



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 8, 2007

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

The County had local tax revenue of \$17,357,085 for the year ended June 30, 2006, which included \$952,379 in tax credits from the state. The County forwarded \$12,892,542 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,464,543 of the local tax revenue to finance County operations, a less than one percent increase over the prior year. Other revenues included charges for service of \$1,531,183, operating grants, contributions and restricted interest of \$3,612,231, capital grants, contributions and restricted interest of \$2,084,037, local option sales tax of \$338,860, unrestricted investment earnings of \$267,467 and other general revenues of \$47,085.

Expenses for County operations totaled \$9,594,236, an eight percent increase over the prior year. Expenses included \$3,927,705 for roads and transportation, \$1,334,835 for public safety and legal services and \$1,317,854 for administration.

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

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GRUNDY COUNTY

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

JUNE 30, 2006

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Grundy County

Officials

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

Grundy County



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Independent Auditor's Report

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Grundy County's management. Our responsibility is to express opinions on these financial statements based on our audit.

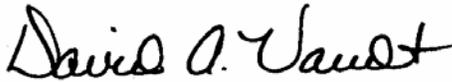
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2006 on our consideration of Grundy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 46 through 49 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 Grundy County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 3.2%, or approximately \$378,000, from fiscal 2005 to fiscal 2006. Property tax decreased \$732, operating grants and contributions decreased \$122,811 and capital grants and contributions increased \$190,218.
- Program expenses of the County's governmental activities increased by \$697,729, or 7.8%, from fiscal 2005 to fiscal 2006. Roads and transportation expenses increased \$799,278 and county environment and education decreased \$215,379.
- The County's net assets increased 17.4%, or \$2,751,170, from June 30, 2005 to June 30, 2006.
- Purchase of 8 new HAVA compliant voting machines and software. Most of these costs were reimbursed through a HAVA grant.
- Moved from an in-house voter registration system to the new State-wide IVOTERS system. This included additional training and equipment costs.
- Received a new 80kv emergency backup generator as part of a disaster recovery plan. This is an increase from a 20kv system.
- An addition was made to the cold storage building located at the engineering complex. Main use will be storage of evidence for Sheriff's Department.
- Fundraising started to add campground facilities at Grundy County Lake.
- Rip rap and tree plantings added to Grundy County Lake.
- Set-up new computer server at engineering complex as part of a disaster recovery plan.
- Started adding mapping layers on county GIS system to increase its usefulness to the Secondary Roads' and Sheriff's departments.
- Mental Health Fund ended the year with a positive balance.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Grundy County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Grundy County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

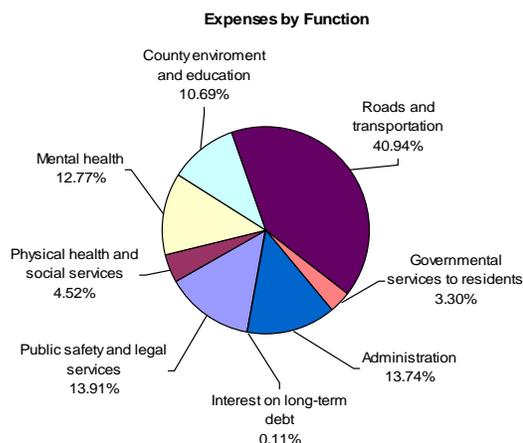
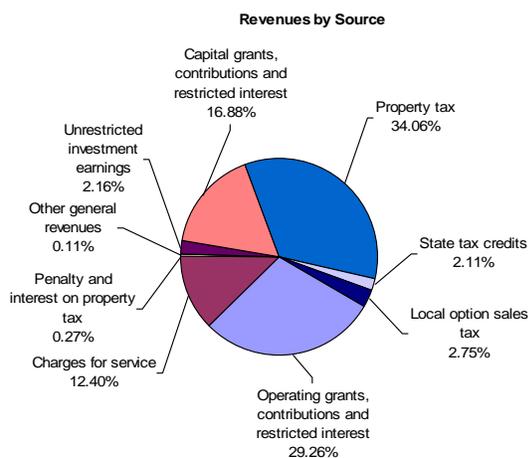
As noted earlier, net assets may serve over time as a useful indicator of financial position. Grundy County's combined net assets changed from a year ago, increasing from \$15,848,324 to \$18,599,494. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 11,511	11,034
Capital assets	13,297	10,831
Total assets	24,808	21,865
Long-term liabilities	1,350	1,447
Other liabilities	4,859	4,570
Total liabilities	6,209	6,017
Net assets:		
Invested in capital assets, net of related debt	12,917	10,306
Restricted	4,439	4,495
Unrestricted	1,243	1,047
Total net assets	\$ 18,599	15,848

Net assets of Grundy County's governmental activities increased by \$2,751,170 (\$15,848,324 compared to \$18,599,494). 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 \$1,046,530 at June 30, 2005 to \$1,242,881 at the end of this year, an increase of 18.8%.

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

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 1,531	1,345
Operating grants, contributions and restricted interest	3,612	3,735
Capital grants, contributions and restricted interest	2,084	1,894
General revenues:		
Property tax	4,204	4,204
Penalty and interest on property tax	33	31
State tax credits	261	258
Local option sales tax	339	307
Grants and contributions not restricted to specific purposes	-	17
Unrestricted investment earnings	267	135
Other general revenues	14	41
Total revenues	12,345	11,967
Program expenses:		
Public safety and legal services	1,335	1,285
Physical health and social services	434	446
Mental health	1,225	1,234
County environment and education	1,026	1,241
Roads and transportation	3,928	3,128
Governmental services to residents	317	304
Administration	1,318	1,244
Interest on long-term debt	11	14
Total expenses	9,594	8,896
Increase in net assets	2,751	3,071
Net assets beginning of year	15,848	12,777
Net assets end of year	\$ 18,599	15,848



Grundy County's property tax rates remained the same at \$2.94304 per \$1,000 of valuation in the rural levy and \$5.99052 per \$1,000 of valuation in the countywide levy. Taxable value by levy, the actual levy rate per \$1,000 of valuation without gas and electric utility and total dollars levied are as follows:

	Taxes Levied FY2006	Taxes Levied FY2005
Countywide taxable value	\$ 532,088,599	532,378,992
Countywide levy rate without debt	5.77071	5.78766
Dollars levied without debt	3,071,593	3,081,228
County taxable debt service value	567,611,506	562,453,897
County debt service levy rate	.21781	.20286
Dollars levied debt service	123,631	114,099
Total countywide rate	5.99052	5.99052
Total dollars levied countywide	3,195,224	3,195,327
Rural taxable value	384,247,568	383,524,553
Rural tax levy rate	2.94304	2.94304
Dollars levied rural area only	1,130,856	1,128,728
Total dollars levied	4,326,080	4,324,055

The local option sales tax revenue totaled \$338,860. Grundy County uses 100% of the sales tax revenue to reduce property tax in the Rural Services Fund.

INDIVIDUAL MAJOR FUND ANALYSIS

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$6,338,954, an increase of more than \$77,000 above last year's total of \$6,261,921. The increase in fund balance is primarily attributable to an increase in unrestricted investment earnings, which increased by \$132,734. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased \$218,024 from the prior year to \$1,341,936. Total revenue decreased by 0.6%. Total expenditures decreased by 0.2%, or \$6,964, compared with FY2005.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,237,419, an increase of \$4,581 from the prior year. The Mental Health Fund balance at year end increased by \$217,544 over the prior year. This has corrected a negative balance from FY2005. Revenues increased \$295,760 due to property tax and state funding of mental health.
- The Rural Services Fund balance increased by \$114,791 over the prior year. The DNR moved up the date when the Grundy County Landfill had to be closed. Since Grundy County has reached its projected \$800,000 amount for closure/postclosure care required by the DNR, it did not make a contribution to the Landfill Closure Fund during FY2006. \$344,417 of the \$704,537 Rural Services Fund balance is being held in reserve for landfill closure and postclosure care.

- Secondary Roads Fund expenditures increased by \$415,965 over the prior year, due principally to an increase in roadway construction/repair. The revenues increased by \$309,833. The increase in revenues and the increase in transfers were not enough to compensate for the increase in expenditures, which resulted in a decrease in the Secondary Roads Fund ending balance of \$474,329, or 13.5%.
- The Landfill Closure Costs Fund receives payments from the Rural Services Fund for closure/postclosure care of the Landfill, along with interest accumulated on those funds. No closure/postclosure care costs were expended from this fund during FY2006.
- The Debt Service Fund accumulates and pays the principal and interest for the Law Enforcement Center and the Hospital Sprinkler system. In June 2003, these two bond issues were refunded into one note. The refunding resulted in an aggregate debt service reduction of \$71,827 over the next seven years.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy County amended its budget once. The increase in the intergovernmental receipts budget was primarily due to a correction to match the Department of Transportation's budget. The budget for roads and transportation was increased due to the purchase of additional secondary roads equipment, the increase in fuel costs during the year and a corresponding correction to match the Department of Transportation's budget, as noted above, to receipts. The increase in the capital projects function budget was due to construction of a new salt shed and an addition to the cold storage shed.

The County's actual receipts were \$460,391 less than budgeted, a variance of 4.4%. The variance resulted from the County receiving less intergovernmental receipts than anticipated as a payment from Rural Services Fund of \$200,000 to the Landfill Closure Costs Fund was not made as budgeted. Miscellaneous receipts collected were less than anticipated as grants and contributions for the Grundy County Lake campground development project, anticipated at \$380,000, were not received and HAVA grant monies for voting machines included in the miscellaneous budget were not received.

Total actual disbursements were \$1,711,697 less than the amended budget, a variance of 16.4%. Actual disbursements for the county environment and education, governmental services to residents and capital projects functions were \$324,312, \$157,986 and \$690,790, respectively, less than budgeted. In the Rural Services Fund, a \$200,000 budgeted disbursement to the Landfill Closure Costs Fund was not made in the county environment and education function, voting machines acquired with the HAVA grants were not paid for until after July 1, 2006 in the governmental services to residents function and work was not completed as anticipated for the Grundy County Lake campground development project, budgeted at approximately \$596,000, in the capital projects function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Grundy County had approximately \$13,297,107 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$2,465,627, or 22.8%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2006	2005
Land	\$ 813,219	797,812
Construction in process	1,898,781	938,533
Buildings	2,969,636	2,976,441
Equipment and vehicles	2,936,208	2,870,755
Infrastructure, road network	4,679,263	3,247,939
Total	\$ 13,297,107	10,831,480
This year's additions included:		
Road network infrastructure		\$ 2,624,944
Voting machines		40,000
Instalert Rapid Messenger		7,995
Salt Shed		39,392
Cold storage building addition		27,118
2006 Sterling Truck L8511		84,985
2006 Sterling Truck L8511		84,985
2006 Dodge Ram 1500 Reg Cab 4X2		20,986
2006 Dodge Ram 1500 Reg Cab 4X4		33,422
1995 Badger 1085C Excavator Cruz Air		228,098
Kuhn GMD 700 HD Lawnmower		10,105
2006 Chevy Silverado		23,730
Rip rap added to Grundy County Lake		15,407
I.T. Air Conditioner		7,190
Road Server Pro Liant		5,360
Sharp copier		8,950
Total		\$ 3,262,667

The County had depreciation expense of \$755,079 in FY06 and total accumulated depreciation of \$4,912,297 at June 30, 2006.

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

Long-Term Debt

At June 30, 2006, Grundy County had \$380,000 in general obligation notes outstanding, compared to \$525,000 at June 30, 2005.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Grundy County's outstanding general obligation debt is significantly below its constitutional debt limit of \$40,332,736. Additional information about the County's long-term debt and other long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Grundy County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County as of June 2006 stands at 2.8% versus 4% a year ago. This compares with the State's unemployment rate of 3.6%. Interest income is starting to climb very slowly after reaching an all time low because of aggressive rate cutting by the Federal Reserve. The State of Iowa's modest financial condition and relatively flat revenue projections continue. The stable revenue projections for the State of Iowa are keeping Grundy County's state funding approximately the same as FY2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. The FY2007 budget of \$11,474,681 increased 4.7% over the FY2006 budget of \$10,960,564. Property tax receipts will increase slightly even though the tax rate is staying the same because assessed valuations have increased. Budgeted disbursements are expected to increase by approximately \$84,526 over FY2006 budgeted amounts. Increased wage and cost-of-living adjustments, and an increase in health insurance represent the largest increases. The County has added new programs or initiatives to the FY2007 budget. They are: purchase of HAVA required voting equipment, upgrade in statewide DOT system, construction of campground/trail at Grundy County Lake, new boat/snow program, 28E sharing agreement with Tama County for CPC/Case Worker, replace current imaging storage system, compliance with new state TIF reporting system, courthouse window replacement project, Sheriff computer management switching to Grundy County I.T. Department and increasing mapping layers in the County GIS system.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Grundy County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Grundy County Auditor's Office, 706 G Ave, City of Grundy Center, Iowa 50638.

Grundy County

Basic Financial Statements

Exhibit A

Grundy County
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,099,637
Receivables:	
Property tax:	
Delinquent	9,022
Succeeding year	4,342,000
Interest and penalty on property tax	4,068
Accounts	31,807
Accrued interest	38,759
Due from other governments	409,357
Inventories	462,500
Prepaid insurance	114,570
Capital assets (net of accumulated depreciation)	13,297,107
Total assets	<u>24,808,827</u>
Liabilities	
Accounts payable	361,584
Accrued interest payable	748
Salaries and benefits payable	23,295
Due to other governments	131,386
Deferred revenue:	
Succeeding year property tax	4,342,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan refunding notes	95,000
Compensated absences	126,780
Portion due or payable after one year:	
General obligation capital loan refunding notes	285,000
Estimated liability for landfill closure and postclosure care	743,104
Compensated absences	100,436
Total liabilities	<u>6,209,333</u>
Net Assets	
Invested in capital assets, net of related debt	12,917,107
Restricted for:	
Supplemental levy purposes	347,177
Mental health purposes	100,367
Secondary roads purposes	2,933,853
Landfill closure and postclosure care	448,193
Debt service	27,622
Other purposes	582,294
Unrestricted	1,242,881
Total net assets	<u>\$ 18,599,494</u>

See notes to financial statements.

Grundy County

Statement of Activities

Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,334,835	284,568	22,798	-	(1,027,469)
Physical health and social services	434,384	5,989	26,869	-	(401,526)
Mental health	1,224,968	2,715	922,080	-	(300,173)
County environment and education	1,025,961	337,672	34,281	-	(654,008)
Roads and transportation	3,927,705	343,788	2,606,203	2,084,037	1,106,323
Governmental services to residents	317,124	286,855	-	-	(30,269)
Administration	1,317,854	269,596	-	-	(1,048,258)
Interest on long-term debt	11,405	-	-	-	(11,405)
Total	\$ 9,594,236	1,531,183	3,612,231	2,084,037	(2,366,785)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,084,076
Debt service					119,448
Penalty and interest on property tax					33,040
State tax credits					261,019
Local option sales tax					338,860
Unrestricted investment earnings					267,467
Gain on disposal of capital assets					10,450
Miscellaneous					3,595
Total general revenues					5,117,955
Change in net assets					2,751,170
Net assets beginning of year					15,848,324
Net assets end of year					\$ 18,599,494

See notes to financial statements.

Grundy County
Balance Sheet
Governmental Funds

June 30, 2006

	General	Special	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,234,315	240,015	627,806
Receivables:			
Property tax:			
Delinquent	5,452	1,037	2,360
Succeeding year	2,625,000	499,000	1,111,000
Interest and penalty on property tax	4,068	-	-
Accounts	1,476	1,267	26,456
Accrued interest	23,949	-	-
Due from other funds	-	-	-
Due from other governments	70,323	14,991	43,444
Inventories	-	-	-
Prepaid insurance	93,000	-	21,570
Total assets	\$ 4,057,583	756,310	1,832,636
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 72,074	27,506	6,035
Salaries and benefits payable	1,835	184	3,695
Due to other funds	4,175	-	1,379
Due to other governments	3,043	124,682	3,630
Deferred revenue:			
Succeeding year property tax	2,625,000	499,000	1,111,000
Other	9,520	1,037	2,360
Total liabilities	2,715,647	652,409	1,128,099
Fund balances:			
Reserved for:			
Supplemental levy purposes	357,215	-	-
Landfill closure and postclosure care	-	-	344,417
Debt service	-	-	-
Unreserved:			
Designated for old Highway 20 improvements	-	-	-
Undesignated, reported in:			
General fund	984,721	-	-
Special revenue funds	-	103,901	360,120
Total fund balances	1,341,936	103,901	704,537
Total liabilities and fund balances	\$ 4,057,583	756,310	1,832,636

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
2,450,147	835,925	28,197	271,821	5,688,226
-	-	173	-	9,022
-	-	89,000	18,000	4,342,000
-	-	-	-	4,068
2,608	-	-	-	31,807
-	10,955	-	3,855	38,759
5,554	-	-	-	5,554
275,392	-	-	5,207	409,357
462,500	-	-	-	462,500
-	-	-	-	114,570
3,196,201	846,880	117,370	298,883	11,105,863
145,969	-	-	-	251,584
17,581	-	-	-	23,295
-	-	-	-	5,554
31	-	-	-	131,386
-	-	89,000	18,000	4,342,000
-	-	173	-	13,090
163,581	-	89,173	18,000	4,766,909
-	-	-	-	357,215
-	846,880	-	-	1,191,297
-	-	28,197	-	28,197
1,072,000	-	-	-	1,072,000
-	-	-	-	984,721
1,960,620	-	-	280,883	2,705,524
3,032,620	846,880	28,197	280,883	6,338,954
3,196,201	846,880	117,370	298,883	11,105,863

Grundy County

Grundy County

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

June 30, 2006

Total governmental fund balances (page 21) \$ 6,338,954

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 \$18,209,404 and the accumulated depreciation is \$4,912,297. 13,297,107

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 13,090

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 301,411

Long-term liabilities, including notes payable, landfill closure and postclosure care payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,351,068)

Net assets of governmental activities (page 18) \$ 18,599,494

See notes to financial statements.

Grundy County

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

Year ended June 30, 2006

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,463,031	498,431	1,095,580
Local option sales tax	-	-	338,860
Interest and penalty on property tax	30,889	-	-
Intergovernmental	524,717	953,817	233,058
Licenses and permits	3,525	-	2,475
Charges for service	263,655	19	284,488
Use of money and property	225,538	-	-
Miscellaneous	18,293	2,696	4,784
Total revenues	3,529,648	1,454,963	1,959,245
Expenditures:			
Operating:			
Public safety and legal services	1,173,832	-	135,835
Physical health and social services	434,940	-	-
Mental health	-	1,237,419	-
County environment and education	378,991	-	539,236
Roads and transportation	-	-	-
Governmental services to residents	335,505	-	3,850
Administration	974,718	-	175,433
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,297,986	1,237,419	854,354
Excess (deficiency) of revenues over (under) expenditures	231,662	217,544	1,104,891
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(13,638)	-	(990,100)
Total other financing sources (uses)	(13,638)	-	(990,100)
Net change in fund balances	218,024	217,544	114,791
Fund balances beginning of year	1,123,912	(113,643)	589,746
Fund balances end of year	\$ 1,341,936	103,901	704,537

See notes to financial statements.

Revenue					
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total	
-	-	119,333	20,067	4,196,442	
-	-	-	-	338,860	
-	-	-	-	30,889	
3,341,538	-	7,261	17,972	5,078,363	
685	-	-	-	6,685	
85	-	-	3,325	551,572	
25,600	35,931	-	3,855	290,924	
122,389	-	-	265	148,427	
3,490,297	35,931	126,594	45,484	10,642,162	
-	-	-	-	1,309,667	
-	-	-	-	434,940	
-	-	-	-	1,237,419	
-	-	-	20,067	938,294	
3,804,400	-	-	-	3,804,400	
-	-	-	9,707	349,062	
-	-	-	-	1,150,151	
-	-	156,598	-	156,598	
1,150,326	-	-	34,272	1,184,598	
4,954,726	-	156,598	64,046	10,565,129	
(1,464,429)	35,931	(30,004)	(18,562)	77,033	
990,100	-	6,883	6,755	1,003,738	
-	-	-	-	(1,003,738)	
990,100	-	6,883	6,755	-	
(474,329)	35,931	(23,121)	(11,807)	77,033	
3,506,949	810,949	51,318	292,690	6,261,921	
3,032,620	846,880	28,197	280,883	6,338,954	

Grundy County

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

Year ended June 30, 2006

Net change in fund balances - Total governmental funds (page 25) \$ 77,033

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

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

Expenditures for capital assets	\$ 1,666,524	
Capital assets contributed by the Iowa Department of Transportation	1,543,732	
Depreciation expense	<u>(755,079)</u>	2,455,177

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 10,450

Because some property tax revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds. 9,248

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. 145,000

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

Adjustment to estimated costs for landfill closure and postclosure care	(33,715)	
Compensated absences	(15,001)	
Interest on long-term debt	<u>193</u>	(48,523)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 102,785

Change in net assets of governmental activities (page 19) \$ 2,751,170

See notes to financial statements.

Grundy County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2006

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 411,411
Liabilities	
Accounts payable	110,000
Net Assets	
Unrestricted	\$ 301,411

See notes to financial statements.

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

Year ended June 30, 2006

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 878,632
Insurance reimbursements		50,766
Contributions from employees		35,575
Contributions from others		15,273
Total operating revenues		<u>980,246</u>
Operating expenses:		
Medical claims	\$ 861,470	
Administrative fees	18,133	879,603
Operating income		<u>100,643</u>
Non-operating revenues:		
Interest income		2,142
Net income		<u>102,785</u>
Net assets beginning of year		<u>198,626</u>
Net assets end of year		<u>\$ 301,411</u>

See notes to financial statements.

Grundy County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2006

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds	\$ 878,632
Cash received from insurance refunds	50,766
Cash received from employees and others	50,848
Cash paid to suppliers for services	(874,603)
Net cash provided from operating activities	<u>105,643</u>
Cash flows from investing activities:	
Interest on investments	<u>2,142</u>
Net increase in cash and cash equivalents	107,785
Cash and cash equivalents beginning of year	<u>303,626</u>
Cash and cash equivalents end of year	<u>\$ 411,411</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 100,643
Adjustment to reconcile operating income to net cash provided by operating activities:	
Increase in accounts payable	<u>5,000</u>
Net cash provided from operating activities	<u>\$ 105,643</u>

See notes to financial statements.

Grundy County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

Assets

Cash and pooled investments:

County Treasurer	\$ 772,121
Other County officials	18,725

Receivables:

Property tax:

Delinquent	22,229
Succeeding year	12,212,000
Accounts	21,088
Accrued interest	1,312
Special assessments	91,347

Due from other governments	5,190
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Total assets	<u>13,144,012</u>
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Liabilities

Accounts payable	2,571
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Due to other governments	13,113,787
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Trusts payable	8,489
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Compensated absences	19,165
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Total liabilities	<u>13,144,012</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Grundy County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

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

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

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

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Grundy County Assessor’s Conference Board, Grundy County Emergency Management Commission and Grundy County Joint E911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Unrestricted Net Assets – The unrestricted net assets of the Internal Service, Employee Group Health Fund are designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 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.

At June 30, 2006, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$400,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 4,175
	Special Revenue:	
	Rural Services	1,379
Total		<u>\$ 5,554</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, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 990,100
Conservation Land Acquisition	General	6,755
Debt Service	General	6,883
Total		<u>\$ 1,003,738</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, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 797,812	15,407	-	813,219
Construction in progress	938,533	2,624,944	(1,664,696)	1,898,781
Total capital assets not being depreciated	<u>1,736,345</u>	<u>2,640,351</u>	<u>(1,664,696)</u>	<u>2,712,000</u>
Capital assets being depreciated:				
Buildings	3,684,651	66,510	-	3,751,161
Equipment and vehicles	6,315,875	555,806	(179,518)	6,692,163
Infrastructure, road network	3,389,384	1,664,696	-	5,054,080
Total capital assets being depreciated	<u>13,389,910</u>	<u>2,287,012</u>	<u>(179,518)</u>	<u>15,497,404</u>
Less accumulated depreciation for:				
Buildings	708,210	73,315	-	781,525
Equipment and vehicles	3,445,120	448,392	(137,557)	3,755,955
Infrastructure, road network	141,445	233,372	-	374,817
Total accumulated depreciation	<u>4,294,775</u>	<u>755,079</u>	<u>(137,557)</u>	<u>4,912,297</u>
Total capital assets being depreciated, net	<u>9,095,135</u>	<u>1,531,933</u>	<u>(41,961)</u>	<u>10,585,107</u>
Governmental activities capital assets, net	<u>\$ 10,831,480</u>	<u>4,172,284</u>	<u>(1,706,657)</u>	<u>13,297,107</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 46,820
Mental health	1,279
County environment and education	56,937
Roads and transportation	571,457
Governmental services to residents	13,456
Administration	65,130
	<u>755,079</u>
Total depreciation expense - governmental activities	<u>\$ 755,079</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 3,043
Special Revenue:		
Mental Health	Services	124,682
Rural Services	Services	3,630
Secondary Roads	Services	31
		<u>128,343</u>
Total for governmental funds		<u>\$ 131,386</u>
Agency:		
Agricultural Extension Education		\$ 125,161
County Assessor	Collections	284,972
Schools		7,854,032
Community Colleges		565,508
Corporations		3,435,728
Townships		169,841
Auto License and Use Tax		360,865
All other		317,680
Total for agency funds		<u>\$ 13,113,787</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Capital Loan Refunding Notes	Estimated Liability for Landfill Closure and Postclosure Care	Compen- sated Absences	Total
Balance beginning of year	\$ 525,000	709,389	212,215	1,446,604
Increases	-	33,715	164,176	197,891
Decreases	145,000	-	149,175	294,175
Balance end of year	<u>\$ 380,000</u>	<u>743,104</u>	<u>227,216</u>	<u>1,350,320</u>
Due within one year	<u>\$ 95,000</u>	<u>-</u>	<u>126,780</u>	<u>221,780</u>

General Obligation Capital Loan Refunding Notes

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

A summary of the County's June 30, 2006 general obligation capital loan refunding notes is as follows:

Year ending June 30,	Interest Rates	General Obligation Capital Loan Refunding Notes - Series 2003		
		Principal	Interest	Total
2007	2.00%	\$ 95,000	8,978	103,978
2008	2.20	95,000	7,078	102,078
2009	2.50	95,000	4,987	99,987
2010	2.75	95,000	2,613	97,613
Total		\$ 380,000	23,656	403,656

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of 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, 2006, 2005 and 2004 were, \$185,464, \$181,217 and \$161,318, respectively, equal to the required contributions for each year.

(9) Risk Management

Grundy County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 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, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the

first six years of membership and are maintained to equal 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, 2006 were \$210,285.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim 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, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with EPOCH Group L.E. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to EPOCH Group L.E. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2006 was \$878,632.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$110,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$301,411 at June 30, 2006 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 105,000
Incurred claims (including claims incurred but not reported at June 30, 2006)	866,470
Payment on claims during the fiscal year	<u>(861,470)</u>
Unpaid claims end of year	<u>\$ 110,000</u>

(11) Closure and Postclosure Care Costs

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

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the County Landfill have been estimated at \$796,183 as of June 30, 2006 and the portion of the liability that has been recognized is \$743,104. This liability represents the cumulative amount reported to date based on the use of approximately 93 percent of the capacity of the landfill with a remaining life of two years. A provision for the above liability has been made on the County's Statement of Net Assets as of June 30, 2006. The County has begun to accumulate resources to fund these costs and, at June 30, 2006, deposits of \$1,191,297 are held for these purposes. These resources are reported in the Special Revenue, Rural Services and Landfill Closure Costs Funds.

(12) Developer Agreements

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

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of constructing a speculative building. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated beginning in the fiscal year ended June 30, 2005 until the speculative building is sold or until December 2006, at which time this matter will be reviewed by the County to determine if said rebate shall continue. During the year ended June 30, 2006, \$4,886 was rebated to the developer, Grundy County Industrial Park.

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of constructing a new storage and processing building. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated beginning in the fiscal year ended June 30, 2005 for three years, with total annual payments to the company between \$15,000 and \$20,000. During the year ended June 30, 2006, \$5,650 was rebated to the developer, Bob's Farm Center, Inc.

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of certain improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between June 1, 2004 and June 1, 2018, but shall not exceed the Developer's actual infrastructure costs as certified to the County or \$1,000,000, whichever is less. During the year ended June 30, 2006, \$9,531 was rebated to the developer, R. S. Bacon Veneer Company.

(13) Subsequent Event

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

Required Supplementary Information

Grundy County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,533,854	-	4,533,854
Interest and penalty on property tax	30,952	-	30,952
Intergovernmental	4,996,363	-	4,996,363
Licenses and permits	6,655	-	6,655
Charges for service	553,469	-	553,469
Use of money and property	284,097	-	284,097
Miscellaneous	146,310	-	146,310
Total receipts	<u>10,551,700</u>	-	<u>10,551,700</u>
Disbursements:			
Public safety and legal services	1,309,512	-	1,309,512
Physical health and social services	434,066	-	434,066
Mental health	1,232,632	-	1,232,632
County environment and education	935,638	-	935,638
Roads and transportation	3,700,046	-	3,700,046
Governmental services to residents	299,856	-	299,856
Administration	1,173,093	-	1,173,093
Debt service	156,598	-	156,598
Capital projects	1,211,359	-	1,211,359
Total disbursements	<u>10,452,800</u>	-	<u>10,452,800</u>
Excess (deficiency) of receipts over (under) disbursements	98,900	-	98,900
Balance beginning of year	5,589,326	22,719	5,566,607
Balance end of year	<u>\$ 5,688,226</u>	<u>22,719</u>	<u>5,665,507</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,496,127	4,496,127	37,727
20,000	20,000	10,952
5,051,168	5,246,712	(250,349)
3,200	3,600	3,055
540,749	540,895	12,574
101,000	101,000	183,097
509,571	603,757	(457,447)
<u>10,721,815</u>	<u>11,012,091</u>	<u>(460,391)</u>
1,347,474	1,440,460	130,948
481,628	484,777	50,711
1,360,757	1,369,209	136,577
1,259,900	1,259,950	324,312
3,288,000	3,809,276	109,230
449,413	457,842	157,986
1,275,236	1,284,236	111,143
156,598	156,598	-
1,771,149	1,902,149	690,790
<u>11,390,155</u>	<u>12,164,497</u>	<u>1,711,697</u>
(668,340)	(1,152,406)	1,251,306
4,685,318	4,685,318	881,289
<u>4,016,978</u>	<u>3,532,912</u>	<u>2,132,595</u>

Grundy County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,551,700	90,462	10,642,162
Expenditures	10,452,800	112,329	10,565,129
Net	98,900	(21,867)	77,033
Beginning fund balances	5,589,326	672,595	6,261,921
Ending fund balances	\$ 5,688,226	650,728	6,338,954

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 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 Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$774,342. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

Grundy County

Other Supplementary Information

Grundy County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	State Drug Forfeiture
Assets				
Cash and pooled investments	\$ 21,312	313	42,134	19,213
Receivables:				
Succeeding year property tax	-	-	-	-
Accrued interest	317	37	761	-
Due from other governments	-	-	5,207	-
Total assets	\$ 21,629	350	48,102	19,213
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Fund equity:				
Fund balances:				
Unreserved	21,629	350	48,102	19,213
Total liabilities and fund equity	\$ 21,629	350	48,102	19,213

See accompanying independent auditor's report.

Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts	Grundy County Industrial Park TIF	Bob's Farm Center, Inc. TIF	Bacon Veneer TIF	Conservation Land Acquisition	Total
223	265	22,719	-	-	-	165,642	271,821
-	-	-	4,000	5,000	9,000	-	18,000
-	-	-	-	-	-	2,740	3,855
-	-	-	-	-	-	-	5,207
223	265	22,719	4,000	5,000	9,000	168,382	298,883
-	-	-	4,000	5,000	9,000	-	18,000
223	265	22,719	-	-	-	168,382	280,883
223	265	22,719	4,000	5,000	9,000	168,382	298,883

Grundy County

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

Year ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special State Drug Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	10,002	-
Charges for service	3,325	-	-	-
Use of money and property	317	37	761	-
Miscellaneous	-	-	-	265
Total revenues	<u>3,642</u>	<u>37</u>	<u>10,763</u>	<u>265</u>
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Governmental services to residents	-	9,707	-	-
Capital projects	-	-	17,069	-
Total expenditures	<u>-</u>	<u>9,707</u>	<u>17,069</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	3,642	(9,670)	(6,306)	265
Other financing sources:				
Operating transfers in	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	3,642	(9,670)	(6,306)	265
Fund balances beginning of year	17,987	10,020	54,408	18,948
Fund balances end of year	<u>\$ 21,629</u>	<u>350</u>	<u>48,102</u>	<u>19,213</u>

See accompanying independent auditor's report.

Revenue Funds								
Federal Drug Forfeiture	Sheriff's Grant	Drainage Districts	Grundy County Industrial Park TIF	Bob's Farm Center, Inc. TIF	Bacon Veneer TIF	Conservation Land Acquisition	Total	
-	-	-	4,886	5,650	9,531	-	20,067	
-	-	-	-	-	-	7,970	17,972	
-	-	-	-	-	-	-	3,325	
-	-	-	-	-	-	2,740	3,855	
-	-	-	-	-	-	-	265	
-	-	-	4,886	5,650	9,531	10,710	45,484	
-	-	-	4,886	5,650	9,531	-	20,067	
-	-	-	-	-	-	-	9,707	
-	-	-	-	-	-	17,203	34,272	
-	-	-	4,886	5,650	9,531	17,203	64,046	
-	-	-	-	-	-	(6,493)	(18,562)	
-	-	-	-	-	-	6,755	6,755	
-	-	-	-	-	-	262	(11,807)	
223	265	22,719	-	-	-	168,120	292,690	
223	265	22,719	-	-	-	168,382	280,883	

Grundy County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,905	102,966	114,242
Other County officials	18,725	-	-	-
Receivables:				
Property tax:				
Delinquent	-	256	419	15,790
Succeeding year	-	123,000	201,000	7,724,000
Accounts	742	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 19,467	125,161	304,385	7,854,032
Liabilities				
Accounts payable	\$ -	-	248	-
Due to other governments	10,978	125,161	284,972	7,854,032
Trusts payable	8,489	-	-	-
Compensated absences	-	-	19,165	-
Total liabilities	\$ 19,467	125,161	304,385	7,854,032

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
8,362	27,573	2,693	360,865	153,515	772,121
-	-	-	-	-	18,725
1,146	4,155	148	-	315	22,229
556,000	3,404,000	167,000	-	37,000	12,212,000
-	-	-	-	20,346	21,088
-	-	-	-	1,312	1,312
-	-	-	-	91,347	91,347
-	-	-	-	5,190	5,190
565,508	3,435,728	169,841	360,865	309,025	13,144,012
-	-	-	-	2,323	2,571
565,508	3,435,728	169,841	360,865	306,702	13,113,787
-	-	-	-	-	8,489
-	-	-	-	-	19,165
565,508	3,435,728	169,841	360,865	309,025	13,144,012

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

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 16,253	120,893	324,059	7,335,987
Additions:				
Property and other county tax	-	123,589	201,836	7,742,818
E911 surcharges	-	-	-	-
State tax credits	-	7,602	12,832	457,309
Office fees and collections	252,783	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	57,166	-	-	-
Miscellaneous	-	-	564	-
Total additions	309,949	131,191	215,232	8,200,127
Deductions:				
Agency remittances:				
To other funds	134,569	-	-	-
To other governments	113,292	126,923	234,906	7,682,082
Trusts paid out	58,874	-	-	-
Total deductions	306,735	126,923	234,906	7,682,082
Balances end of year	\$ 19,467	125,161	304,385	7,854,032

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
542,635	3,132,031	151,736	328,264	313,990	12,265,848
557,648	3,370,315	167,693	-	37,283	12,201,182
-	-	-	-	95,903	95,903
33,501	169,992	8,836	-	1,288	691,360
-	-	-	-	-	252,783
-	-	-	3,381,829	-	3,381,829
-	-	-	-	-	57,166
-	-	-	-	56,451	57,015
591,149	3,540,307	176,529	3,381,829	190,925	16,737,238
-	-	-	102,064	-	236,633
568,276	3,236,610	158,424	3,247,164	195,890	15,563,567
-	-	-	-	-	58,874
568,276	3,236,610	158,424	3,349,228	195,890	15,859,074
565,508	3,435,728	169,841	360,865	309,025	13,144,012

Grundy County

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

For the Last Six Years

	2006	2005	Modified 2004
Revenues:			
Property and other county tax	\$ 4,196,442	4,203,281	3,961,060
Local option sales tax	338,860	307,504	294,560
Interest and penalty on property tax	30,889	29,633	26,856
Intergovernmental	5,078,363	4,716,397	5,490,809
Licenses and permits	6,685	3,090	5,669
Charges for service	551,572	576,500	587,891
Use of money and property	290,924	133,305	113,088
Miscellaneous	148,427	234,471	301,399
Total	\$ 10,642,162	10,204,181	10,781,332
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,309,667	1,375,553	1,170,609
Physical health and social services	434,940	513,729	534,020
Mental health	1,237,419	1,232,838	1,232,856
County environment and education	938,294	1,120,067	1,052,191
Roads and transportation	3,804,400	2,961,944	3,797,749
Governmental services to residents	349,062	299,787	262,872
Administration	1,150,151	1,102,054	1,067,246
Non-program	-	-	308
Debt service	156,598	199,095	196,255
Capital projects	1,184,598	1,597,657	1,054,169
Total	\$ 10,565,129	10,402,724	10,368,275

See accompanying independent auditor's report.

Accrual Basis		
2003	2002	2001
3,602,860	3,365,420	3,063,270
276,883	256,757	296,060
25,811	26,850	25,019
5,927,767	4,793,199	4,767,388
2,880	31,412	1,625
513,514	664,398	598,473
145,298	205,223	336,303
173,267	26,600	56,341
<u>10,668,280</u>	<u>9,369,859</u>	<u>9,144,479</u>
1,190,754	1,133,542	1,106,040
578,737	565,695	610,081
1,102,682	1,136,314	1,011,857
1,124,511	980,275	840,374
3,325,895	3,177,583	3,465,244
279,209	260,224	240,445
997,193	924,514	898,108
-	-	-
210,730	208,600	128,453
673,931	1,133,651	869,910
<u>9,483,642</u>	<u>9,520,398</u>	<u>9,170,512</u>

Schedule 6

Grundy County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 1,780
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C038(68)-8J-38	208,624
Highway Planning and Construction	20.205	BROS-C038(69)-8J-38	314,332
			522,956
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seatbelts	20.604	PAP 06-157, Task 70	3,000
Iowa Department of Public Defense:			
State Emergency Management Division:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		14,135
U.S. General Services Administration:			
Iowa Secretary of State:			
Help America Vote Act	90.401	06-HAVA-38-100	62,592
Voting Access for Individuals with Disabilities	93.617	05-HAVA-38-100	1,922
			64,514
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003	5885EM158	6,978
National Bioterrorism Hospital Preparedness Program	93.889	5886EM137	1,250
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		2,150
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		511
Foster Care - Title IV-E	93.658		1,106
Adoption Assistance	93.659		272
Medical Assistance Program	93.778		2,857
Social Services Block Grant	93.667		1,403
Social Services Block Grant	93.667		27,896
			29,299

Grundy County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		6,811
Homeland Security Grant Program	97.067	2004-GE-T4-0046	103,758
State Homeland Security Program (SHSP)	97.073	2005-GE-T5-0056	7,317
Total			\$ 768,694

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

See accompanying independent auditor's report.

Grundy County

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

Grundy County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 14, 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 Grundy County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Grundy County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 2006



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Grundy County:

Compliance

We have audited the compliance of Grundy County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2006. Grundy County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Grundy County's management. Our responsibility is to express an opinion on Grundy County's compliance based on our audit.

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

In our opinion, Grundy County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

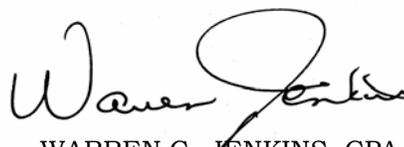
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants

caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 14, 2006

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

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

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared by that employee.	Recorder
(2) Receipt collecting, depositing, posting and daily reconciling is performed by the same employee.	Recorder and Sheriff
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks, approve disbursements or record disbursements. After signing, the checks are not mailed without allowing them to return to individuals who prepare the checks or approve payment.	Sheriff
(4) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.	Sheriff

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

Responses:

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

County Sheriff – Segregation of duties will be enhanced by receipt person being personnel other than the bookkeeping personnel and disbursements approved by the Chief Deputy or other Sheriff’s designated personnel.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

Conclusion – Responses accepted.

- II-B-06 County Sheriff - The Sheriff's Office does not prepare a year-to-date spreadsheet of receipts and disbursements reconciled to the beginning and ending book balances. A trusts on hand listing was not prepared as of June 30, 2006.

Recommendation – The Sheriff's Office should prepare a year-to-date spreadsheet of receipts and disbursements which should reconcile to the beginning and ending book balances. Additionally, a trust on hand listing should be prepared at month end and should reconcile to the bank and cashbook balances.

Response – Spreadsheets and better records should be available with a software upgrade from the vendor.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major program were noted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cole Anderson, Conservation employee, son of Dan Anderson, sales representative for Chippawa	Purchase of Uniform - boots	\$ 105

In accordance with Chapter 331.342(10) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-06 Solid Waste Fees Retainage – The County used or retained the solid waste fees in accordance with Chapter 455E.11.2(a) of the Code of Iowa.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-J-06 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, 2006 for the County Extension Office did not exceed the amount budgeted.

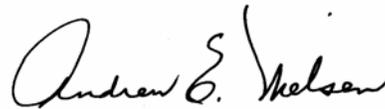
IV-K-06 Financial Assurance – Grundy County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$796,183. The balance at June 30, 2006 reserved for landfill closure and postclosure care is \$1,191,297. Therefore, the closure and postclosure care costs are fully funded at June 30, 2006.

Grundy County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Billie Jo Heth, Senior Auditor
Shawn R. Elsbury, Staff Auditor
Matthew R. Ritchey, Assistant Auditor
Adam D. Steffensmeier, 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