



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ January 14, 2008 _____

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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 \$17,993,620 for the year ended June 30, 2007, which included \$962,866 in tax credits from the state. The County forwarded \$13,367,155 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,626,465 of the local tax revenue to finance County operations, a four percent increase over the prior year. Other revenues included charges for service of \$1,492,939, operating grants, contributions and restricted interest of \$3,610,507, capital grants, contributions and restricted interest of \$40,959, local option sales tax of \$415,586, unrestricted investment earnings of \$347,466 and other general revenues of \$81,218.

Expenses for County operations totaled \$9,867,619, a three percent increase over the prior year. Expenses included \$4,109,079 for roads and transportation, \$1,408,033 for public safety and legal services and \$1,332,793 for administration.

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

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GRUNDY COUNTY

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

JUNE 30, 2007

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Grundy County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
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
(After January 2007)		
Barbara Smith	Board of Supervisors	Jan 2009
Charles Bakker	Board of Supervisors	Jan 2009
James Ross	Board of Supervisors	Jan 2009
Harlyn Riekema	Board of Supervisors	Jan 2011
Mark Schildroth	Board of Supervisors	Jan 2011
Mary Schmidt	County Auditor	Jan 2009
Brenda Noteboom	County Treasurer	Jan 2011
Charles Kruse	County Recorder	Jan 2011
Rick Penning	County Sheriff	Jan 2009
Bradley J. Harris	County Attorney	Jan 2011
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, 2007, 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, 2007, 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 19, 2007 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 six years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 19, 2007

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased approximately 14.0%, or \$1,729,000, from fiscal 2006 to fiscal 2007. Property tax increased \$160,000, and capital grants and contributions decreased \$2,043,000.
- Program expenses increased \$274,000, or approximately 2.8%, from fiscal 2006 to fiscal 2007. Roads and transportation expenses increased \$181,000 and mental health expenses decreased \$28,000.
- The County's net assets increased approximately 4.0%, or \$747,000, from June 30, 2006 to June 30, 2007.
- Implemented a new DOT driver's license system.
- Increased Mental Health Fund balance through a decrease in overall expenditures, which included sharing CPC and Case Worker services with Tama Co.
- Upgraded the County's imaging storage system.
- The County Sheriff's Department computer management switched to Grundy County I.T. department.
- The Conservation Department computer management switched to Grundy County I.T. department.
- Prosecuted approximately 35 cases for Hardin County.
- Conservation Department formally took over management of the DOT Highway 20 mitigation area northwest of Wellsburg – the South Fork Wildlife Area.
- Increased mapping layers in the County's GIS system.
- Rip rap and tree planting were added to Grundy County Lake.
- High absentee and voter turnout for the 2006 General Election.
- Nearly 50% of Precinct Election Workers have become Certified Election Workers, surpassing Secretary of State goals.
- Implementation of a new Tax Increment Financing (TIF) administrative system.
- Educational presentations on radon testing were presented by the Sanitarian to local elementary schools.

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 governmental and the individual Agency Funds

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 Insurance Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grundy County's combined net assets changed from a year ago, increasing from \$18,599,494 to \$19,347,015. The analysis that follows focuses on the changes in the net assets of governmental activities.

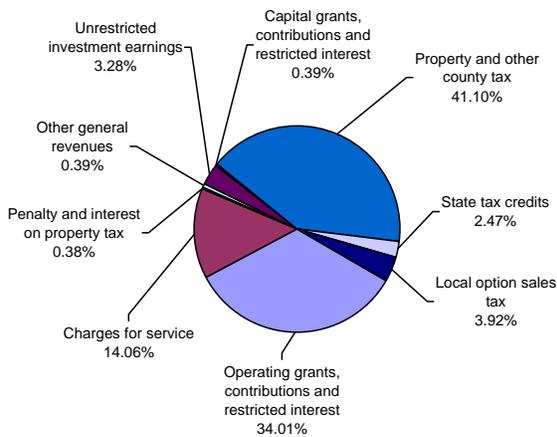
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 12,329	11,511
Capital assets	13,132	13,297
Total assets	<u>25,461</u>	<u>24,808</u>
Long-term liabilities	1,297	1,350
Other liabilities	4,817	4,859
Total liabilities	<u>6,114</u>	<u>6,209</u>
Net assets:		
Invested in capital assets, net of related debt	12,847	12,917
Restricted	5,036	4,439
Unrestricted	1,464	1,243
Total net assets	<u>\$ 19,347</u>	<u>18,599</u>

Net assets of Grundy County's governmental activities increased \$747,521 (\$18,599,494 compared to \$19,347,015). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased from approximately \$1,243,000 at June 30, 2006 to \$1,464,500 at the end of this year, an increase of approximately 17.8%.

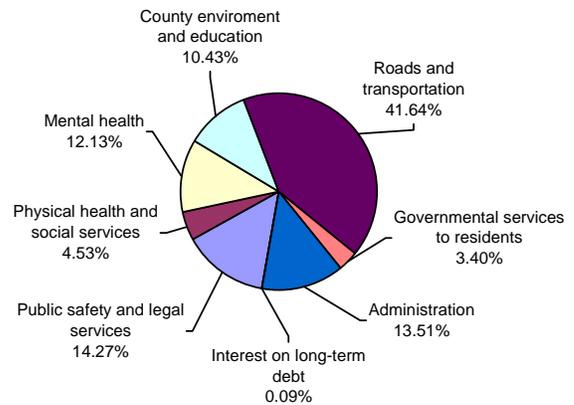
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 1,493	1,531
Operating grants, contributions and restricted interest	3,611	3,612
Capital grants, contributions and restricted interest	41	2,084
General revenues:		
Property and other county tax	4,364	4,204
Penalty and interest on property tax	40	33
State tax credits	262	261
Local option sales tax	416	339
Unrestricted investment earnings	348	267
Other general revenues	41	14
Total revenues	10,616	12,345
Program expenses:		
Public safety and legal services	1,408	1,335
Physical health and social services	447	434
Mental health	1,197	1,225
County environment and education	1,029	1,026
Roads and transportation	4,109	3,928
Governmental services to residents	336	317
Administration	1,333	1,318
Interest on long-term debt	9	11
Total expenses	9,868	9,594
Increase in net assets	748	2,751
Net assets beginning of year	18,599	15,848
Net assets end of year	\$ 19,347	18,599

Revenues by Source



Expenses by Function



Grundy County's property tax rates have been the same since FY2005 at a rate of \$2.94304 per \$1,000 of taxable valuation in the rural levy and at \$5.99052 per \$1,000 of taxable valuation in the county-wide levy. Taxable valuation by levy, the actual levy rate per \$1,000 of taxable valuation and total dollars levied are as follows:

	Taxes Levied FY2007	Taxes Levied FY2006
Countywide taxable valuation	\$ 555,059,013	532,088,599
Countywide levy rate without debt	5.83526	5.77071
Dollars levied without debt	3,238,914	3,071,593
County taxable debt service valuation	593,560,717	567,611,506
County debt service levy rate	.15526	.21781
Dollars levied debt service	92,156	123,631
Total countywide rate	5.99052	5.99052
Total dollars levied countywide	3,331,070	3,195,224
Rural taxable valuation	391,215,064	384,247,568
Rural tax levy rate	2.94304	2.94304
Dollars levied rural area only	1,151,362	1,130,856
Total dollars levied	4,482,432	4,326,080

The local option sales tax revenue totaled \$415,586. 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 \$6,970,876, an increase of \$631,922 above last year's total of \$6,338,954. The increase in fund balance is primarily attributable to a decrease in capital project expenditures for roads and transportation, which decreased by \$556,761. 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 \$219,675 from the prior year to \$1,561,611. Total revenue increased by 8.2%. Total expenditures increased by approximately 8.5%, or \$281,928, compared with FY2006.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,214,556, a decrease of \$22,863 from the prior year. The Mental Health Fund balance at year end increased by \$263,653 over the prior year. This increase in fund balance from FY2006 will lead to a decrease in State payments received by this program in future fiscal years.
- The Rural Services Fund balance increased \$213,299 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 \$1,000,000 amount for closure/postclosure care desired by the Board of Supervisors and Landfill Commission, they did not make a contribution to the Landfill Closure Fund during FY2007. \$497,555 of the \$917,836 fund balance is being held in reserve for landfill closure and postclosure care.

- Secondary Roads Fund expenditures decreased \$981,756 from the prior year, due primarily to a decrease in roadway construction/repair. Revenues decreased \$594,198. The decrease in expenditures was not enough to compensate for the decrease in revenues which resulted in a decrease in the Secondary Roads Fund ending balance of \$67,547, or approximately 2.2%.
- The Landfill Closure Costs Fund receives interest earned. No closure/postclosure costs were expended from this fund during FY2007.
- The Debt Service Fund accumulates and pays the principal and interest on debt issued for the Law Enforcement Center and the Hospital Sprinkler system. In June 2003, 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. There was a decrease of approximately \$52,000 in the amount of property tax needed for the Debt Service Fund due to the refunding of notes and the transfer of the remaining Capital Projects Fund Balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy County amended its budget once. The increase in the miscellaneous receipts budget was primarily due to insurance proceeds and repayment of a loan. The budget for public safety and legal services was increased due to the purchase of additional law enforcement vehicles and equipment. The increase in county environment and education was due to unbudgeted TIF attorney fees. The increase in administration was due to the change in safety director administrators.

The County's actual receipts were \$119,122 less than budgeted, a variance of 1.1%. The variance resulted from the County receiving less intergovernmental receipts than anticipated as a payment from Rural Services Fund of \$100,000 to the Landfill Closure Costs Fund was not made as budgeted. Due to the uncertainty of interest rates at the time of budgeting, use of money and property receipts were \$206,028 greater than anticipated. Miscellaneous receipts collected were less than anticipated as grants and contributions for the Grundy County Lake campground development project, anticipated at \$380,737, were not received.

Total actual disbursements were \$1,504,544 less than the amended budget, a variance of 13.1%. Actual disbursements for the county environment and education, administration and capital projects functions were \$256,188, \$176,368 and \$762,429, respectively, less than budgeted. Disbursements for the mental health function were \$199,787 less than budget due primarily to a reduction in the number and severity of mental health cases and sharing a CPC director and case worker with Tama County. In the Rural Services Fund, a \$100,000 budgeted disbursement to the Landfill Closure Costs Fund was not made in the county environment and education function, the courthouse window project was delayed until FY2008 in the administration function and work was not started as anticipated for the Grundy County Lake campground development project, budgeted at approximately \$629,161 in the capital projects function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Grundy County had approximately \$13,131,768 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$165,339, or approximately 1.2%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2007	2006
Land	\$ 876,707	813,219
Construction in process	302,542	1,898,781
Buildings	2,896,322	2,969,636
Equipment and vehicles	2,726,137	2,936,208
Infrastructure, road network	6,330,060	4,679,263
Total	\$ 13,131,768	13,297,107
This year's additions included:		
Road network infrastructure		377,097
Land - County Lake		63,488
Printer (ballot)		6,755
2007 Ford Crown Victoria		21,109
2007 Ford Crown Victoria		21,109
2007 Ford Crown Victoria		27,287
Airstream Wireless Connection Rd		6,584
2007 Vermeer BC1500 Brush Chipper		34,598
Sharp MX-3501N Color Copier/Scanner		12,590
Camera Surveillance System RD		6,036
2007 Dodge Durango		22,772
2007 Hotsy Power Washer		6,860
Fortis HP Proliant Server		11,625
Sheriff HP Proliant Server		14,826
2007 Chrysler PT Cruiser		14,746
Total		\$ 647,482

The County had depreciation expense of \$811,643 in FY07 and total accumulated depreciation of \$5,463,778 at June 30, 2007.

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

Long-Term Debt

At June 30, 2007, Grundy County had \$285,000 in general obligation capital loan refunding notes outstanding, compared to \$380,000 at June 30, 2006.

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 \$42,938,628. 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 2008 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County as of June 2007 stands at 3.2% versus 2.8% a year ago. This compares with the State's unemployment rate of 3.8%. Interest income is climbing 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 FY2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. The FY2008 budget of \$11,675,450 increased 1.3% over the FY2007 final budget of \$11,520,253. Property tax receipts will increase slightly even though the tax rate is staying the same because assessed valuations have increased. A budgeted decrease in the tax levy for the Mental Health Fund from 100% to 71% occurred to reduce the fund balance and increase eligibility for state funding. Budgeted disbursements are expected to increase approximately \$155,197 from FY2007 final 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 FY2008 budget. They are: anticipation of a high primary absentee and voter turnout, new employee health insurance plan, begin preparation for the 2010 Census, a bioterrorism grant for environmental disasters, a grant for the City of Stout to receive city wide sewer, convert to a statewide snowmobile and ATV registration system, construction of campground/trail at Grundy County Lake, courthouse window replacement project, closure of Grundy County Landfill and opening of a Convenience Center, continued increase of mapping layers in the County GIS system, Public Health computer management switching to Grundy County I.T. Department and elected County Attorney replaced because of becoming a judge.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2008.

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, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,792,119
Receivables:	
Property tax:	
Delinquent	2,675
Succeeding year	4,376,000
Interest and penalty on property tax	4,560
Accounts	33,441
Accrued interest	44,093
Due from other governments	372,692
Inventories	572,400
Prepaid insurance	131,098
Capital assets (net of accumulated depreciation)	<u>13,131,768</u>
Total assets	<u>25,460,846</u>
Liabilities	
Accounts payable	284,205
Accrued interest payable	590
Salaries and benefits payable	24,373
Due to other governments	131,260
Deferred revenue:	
Succeeding year property tax	4,376,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan refunding notes	95,000
Compensated absences	133,692
Portion due or payable after one year:	
General obligation capital loan refunding notes	190,000
Estimated liability for landfill closure and postclosure care	769,643
Compensated absences	<u>109,068</u>
Total liabilities	<u>6,113,831</u>
Net Assets	
Invested in capital assets, net of related debt	12,846,768
Restricted for:	
Supplemental levy purposes	391,355
Mental health purposes	361,073
Secondary roads purposes	2,861,999
Landfill closure and postclosure care	618,211
Debt service	19,763
Other purposes	783,346
Unrestricted	<u>1,464,500</u>
Total net assets	<u>\$ 19,347,015</u>

See notes to financial statements.

Grundy County
 Statement of Activities
 Year ended June 30, 2007

	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	\$ 1,408,033	290,189	24,947	-	(1,092,897)
Physical health and social services	446,569	7,714	23,774	-	(415,081)
Mental health	1,196,681	80	945,924	-	(250,677)
County environment and education	1,029,099	343,642	60,630	-	(624,827)
Roads and transportation	4,109,079	299,909	2,555,232	40,959	(1,212,979)
Governmental services to residents	336,396	245,047	-	-	(91,349)
Administration	1,332,793	306,358	-	-	(1,026,435)
Interest on long-term debt	8,969	-	-	-	(8,969)
Total	\$ 9,867,619	1,492,939	3,610,507	40,959	(4,723,214)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,274,668
Debt service					89,322
Penalty and interest on property tax					39,616
State tax credits					262,475
Local option sales tax					415,586
Unrestricted investment earnings					347,466
Gain on disposal of capital assets					33,668
Miscellaneous					7,934
Total general revenues					5,470,735
Change in net assets					747,521
Net assets beginning of year					18,599,494
Net assets end of year					\$ 19,347,015

See notes to financial statements.

Grundy County
Balance Sheet
Governmental Funds

June 30, 2007

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	\$ 1,490,083	467,759	790,410
Receivables:			
Property tax:			
Delinquent	2,068	265	275
Succeeding year	2,775,000	355,000	1,111,000
Interest and penalty on property tax	4,560	-	-
Accounts	885	217	31,035
Accrued interest	27,100	-	-
Due from other funds	-	-	-
Due from other governments	7,357	49,804	70,021
Inventories	-	-	-
Prepaid insurance	87,478	-	43,620
	\$ 4,394,531	873,045	2,046,361
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 34,452	31,370	7,432
Salaries and benefits payable	2,601	168	4,171
Due to other funds	6,276	-	1,585
Due to other governments	7,963	118,688	4,062
Deferred revenue:			
Succeeding year property tax	2,775,000	355,000	1,111,000
Other	6,628	265	275
Total liabilities	2,832,920	505,491	1,128,525
Fund balances:			
Reserved for:			
Supplemental levy purposes	401,802	-	-
Landfill closure and postclosure care	-	-	497,555
Debt service	-	-	-
Unreserved:			
Designated for old Highway 20 improvements	-	-	-
Undesignated, reported in:			
General fund	1,159,809	-	-
Special revenue funds	-	367,554	420,281
Total fund balances	1,561,611	367,554	917,836
	\$ 4,394,531	873,045	2,046,361

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
2,266,943	877,236	20,436	244,123	6,156,990
-	-	67	-	2,675
-	-	97,000	38,000	4,376,000
-	-	-	-	4,560
1,304	-	-	-	33,441
-	13,063	-	3,930	44,093
7,861	-	-	-	7,861
242,701	-	-	2,809	372,692
572,400	-	-	-	572,400
-	-	-	-	131,098
3,091,209	890,299	117,503	288,862	11,701,810
108,156	-	150	2,645	184,205
17,433	-	-	-	24,373
-	-	-	-	7,861
547	-	-	-	131,260
-	-	97,000	38,000	4,376,000
-	-	67	-	7,235
126,136	-	97,217	40,645	4,730,934
-	-	-	-	401,802
-	890,299	-	-	1,387,854
-	-	20,286	-	20,286
1,072,000	-	-	-	1,072,000
-	-	-	-	1,159,809
1,893,073	-	-	248,217	2,929,125
2,965,073	890,299	20,286	248,217	6,970,876
3,091,209	890,299	117,503	288,862	11,701,810

Grundy County

Grundy County

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

June 30, 2007

Total governmental fund balances (page 21) \$ 6,970,876

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 \$18,595,546 and the accumulated depreciation is \$5,463,778. 13,131,768

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 7,235

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. 535,129

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. (1,297,993)

Net assets of governmental activities (page 18) \$ 19,347,015

See notes to financial statements.

Grundy County

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

Year ended June 30, 2007

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,638,352	501,639	1,120,496
Local option sales tax	-	-	415,586
Interest and penalty on property tax	39,124	-	-
Intergovernmental	454,243	976,490	234,973
Licenses and permits	5,825	-	5,450
Charges for service	301,777	-	286,871
Use of money and property	294,664	-	-
Miscellaneous	85,067	80	4,941
Total revenues	<u>3,819,052</u>	<u>1,478,209</u>	<u>2,068,317</u>
Expenditures:			
Operating:			
Public safety and legal services	1,319,383	-	146,042
Physical health and social services	447,720	-	-
Mental health	-	1,214,556	-
County environment and education	387,222	-	543,140
Roads and transportation	-	-	-
Governmental services to residents	330,106	-	3,550
Administration	1,095,483	-	152,962
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>3,579,914</u>	<u>1,214,556</u>	<u>845,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>239,138</u>	<u>263,653</u>	<u>1,222,623</u>
Other financing sources (uses):			
Operating transfers in	350	-	-
Operating transfers out	(19,813)	-	(1,009,324)
Total other financing sources (uses)	<u>(19,463)</u>	<u>-</u>	<u>(1,009,324)</u>
Net change in fund balances	219,675	263,653	213,299
Fund balances beginning of year	<u>1,341,936</u>	<u>103,901</u>	<u>704,537</u>
Fund balances end of year	<u>\$ 1,561,611</u>	<u>367,554</u>	<u>917,836</u>

See notes to financial statements.

Revenue				
Secondary Roads	Landfill Closure Costs	Debt Service	Nonmajor	Total
-	-	89,428	20,422	4,370,337
-	-	-	-	415,586
-	-	-	-	39,124
2,737,925	-	5,188	29,843	4,438,662
430	-	-	-	11,705
447	-	-	3,177	592,272
600	43,419	-	3,930	342,613
156,697	-	-	-	246,785
2,896,099	43,419	94,616	57,372	10,457,084
-	-	-	5,565	1,470,990
-	-	-	-	447,720
-	-	-	-	1,214,556
-	-	-	24,822	955,184
3,379,405	-	-	-	3,379,405
-	-	-	-	333,656
-	-	-	-	1,248,445
-	-	104,127	-	104,127
593,565	-	-	77,514	671,079
3,972,970	-	104,127	107,901	9,825,162
(1,076,871)	43,419	(9,511)	(50,529)	631,922
1,009,324	-	1,600	18,213	1,029,487
-	-	-	(350)	(1,029,487)
1,009,324	-	1,600	17,863	-
(67,547)	43,419	(7,911)	(32,666)	631,922
3,032,620	846,880	28,197	280,883	6,338,954
2,965,073	890,299	20,286	248,217	6,970,876

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, 2007

Net change in fund balances - Total governmental funds (page 25) \$ 631,922

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

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

Expenditures for capital assets	\$ 612,636	
Depreciation expense	(811,643)	(199,007)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 33,668

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. (5,855)

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. 95,000

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

Adjustment to estimated costs for landfill closure and postclosure care	(26,539)	
Compensated absences	(15,544)	
Interest on long-term debt	158	(41,925)

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. 233,718

Change in net assets of governmental activities (page 19) \$ 747,521

See notes to financial statements.

Grundy County
Statement of Net Assets
Proprietary Fund
June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 635,129
Liabilities	
Accounts payable	<u>100,000</u>
Net Assets	
Unrestricted	<u><u>\$ 535,129</u></u>

See notes to financial statements.

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

Year ended June 30, 2007

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,017,814
Insurance reimbursements		23,220
Contributions from employees		35,200
Contributions from others		15,146
Total operating revenues		<u>1,091,380</u>
Operating expenses:		
Medical claims	\$ 845,034	
Administrative fees	<u>18,081</u>	<u>863,115</u>
Operating income		228,265
Non-operating revenues:		
Interest income		5,453
Net income		<u>233,718</u>
Net assets beginning of year		<u>301,411</u>
Net assets end of year		<u><u>\$ 535,129</u></u>

See notes to financial statements.

Grundy County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,017,814
Cash received from insurance refunds	23,220
Cash received from employees and others	50,346
Cash paid to suppliers for services	<u>(873,115)</u>
Net cash provided by operating activities	218,265
Cash flows from investing activities:	
Interest on investments	<u>5,453</u>
Net increase in cash and cash equivalents	223,718
Cash and cash equivalents beginning of year	<u>411,411</u>
Cash and cash equivalents end of year	<u><u>\$ 635,129</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 228,265
Adjustment to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts payable	<u>(10,000)</u>
Net cash provided by operating activities	<u><u>\$ 218,265</u></u>

See notes to financial statements.

Grundy County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:		
County Treasurer	\$	765,247
Other County officials		30,597
Receivables:		
Property tax:		
Delinquent		11,307
Succeeding year		12,672,000
Accounts		14,737
Accrued interest		1,509
Special assessments		67,943
Due from other governments		9,662
Total assets		<u>13,573,002</u>

Liabilities

Accounts payable		4,530
Due to other governments		13,530,077
Trusts payable		20,071
Compensated absences		18,324
Total liabilities		<u>13,573,002</u>

Net assets \$ -

See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2007

(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 care 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 financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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, 2007, 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 acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net 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, 2007. 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, 2007, disbursements exceeded the amount budgeted in the roads and transportation function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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, 2007, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$850,758 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public 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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 6,276
	Special Revenue: Rural Services	<u>1,585</u>
Total		<u>\$ 7,861</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, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: County Recorder's Electronic Transaction Fee	\$ 350
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,009,324
Conservation Land Acquisition	General	18,213
Debt Service	General	<u>1,600</u>
Total		<u>\$ 1,029,487</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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 813,219	63,488	-	876,707
Construction in progress	1,898,781	377,097	(1,973,336)	302,542
Total capital assets not being depreciated	2,712,000	440,585	(1,973,336)	1,179,249
Capital assets being depreciated:				
Buildings	3,751,161	-	-	3,751,161
Equipment and vehicles	6,692,163	206,897	(261,340)	6,637,720
Infrastructure, road network	5,054,080	1,973,336	-	7,027,416
Total capital assets being depreciated	15,497,404	2,180,233	(261,340)	17,416,297
Less accumulated depreciation for:				
Buildings	781,525	73,314	-	854,839
Equipment and vehicles	3,755,955	415,790	(260,162)	3,911,583
Infrastructure, road network	374,817	322,539	-	697,356
Total accumulated depreciation	4,912,297	811,643	(260,162)	5,463,778
Total capital assets being depreciated, net	10,585,107	1,368,590	(1,178)	11,952,519
Governmental activities capital assets, net	\$ 13,297,107	1,809,175	(1,974,514)	13,131,768

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 47,487
Mental health	3,385
County environment and education	54,281
Roads and transportation	652,872
Governmental services to residents	13,456
Administration	40,162
Total depreciation expense - governmental activities	\$ 811,643

(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	\$ 7,963
Special Revenue:		
Mental Health	Services	118,688
Rural Services	Services	4,062
Secondary Roads	Services	547
		123,297
Total for governmental funds		\$ 131,260
Agency:		
Agricultural Extension Education		\$ 125,271
County Assessor	Collections	366,615
Schools		7,971,908
Community Colleges		662,216
Corporations		3,579,472
Townships		173,310
Auto License and Use Tax		353,075
All other		298,210
Total for agency funds		\$ 13,530,077

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 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	\$ 380,000	743,104	227,216	1,350,320
Increases	-	26,539	175,374	201,913
Decreases	95,000	-	159,830	254,830
Balance end of year	\$ 285,000	769,643	242,760	1,297,403
Due within one year	\$ 95,000	-	133,692	228,692

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, 2007 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
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		\$ 285,000	14,678	299,678

(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, 2007, 2006 and 2005 were \$194,146, \$185,464 and \$181,217, 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 556 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, 2007 were \$210,118.

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 \$3,000,000 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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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, 2007 was \$1,017,814.

Amounts payable from the Employee Group Health Fund at June 30, 2007 total \$100,000, 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 \$535,129 at June 30, 2007 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	\$ 110,000
Incurred claims (including claims incurred but not reported at June 30, 2007)	835,034
Payment on claims during the fiscal year	<u>(845,034)</u>
Unpaid claims end of year	<u>\$ 100,000</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, 2007 and the portion of the liability that has been recognized is \$769,643. This liability represents the cumulative amount reported to date based on the use of approximately 97 percent of the capacity of the landfill with a remaining life of one year. A provision for the above liability has been made on the County's Statement of Net Assets as of June 30, 2007. The County has begun to accumulate resources to fund these costs and, at June 30, 2007, deposits of \$1,387,854 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. The developer agreement was amended and extended to fiscal year 2010. During the year ended June 30, 2007, \$4,940 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, 2007, \$5,743 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, 2007, \$9,739 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 closed all existing cells and will be 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, 2007

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,758,262	-	4,758,262
Interest and penalty on property tax	39,124	-	39,124
Intergovernmental	4,453,398	-	4,453,398
Licenses and permits	11,715	-	11,715
Charges for service	589,795	-	589,795
Use of money and property	337,628	-	337,628
Miscellaneous	294,551	-	294,551
Total receipts	<u>10,484,473</u>	-	<u>10,484,473</u>
Disbursements:			
Public safety and legal services	1,463,483	-	1,463,483
Physical health and social services	443,809	-	443,809
Mental health	1,216,702	-	1,216,702
County environment and education	950,010	-	950,010
Roads and transportation	3,525,452	-	3,525,452
Governmental services to residents	387,658	-	387,658
Administration	1,254,885	-	1,254,885
Debt service	103,978	-	103,978
Capital projects	669,732	-	669,732
Total disbursements	<u>10,015,709</u>	-	<u>10,015,709</u>
Excess (deficiency) of receipts over (under) disbursements	468,764	-	468,764
Balance beginning of year	5,688,226	22,719	5,665,507
Balance end of year	<u>\$ 6,156,990</u>	<u>22,719</u>	<u>6,134,271</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,682,501	4,682,501	75,761
25,000	25,000	14,124
4,610,053	4,610,053	(156,655)
5,900	5,900	5,815
550,014	550,014	39,781
131,600	131,600	206,028
571,164	598,527	(303,976)
<u>10,576,232</u>	<u>10,603,595</u>	<u>(119,122)</u>
1,524,123	1,562,241	98,758
480,610	480,610	36,801
1,416,489	1,416,489	199,787
1,200,298	1,206,198	256,188
3,426,216	3,426,216	(99,236)
460,807	460,807	73,149
1,429,699	1,431,253	176,368
104,278	104,278	300
1,432,161	1,432,161	762,429
<u>11,474,681</u>	<u>11,520,253</u>	<u>1,504,544</u>
(898,449)	(916,658)	1,385,422
<u>4,987,228</u>	<u>4,987,228</u>	<u>678,279</u>
<u>4,088,779</u>	<u>4,070,570</u>	<u>2,063,701</u>

Grundy County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,484,473	(27,389)	10,457,084
Expenditures	10,015,709	(190,547)	9,825,162
Net	468,764	163,158	631,922
Beginning fund balances	5,688,226	650,728	6,338,954
Ending fund balances	\$ 6,156,990	813,886	6,970,876

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 \$45,572. 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, 2007, disbursements exceeded the amount budgeted in the roads and transportation function.

Grundy County

Other Supplementary Information

Grundy County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	County	Resource	State	Special
	Recorder's	Enhancement	Drug	Federal
	Management	and Protection	Forfeiture	Drug
				Forfeiture
Assets				
Cash and pooled investments	\$ 20,406	54,509	13,648	223
Receivables:				
Succeeding year property tax	-	-	-	-
Accrued interest	407	951	-	-
Due from other governments	-	2,809	-	-
Total assets	\$ 20,813	58,269	13,648	223
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Unreserved	20,813	58,269	13,648	223
Total liabilities and fund equity	\$ 20,813	58,269	13,648	223

See accompanying independent auditor's report.

Revenue								
Sheriff's Grant	Drainage Districts	Grundy County Industrial Park TIF	Bob's Farm Center, Inc. TIF	Bacon Veneer TIF	Welcome Center TIF	Conservation Land Acquisition	Total	
265	22,719	-	-	-	-	132,353	244,123	
-	-	5,000	3,000	10,000	20,000	-	38,000	
-	-	-	-	-	-	2,572	3,930	
-	-	-	-	-	-	-	2,809	
265	22,719	5,000	3,000	10,000	20,000	134,925	288,862	
-	-	-	-	-	-	2,645	2,645	
-	-	5,000	3,000	10,000	20,000	-	38,000	
-	-	5,000	3,000	10,000	20,000	2,645	40,645	
265	22,719	-	-	-	-	132,280	248,217	
265	22,719	5,000	3,000	10,000	20,000	134,925	288,862	

Grundy County

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

Year ended June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special State Drug Forfeiture
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	9,836	-
Charges for service	3,177	-	-	-
Use of money and property	407	-	951	-
Total revenues	<u>3,584</u>	<u>-</u>	<u>10,787</u>	<u>-</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	5,565
County environment and education	4,400	-	-	-
Capital projects	-	-	620	-
Total expenditures	<u>4,400</u>	<u>-</u>	<u>620</u>	<u>5,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(816)</u>	<u>-</u>	<u>10,167</u>	<u>(5,565)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(350)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(350)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(816)</u>	<u>(350)</u>	<u>10,167</u>	<u>(5,565)</u>
Fund balances beginning of year	<u>21,629</u>	<u>350</u>	<u>48,102</u>	<u>19,213</u>
Fund balances end of year	<u>\$ 20,813</u>	<u>-</u>	<u>58,269</u>	<u>13,648</u>

See accompanying independent auditor's report.

Revenue								
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
-	-	-	4,940	5,743	9,739	-		20,422
-	-	-	-	-	-	20,007		29,843
-	-	-	-	-	-	-		3,177
-	-	-	-	-	-	2,572		3,930
-	-	-	4,940	5,743	9,739	22,579		57,372
-	-	-	-	-	-	-		5,565
-	-	-	4,940	5,743	9,739	-		24,822
-	-	-	-	-	-	76,894		77,514
-	-	-	4,940	5,743	9,739	76,894		107,901
-	-	-	-	-	-	(54,315)		(50,529)
-	-	-	-	-	-	18,213		18,213
-	-	-	-	-	-	-		(350)
-	-	-	-	-	-	18,213		17,863
-	-	-	-	-	-	(36,102)		(32,666)
223	265	22,719	-	-	-	168,382		280,883
223	265	22,719	-	-	-	132,280		248,217

Grundy County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,179	68,626	136,191
Other County officials	30,597	-	-	-
Receivables:				
Property tax:				
Delinquent	-	92	236	5,717
Succeeding year	-	123,000	317,000	7,830,000
Accounts	1,015	-	29	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 31,612	125,271	385,891	7,971,908
Liabilities				
Accounts payable	\$ -	-	952	-
Due to other governments	11,541	125,271	366,615	7,971,908
Trusts payable	20,071	-	-	-
Compensated absences	-	-	18,324	-
Total liabilities	\$ 31,612	125,271	385,891	7,971,908

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
9,658	30,823	3,301	353,075	14,403	146,991	765,247
-	-	-	-	-	-	30,597
558	4,649	9	-	-	46	11,307
652,000	3,544,000	170,000	-	-	36,000	12,672,000
-	-	-	-	-	13,693	14,737
-	-	-	-	-	1,509	1,509
-	-	-	-	-	67,943	67,943
-	-	-	-	5,597	4,065	9,662
662,216	3,579,472	173,310	353,075	20,000	270,247	13,573,002
-	-	-	-	43	3,535	4,530
662,216	3,579,472	173,310	353,075	19,957	266,712	13,530,077
-	-	-	-	-	-	20,071
-	-	-	-	-	-	18,324
662,216	3,579,472	173,310	353,075	20,000	270,247	13,573,002

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

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 19,467	125,161	304,385	7,854,032
Additions:				
Property and other county tax	-	123,783	318,640	7,852,189
E911 surcharges	-	-	-	-
State tax credits	-	7,552	12,359	470,992
Office fees and collections	309,994	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	183,784	-	-	-
Miscellaneous	-	-	316	-
Total additions	493,778	131,335	331,315	8,323,181
Deductions:				
Agency remittances:				
To other funds	139,067	-	-	-
To other governments	170,364	131,225	249,809	8,205,305
Trusts paid out	172,202	-	-	-
Total deductions	481,633	131,225	249,809	8,205,305
Balances end of year	\$ 31,612	125,271	385,891	7,971,908

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
565,508	3,435,728	169,841	360,865	-	309,025	13,144,012
653,929	3,509,718	171,933	-	-	36,572	12,666,764
-	-	-	-	-	119,015	119,015
33,604	163,845	9,874	-	-	2,165	700,391
-	-	-	-	-	-	309,994
-	-	-	3,435,382	-	-	3,435,382
-	-	-	-	-	-	183,784
-	-	-	-	64,056	60,422	124,794
687,533	3,673,563	181,807	3,435,382	64,056	218,174	17,540,124
-	-	-	102,176	-	-	241,243
590,825	3,529,819	178,338	3,340,996	44,056	256,952	16,697,689
-	-	-	-	-	-	172,202
590,825	3,529,819	178,338	3,443,172	44,056	256,952	17,111,134
662,216	3,579,472	173,310	353,075	20,000	270,247	13,573,002

Grundy County

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

For the Last Seven Years

	2007	2006	Modified 2005
Revenues:			
Property and other county tax	\$ 4,370,337	4,196,442	4,203,281
Local option sales tax	415,586	338,860	307,504
Interest and penalty on property tax	39,124	30,889	29,633
Intergovernmental	4,438,662	5,078,363	4,716,397
Licenses and permits	11,705	6,685	3,090
Charges for service	592,272	551,572	576,500
Use of money and property	342,613	290,924	133,305
Miscellaneous	246,785	148,427	234,471
Total	\$ 10,457,084	10,642,162	10,204,181
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,470,990	1,309,667	1,375,553
Physical health and social services	447,720	434,940	513,729
Mental health	1,214,556	1,237,419	1,232,838
County environment and education	955,184	938,294	1,120,067
Roads and transportation	3,379,405	3,804,400	2,961,944
Governmental services to residents	333,656	349,062	299,787
Administration	1,248,445	1,150,151	1,102,054
Non-program	-	-	-
Debt service	104,127	156,598	199,095
Capital projects	671,079	1,184,598	1,597,657
Total	\$ 9,825,162	10,565,129	10,402,724

See accompanying independent auditor's report.

Accrual Basis			
2004	2003	2002	2001
3,961,060	3,602,860	3,365,420	3,063,270
294,560	276,883	256,757	296,060
26,856	25,811	26,850	25,019
5,490,809	5,927,767	4,793,199	4,767,388
5,669	2,880	31,412	1,625
587,891	513,514	664,398	598,473
113,088	145,298	205,223	336,303
301,399	173,267	26,600	56,341
10,781,332	10,668,280	9,369,859	9,144,479

1,170,609	1,190,754	1,133,542	1,106,040
534,020	578,737	565,695	610,081
1,232,856	1,102,682	1,136,314	1,011,857
1,052,191	1,124,511	980,275	840,374
3,797,749	3,325,895	3,177,583	3,465,244
262,872	279,209	260,224	240,445
1,067,246	997,193	924,514	898,108
308	-	-	-
196,255	210,730	208,600	128,453
1,054,169	673,931	1,133,651	869,910
10,368,275	9,483,642	9,520,398	9,170,512

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

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

To the Officials of 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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 19, 2007. 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, but not for the purpose of expressing our opinion on the effectiveness of Grundy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sample County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Grundy County's financial statements that is more than inconsequential will not be prevented or detected by Grundy County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Grundy County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (C) are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Grundy County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Grundy County's responses and, accordingly, we express no opinion on them.

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 19, 2007

Grundy County

Schedule of Findings

Year ended June 30, 2007

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

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

	Applicable Offices
(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 and Sheriff
(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

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 – Sheriff is to prepare “initial listing of receipts” and then periodically have Chief Deputy follow the selected entries thru receipt, deposits and disbursal transaction.

Conclusion – Responses accepted.

Grundy County

Schedule of Findings

Year ended June 30, 2007

- (B) 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. Gun permit receipts are not deposited on a timely basis.

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, gun permit receipts should be deposited timely.

Response – Sheriff’s Office will prepare year to date spreadsheet of receipts and disbursements (form provided) on monthly basis so completed for annual review. Gun permit receipts will be deposited with civil deposits made at least weekly. Will merge weapons permit account with civil.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified material amounts of receivables and infrastructure additions which were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – Receivables and infrastructure additions had all been recorded in the County’s cash basis financial records, but had not been coded with notations as items requiring accrual. We will take the necessary steps to implement procedures to ensure all receivables and infrastructure additions requiring accrual notations are properly coded and included in the County’s financial statements in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Grundy County

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the roads and transportation function.

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

Response – We will work closely with the County Engineer to avoid this situation in the future.

Conclusion – Response accepted.

- (2) 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.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.

- (5) 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.

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- (7) 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.

- (8) 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).

- (9) 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.

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

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

Grundy County

Schedule of Findings

Year ended June 30, 2007

- (11) 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, 2007 reserved for landfill closure and postclosure care is \$1,387,854. Therefore, the closure and postclosure care costs are fully funded at June 30, 2007.
- (12) Electronic Checks/Warrants – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks and warrants in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check or warrant.

The County Treasurer, County Recorder and County Sheriff did not obtain an image of the back of each cancelled check or warrant as required.

Recommendation – The County should obtain and retain check or warrant images as required.

Responses –

County Treasurer – I will contact bank to obtain back images of checks in the future.

County Recorder – I will contact the bank to see about getting images of the back of checks.

County Sheriff – The bank has been contacted to include back side of checks in the monthly statement.

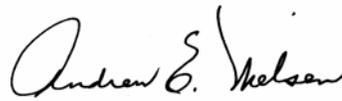
Conclusion – Responses accepted

Grundy County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Shawn R. Elsbury, Staff Auditor
Michael P. Piehl, Staff Auditor
Jacob R. Chambers, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State