbursements during the year ended June 30, 2005 for the E911 Services Board exceeded the amount budgeted.

Recommendation – The budget should have been amended in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The E911 Service Board will comply.

Conclusion – Response accepted.

- (13) Maximum Secondary Road Transfer – Chapter 331.429 of the Code of Iowa establishes a maximum amount that can be transferred from the General and Rural Services Funds to the Secondary Roads Fund. For the year ended June 30, 2005, the amount transferred from the Rural Services Fund exceeded the maximum allowable amount by \$926.

Recommendation – The County should make a corrective transfer of \$926 from the Secondary Roads Fund to the Rural Services Fund.

Response – A \$926 transfer was authorized by Board resolution on February 9, 2006 to comply.

Conclusion – Response accepted.

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Greene County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Brian R. Brustkern, CPA, Senior Auditor II  
Melissa J. Knoll, Assistant Auditor  
Chad D. Lehman, 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