



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE January 23, 2003

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515/281-5515

The Office of Auditor of State today released an audit report on Grundy County, Iowa.

The County had local tax revenue of \$14,971,882 for the year ended June 30, 2002, which included \$1,016,996 in tax credits from the state. The County forwarded \$11,084,215 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,887,667 of the local tax revenue to finance County operations, a seven percent increase from the prior year. Other revenues included \$3,729,606 from the state, \$485,132 from the federal government, and \$208,941 in interest on investments.

Expenditures for County operations totaled \$9,520,398, a four percent increase from the prior year. Expenditures included \$3,177,583 for roads and transportation, \$1,136,314 for mental health and \$1,133,651 for capital projects.

The report contains recommendations to the Board of Supervisors and other County officials. For example, the County should segregate duties within individual offices to obtain the maximum internal control possible under the circumstances. The County has responded to each item in the report and stated that corrective action is being taken.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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GRUNDY COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

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Grundy County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harlyn Riekema	Board of Supervisors	Nov 2002
Donald Schildroth	Board of Supervisors	Jan 2003
Leland Arends	Board of Supervisors	Jan 2005
Bernard Eilderts	Board of Supervisors	Jan 2005
Elmer Willms	Board of Supervisors	Jan 2005
Mary Schmidt	County Auditor	Jan 2005
Brenda Noteboom	County Treasurer	Jan 2003
Charles Kruse	County Recorder	Jan 2003
Rick Penning	County Sheriff	Jan 2005
T. J. Heronimus	County Attorney	Jan 2003
Greg Harms	County Assessor	Jan 2004

Grundy County



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Independent Auditor's Report

To the Officials of Grundy County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Grundy County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Grundy County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Grundy County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Grundy County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our reports dated October 29, 2002 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 grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 12, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 29, 2002

Grundy County

Financial Statements

Grundy County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 1,034,112	2,885,087	21,314
Other County officials	-	-	-
Health insurance trust	-	-	-
Receivables:			
Property tax:			
Delinquent	255	143	23
Succeeding year	2,086,000	1,320,000	183,000
Interest and penalty on property tax	496	-	-
Accounts	2,837	35,807	-
Accrued interest	751	8,765	-
Special assessments	-	-	-
Due from other funds (note 9)	29,836	2,009	-
Due from other governments	35,104	377,466	-
Inventories	-	397,400	-
Prepaid insurance	4,190	4,190	-
Property and equipment (note 3)	-	-	-
Amount available for payment of landfill closure and postclosure costs	-	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	\$ 3,193,581	5,030,867	204,337

Capital Projects	Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	Fund Type	Fund Type	General	General	
	Internal	Trust and	Fixed	Long-Term	
	Service	Agency	Assets	Debt	
99,388	-	861,267	-	-	4,901,168
-	-	37,490	-	-	37,490
-	130,502	-	-	-	130,502
-	-	1,107	-	-	1,528
-	-	10,333,000	-	-	13,922,000
-	-	-	-	-	496
-	-	17,338	-	-	55,982
98	-	6,473	-	-	16,087
-	-	496,000	-	-	496,000
-	-	-	-	-	31,845
-	-	4,235	-	-	416,805
-	-	-	-	-	397,400
-	-	-	-	-	8,380
-	-	-	10,764,023	-	10,764,023
-	-	-	-	432,364	432,364
-	-	-	-	21,316	21,316
-	-	-	-	1,556,807	1,556,807
99,486	130,502	11,756,910	10,764,023	2,010,487	33,190,193

Grundy County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts payable	\$ 23,098	140,142	-
Salaries and benefits payable	4,799	41,419	-
Due to other funds (note 9)	796	254	-
Due to other governments (note 4)	30,705	65,515	-
Trusts payable	-	-	-
Deferred revenue:			
Succeeding year property tax	2,086,000	1,320,000	183,000
Other	11,654	140	21
Capital loan notes (note 5)	-	-	-
Compensated absences	16,623	19,055	-
Estimated liability for landfill closure and postclosure care costs (note 6)	-	-	-
Total liabilities	<u>2,173,675</u>	<u>1,586,525</u>	<u>183,021</u>
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Inventories	-	397,400	-
Prepaid insurance	4,190	4,190	-
Supplemental levies	32,375	-	-
Landfill closure costs	-	432,364	-
Unreserved:			
Designated for future landfill closure costs	-	574,631	-
Undesignated	983,341	2,035,757	21,316
Total fund equity and other credits	<u>1,019,906</u>	<u>3,444,342</u>	<u>21,316</u>
Total liabilities, fund equity and other credits	<u>\$ 3,193,581</u>	<u>5,030,867</u>	<u>204,337</u>

See notes to financial statements.

Capital Projects	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
-	60,000	1,760	-	-	225,000
-	-	728	-	-	46,946
-	-	30,795	-	-	31,845
-	-	11,575,926	-	-	11,672,146
-	-	3,128	-	-	3,128
-	-	-	-	-	3,589,000
-	-	-	-	-	11,815
-	-	-	-	1,218,355	1,218,355
-	-	3,225	-	142,908	181,811
-	-	-	-	649,224	649,224
-	60,000	11,615,562	-	2,010,487	17,629,270
-	-	-	10,764,023	-	10,764,023
-	70,502	-	-	-	70,502
-	-	-	-	-	397,400
-	-	-	-	-	8,380
-	-	-	-	-	32,375
-	-	-	-	-	432,364
-	-	-	-	-	574,631
99,486	-	141,348	-	-	3,281,248
99,486	70,502	141,348	10,764,023	-	15,560,923
99,486	130,502	11,756,910	10,764,023	2,010,487	33,190,193

Exhibit B

Grundy County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental Fund Types			Fiduciary	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Property and other County tax	\$2,044,843	1,383,584	193,750	-	-	3,622,177
Interest and penalty on property tax	26,850	-	-	-	-	26,850
Intergovernmental	596,233	4,181,875	15,091	-	-	4,793,199
Licenses and permits	1,670	1,225	28,517	-	-	31,412
Charges for service	221,361	443,037	-	-	-	664,398
Use of money and property	174,122	25,068	-	3,107	2,926	205,223
Miscellaneous	10,065	16,535	-	-	-	26,600
Total revenues	3,075,144	6,051,324	237,358	3,107	2,926	9,369,859
Expenditures:						
Operating:						
Public safety	1,039,039	-	-	-	-	1,039,039
Court services	94,503	-	-	-	-	94,503
Physical health and education	502,726	112,890	-	-	-	615,616
Mental health	-	1,136,314	-	-	-	1,136,314
Social services	107,969	-	-	-	-	107,969
County environment	341,255	481,130	-	-	-	822,385
Roads and transportation	-	3,177,583	-	-	-	3,177,583
State and local government services	242,656	17,568	-	-	-	260,224
Interprogram services	833,870	90,644	-	-	-	924,514
Debt service	-	-	208,600	-	-	208,600
Capital projects	-	1,053,685	-	79,966	-	1,133,651
Total expenditures	3,162,018	6,069,814	208,600	79,966	-	9,520,398
Excess (deficiency) of revenues over (under) expenditures	(86,874)	(18,490)	28,758	(76,859)	2,926	(150,539)
Other financing sources (uses):						
Sale of general fixed assets	-	4,100	-	-	-	4,100
Operating transfers in	20,298	1,049,981	-	-	17,305	1,087,584
Operating transfers out	(110,551)	(956,735)	(20,298)	-	-	(1,087,584)
Total other financing sources (uses)	(90,253)	97,346	(20,298)	-	17,305	4,100
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(177,127)	78,856	8,460	(76,859)	20,231	(146,439)

Grundy County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances – All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Fund balances beginning of year	1,232,843	3,286,196	12,856	176,345	121,117	4,829,357
Increase (decrease) in reserve for:						
Inventories	-	75,100	-	-	-	75,100
Prepaid insurance	(35,810)	4,190	-	-	-	(31,620)
Fund balances end of year	<u>\$1,019,906</u>	<u>3,444,342</u>	<u>21,316</u>	<u>99,486</u>	<u>141,348</u>	<u>4,726,398</u>

See notes to financial statements.

Grundy County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2002

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 3,657,879	-
Interest and penalty on property tax	27,216	-
Intergovernmental	4,814,619	-
Licenses and permits	2,675	-
Charges for service	693,768	-
Use of money and property	217,377	-
Miscellaneous	36,772	-
Total receipts	9,450,306	-
Disbursements:		
Public safety	1,033,283	-
Court services	93,700	-
Physical health and education	620,142	-
Mental health	1,130,981	-
Social services	105,027	-
County environment	804,585	-
Roads and transportation	3,493,454	-
State and local government services	260,252	-
Interprogram services	918,430	-
Debt service	208,600	-
Capital projects	1,137,011	-
Total disbursements	9,805,465	-
Deficiency of receipts under disbursements	(355,159)	-
Other financing sources, net	4,100	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	(351,059)	-
Balance beginning of year	4,529,382	23,027
Balance end of year	\$ 4,178,323	23,027

See notes to financial statements.

Net	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
3,657,879	3,563,614	94,265	103%
27,216	19,762	7,454	138%
4,814,619	5,055,285	(240,666)	95%
2,675	2,400	275	111%
693,768	580,581	113,187	119%
217,377	210,000	7,377	104%
36,772	90,700	(53,928)	41%
<u>9,450,306</u>	<u>9,522,342</u>	<u>(72,036)</u>	<u>99%</u>
1,033,283	1,072,151	38,868	96%
93,700	112,681	18,981	83%
620,142	620,147	5	100%
1,130,981	1,273,485	142,504	89%
105,027	140,691	35,664	75%
804,585	878,412	73,827	92%
3,493,454	3,753,012	259,558	93%
260,252	284,728	24,476	91%
918,430	1,023,526	105,096	90%
208,600	208,601	1	100%
1,137,011	1,734,071	597,060	66%
<u>9,805,465</u>	<u>11,101,505</u>	<u>1,296,040</u>	<u>88%</u>
(355,159)	(1,579,163)		
<u>4,100</u>	<u>600</u>		
(351,059)	(1,578,563)		
<u>4,506,355</u>	<u>3,657,467</u>		
<u>4,155,296</u>	<u>2,078,904</u>		

Exhibit D

Grundy County

Statement of Revenues, Expenses and Changes in Retained Earnings

Proprietary Fund Type

Year ended June 30, 2002

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 436,101
Insurance refunds		<u>28,816</u>
Total operating revenues		<u>464,917</u>
Operating expenses:		
Medical claims paid	\$ 590,040	
Administrative fees	<u>14,306</u>	<u>604,346</u>
Operating income (loss)		(139,429)
Non-operating revenues:		
Interest on investments		<u>3,718</u>
Net income (loss)		(135,711)
Retained earnings beginning of year		<u>206,213</u>
Retained earnings end of year		<u><u>\$ 70,502</u></u>

See notes to financial statements.

Grundy County
 Statement of Cash Flows
 Proprietary Fund Type
 Year ended June 30, 2002

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 436,101
Cash received from insurance refunds	28,816
Cash payments to suppliers for services	(594,346)
Net cash used by operating activities	(129,429)
Cash flows from investing activities:	
Interest on investments	3,718
Net decrease in cash and cash equivalents	(125,711)
Cash and cash equivalents at beginning of year	256,213
Cash and cash equivalents at end of year	\$ 130,502
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	\$ (139,429)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Increase in accounts payable	10,000
Net cash used by operating activities	\$ (129,429)

See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2002

(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.

A. Reporting Entity

For financial reporting purposes, Grundy County has included all funds, organizations, account groups, 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 an Agency Fund of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Job Training Partnership Act Quality Jobs Program, Mid-Iowa Drug Task Force, Northeast Iowa Response Group, Iowa Northland Regional Housing Council, Iowa County Engineers Association Service Bureau, Iowa Northland Regional Economic Development Commission, Iowa Northland Regional Council of Governments and North Iowa Juvenile Detention Services Commission.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

Proprietary Fund

Internal Service Fund – The 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. This fund is used to account for the revenue and expenses related to the County's self-insurance plan for health benefits.

Fiduciary Funds

Trust Funds - The Trust Funds are used to account for assets held by the County in a trustee capacity. These include an expendable trust fund, which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds - The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets - This account group is established to account for the general fixed assets of the County.

General Long-Term Debt - This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its proprietary funds, 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental fund types are 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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 – Assessments receivable represent amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten nor more than twenty 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. Assessments receivable represent assessments which are payable and 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 that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

General Fixed Assets – General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service levies.

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 collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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, the succeeding year property tax receivable, as well as delinquent property tax receivables and other receivables not collected within sixty days after year end.

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. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. Accumulated sick leave is generally paid at 25% of the maximum days not to exceed 90 days, upon termination, death or retirement if the employee has at least 15 years of service. In the Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings - The unreserved retained earnings of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are:

public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund and expendable trust fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 3,107,848	(32,704)	3,075,144	6,093,408	(42,084)	6,051,324
Expenditures	3,146,958	15,060	3,162,018	6,369,941	(300,127)	6,069,814
Net	(39,110)	(47,764)	(86,874)	(276,533)	258,043	(18,490)
Other financing sources (uses)	(90,253)	-	(90,253)	97,346	-	97,346
Beginning fund balances	1,163,475	69,368	1,232,843	3,064,274	221,922	3,286,196
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	75,100	75,100
Prepaid insurance	-	(35,810)	(35,810)	-	4,190	4,190
Ending fund balances	\$ 1,034,112	(14,206)	1,019,906	2,885,087	559,255	3,444,342

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	\$ 240,126	(2,768)	237,358	3,567	(460)	3,107
Expenditures	208,600	-	208,600	79,966	-	79,966
Net	31,526	(2,768)	28,758	(76,399)	(460)	(76,859)
Other financing sources (uses)	(20,298)	-	(20,298)	-	-	-
Beginning fund balances	10,086	2,770	12,856	175,787	558	176,345
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-
Ending fund balances	\$ 21,314	2	21,316	99,388	98	99,486

	Fiduciary Fund Type			Total		
	Expendable Trust			Cash Basis	Accrual Adjustments	Modified Accrual Basis
	Cash Basis	Accrual Adjustments	Modified Accrual Basis			
Revenues	\$ 5,357	(2,431)	2,926	9,450,306	(80,447)	9,369,859
Expenditures	-	-	-	9,805,465	(285,067)	9,520,398
Net	5,357	(2,431)	2,926	(355,159)	204,620	(150,539)
Other financing sources (uses)	17,305	-	17,305	4,100	-	4,100
Beginning fund balances	115,760	5,357	121,117	4,529,382	299,975	4,829,357
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	75,100	75,100
Prepaid insurance	-	-	-	-	(31,620)	(31,620)
Ending fund balances	\$ 138,422	2,926	141,348	4,178,323	548,075	4,726,398

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2002 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.

(3) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 471,115	-	-	471,115
Buildings	3,980,544	15,046	-	3,995,590
Equipment	5,754,254	834,844	291,780	6,297,318
Total	\$10,205,913	849,890	291,780	10,764,023

(4) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 30,705
Special Revenue:		
Rural Services	Services	3,585
Secondary Roads		99
Mental Health		61,831
		<u>65,515</u>
Trust and Agency:		
County Recorder	Collections	4,229
County Assessor		297,763
Schools		7,097,568
Community Colleges		433,282
Corporations		2,526,960
City Special Assessments		496,524
Auto License and Use Tax		265,205
Disaster Service		15,882
E911 surcharge		157,220
All other		281,293
		<u>11,575,926</u>
Total		<u>\$ 11,672,146</u>

(5) Capital Loan Notes

On March 1, 1993, the County issued \$615,000 of general obligation capital loan notes to pay the costs of remodeling, maintaining, refinancing and equipping the Grundy County Memorial Hospital (Hospital). The unmatured general obligation capital loan notes are accounted for in the General Long-Term Debt Account Group. The Hospital is the paying agent for these bonds. The County levies property tax in the General Fund and remits the amount necessary for the principal and interest payments to the Hospital.

On June 1, 1999, the County issued \$850,000 of general obligation capital loan notes to pay the costs of building and furnishing an addition to the County Law Enforcement Building, (Jail Addition). The unmatured general obligation capital loan notes are accounted for in the General Long-Term Debt Account Group and are payable from future Debt Service Fund tax levies.

On September 1, 2000, the County issued \$395,000 of general obligation capital loan notes to pay the costs of constructing improvements to Grundy County Memorial Hospital, including a sprinkler system. The unmatured general obligation capital loan notes are accounted for in the General Long-Term Debt Account Group and are payable from future Debt Service Fund tax levies.

A summary of the County's June 30, 2002 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	Interest Rate	1993 County Memorial Hospital		
		Principal	Interest	Total
2003	5.25%	\$ 60,470	9,256	69,726
2004	5.25	63,686	6,040	69,726
2005	5.25	67,074	2,652	69,726
		<u>\$ 191,230</u>	<u>17,948</u>	<u>209,178</u>

Year Ending June 30,	Interest Rate	1999 Jail Addition		
		Principal	Interest	Total
2003	4.20%	\$ 75,000	32,485	107,485
2004	4.30	80,000	29,335	109,335
2005	4.40	80,000	25,895	105,895
2006	4.50	85,000	22,375	107,375
2007	4.60	90,000	18,550	108,550
2008	4.70	95,000	14,410	109,410
2009	4.80	100,000	9,945	109,945
2010	4.90	105,000	5,145	110,145
		<u>\$ 710,000</u>	<u>158,140</u>	<u>868,140</u>

Year Ending June 30,	Interest Rate	2000 County Memorial Hospital		
		Principal	Interest	Total
2003	6.75%	\$ 83,220	20,025	103,245
2004	6.75	88,932	14,313	103,245
2005	6.75	95,036	8,209	103,245
2006	6.75	49,937	1,685	51,622
		<u>\$ 317,125</u>	<u>44,232</u>	<u>361,357</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2003	\$ 218,690	61,766	280,456
2004	232,618	49,688	282,306
2005	242,110	36,756	278,866
2006	134,937	24,060	158,997
2007	90,000	18,550	108,550
2008	95,000	14,410	109,410
2009	100,000	9,945	109,945
2010	105,000	5,145	110,145
	<u>\$1,218,355</u>	<u>220,320</u>	<u>1,438,675</u>

During the year ended June 30, 2002, \$205,291 of general obligation capital loan notes were retired.

(6) 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 Number 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 costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the County Landfill have been estimated at \$794,968 as of June 30, 2002 and the portion of the liability that has been recognized is \$649,224. This liability represents the cumulative amount reported to date based on the use of approximately 82 percent of the capacity of the landfill with a remaining life of five and one half years. A provision for the above liability has been made on the County's balance sheet as of June 30, 2002. The County has begun to accumulate resources to fund these costs and at June 30, 2002, deposits of \$1,006,995 are held for these purposes. These funds are reported within the Rural Services and Landfill Closure and Costs Funds.

(7) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Capital Loan Notes	Compen- sated Absences	Estimated Liability for Landfill Closure and Postclosure Care Costs	Total
Balance beginning of year	\$ 1,423,646	138,898	621,228	2,183,772
Additions	-	4,010	27,996	32,006
Reductions	205,291	-	-	205,291
Balance end of year	\$ 1,218,355	142,908	649,224	2,010,487

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$162,225, \$157,528, and \$144,857, respectively, equal to the required contributions for each year.

(9) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency: County Recorder County Sheriff	\$ 21,911 7,925
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	796 254
County Recorder's Records Management	Trust and Agency: County Recorder	959
Total		<u>\$ 31,845</u>

(10) 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 whose 400 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2002 were \$100,885.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also 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 that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2002, no liability has been recorded in the County's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company 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 claims 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.

(11) Employee Group Health Insurance Plan

The Grundy County 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 County contributions and is administered through a service agreement with Epoch Group, L. E. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$20,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Grundy County 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 from the Grundy County Employee Group Health Fund. The County records the plan assets and related liabilities of the Grundy County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$436,101.

Amounts payable from the Employee Group Health Fund at June 30, 2002 total \$60,000 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 \$70,502 at June 30, 2002 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that 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. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims as of July 1, 2001	\$ 50,000
Incurred claims (including claims incurred but not reported as of June 30, 2002	600,040
Payments on claims during the fiscal year	<u>(590,040)</u>
Unpaid claims as of June 30, 2002	<u>\$ 60,000</u>

Supplemental Information

Grundy County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 1,978,434	
Utility tax replacement excise tax	61,403	
Other	<u>5,006</u>	\$ 2,044,843

Interest and penalty on property tax		26,850
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Intergovernmental:

State shared revenues:

Franchise tax	12,233	
State liquor licenses	<u>2,015</u>	
	<u>14,248</u>	

State grants and reimbursements including
indirect federal funding:

Human services administrative reimbursement	11,117	
Emergency medical service training grant	3,500	
Bryne formula grant	37,121	
Community services local health program	78,952	
Well testing grant	5,658	
Court fees	13,632	
Substance abuse	10,000	
Other	<u>9,273</u>	
	<u>169,253</u>	

State tax replacements:

State tax credits	164,453	
State allocation	<u>50,936</u>	
	<u>215,389</u>	

Contributions and reimbursements from
other governmental units:

Contract law enforcement	187,825	
Election reimbursements	<u>9,518</u>	
	<u>197,343</u>	596,233

Licenses and permits		1,670
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Charges for service:

Office fees and collections	111,554	
Auto license, use tax and postage	96,138	
Other	<u>13,669</u>	221,361

Schedule 1

Grundy County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):

Use of money and property:

Interest on investments 174,122

Miscellaneous 10,065

Total revenues 3,075,144

Expenditures:

Operating:

Public safety 1,039,039

Court services 94,503

Physical health and education 502,726

Social services 107,969

County environment 341,255

State and local government services 242,656

Interprogram services 833,870

Total expenditures 3,162,018

Deficiency of revenues under expenditures (86,874)

Other financing sources (uses):

Operating transfers in (out):

Special Revenue:

Secondary Roads (93,246)

Debt Service 20,298

Expendable Trust:

Conservation Land Acquisition Trust (17,305)

Total other financing sources (uses) (90,253)

Deficiency of revenues and other financing sources
under expenditures and other financing uses (177,127)

Fund balance beginning of year 1,232,843

Decrease in reserve for prepaid insurance (35,810)

Fund balance end of year \$ 1,019,906

See accompanying independent auditor's report.

Grundy County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 375,134	
Investigations	4,483	
Contract law enforcement	231,194	
Law enforcement communication	161,655	
Adult correction services	17,566	
Administration	75,083	
	<u>865,115</u>	

Legal services:

Criminal prosecution	133,865	
Medical examinations	2,763	
	<u>136,628</u>	

Emergency services:

Ambulance services	31,019	
Disaster services	6,277	
	<u>37,296</u>	\$ 1,039,039

Court Services Service Area:

Assistance to district court system:

Physical operations	835	
Research and other assistance	3,534	
	<u>4,369</u>	

Court proceedings:

Court costs	5,304	
Service of civil papers	56,757	
	<u>62,061</u>	

Juvenile justice administration:

Juvenile probation and restitution	17,476	
Court-appointed attorneys and court costs for juveniles	10,597	
	<u>28,073</u>	94,503

Schedule 2

Grundy County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Physical Health and Education Service Area:

Physical health services:

Sanitation	20,458	
Health administration	72,104	
Support of hospitals	365,164	
	<u>457,726</u>	

Educational services:

Fair and 4-H clubs	<u>45,000</u>	502,726
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Social Services Service Area:

Services to the poor:

Administration	33,587	
General welfare services	11,781	
	<u>45,368</u>	

Services to military veterans:

Administration	8,179	
General services to veterans	3,506	
	<u>11,685</u>	

Children and family services:

Youth guidance	<u>2,542</u>	
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Services to other adults:

Services to the elderly	<u>359</u>	
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Chemical dependency:

Treatment services	26,065	
Preventive services	21,950	
	<u>48,015</u>	107,969

County Environment Service Area:

Conservation and recreation services:

Administration	71,231	
Maintenance and operations	167,683	
	<u>238,914</u>	

Animal control:

Animal shelter	10	
Animal bounties and domestic losses	49	
	<u>59</u>	

Grundy County
General Fund
Statement of Expenditures
Year ended June 30, 2002

County Environment Service Area (continued):		
County development:		
Land use and building controls	14,569	
Economic development	87,713	
	<u>102,282</u>	341,255
State and Local Government Services Service Area:		
Representation services:		
Elections administration	17,377	
Local elections	9,978	
Township officials	25	
	<u>27,380</u>	
State administrative services:		
Motor vehicle registrations and licensing	111,295	
Recording of public documents	103,981	
	<u>215,276</u>	242,656
Interprogram Services Service Area:		
Policy and administration:		
General County management	180,773	
Administrative management services	163,814	
Treasury management services	74,374	
Other policy and administration	39,468	
	<u>458,429</u>	
Central services:		
General services	113,994	
Data processing services	198,156	
	<u>312,150</u>	
Risk management services:		
Safety of the workplace	62,803	
Fidelity of public officials	488	
	<u>63,291</u>	833,870
Total		<u><u>\$ 3,162,018</u></u>

See accompanying independent auditor's report.

Grundy County
 Special Revenue Funds
 Combining Balance Sheet
 June 30, 2002

	Rural Services	Secondary Roads
Assets		
Cash and pooled investments	\$ 799,083	1,263,026
Receivables:		
Property tax:		
Delinquent	118	-
Succeeding year	964,000	-
Accounts	34,849	958
Accrued interest	-	-
Due from other funds	-	1,050
Due from other governments	42,203	304,451
Inventories	-	397,400
Prepaid insurance	4,190	-
	\$ 1,844,443	1,966,885
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 16,691	80,198
Salaries and benefits payable	8,003	33,024
Due to other funds	254	-
Due to other governments	3,585	99
Deferred revenue:		
Succeeding year property tax	964,000	-
Other	118	-
Compensated absences	2,062	15,700
Total liabilities	994,713	129,021
Fund equity:		
Fund balance:		
Reserved for:		
Inventories	-	397,400
Prepaid insurance	4,190	-
Landfill closure costs	-	-
Unreserved:		
Designated for future landfill closure costs	574,631	-
Undesignated	270,909	1,440,464
Total fund equity	849,730	1,837,864
Total liabilities and fund equity	\$ 1,844,443	1,966,885

See accompanying independent auditor's report.

County Recorder's Records Management	Resources Enhancement and Protection	Landfill Closure Costs	Drainage Districts	State Forfeiture	Mental Health	Total
4,461	49,864	424,848	23,027	8,053	312,725	2,885,087
-	-	-	-	-	25	143
-	-	-	-	-	356,000	1,320,000
-	-	-	-	-	-	35,807
290	959	7,516	-	-	-	8,765
959	-	-	-	-	-	2,009
-	201	-	-	-	30,611	377,466
-	-	-	-	-	-	397,400
-	-	-	-	-	-	4,190
5,710	51,024	432,364	23,027	8,053	699,361	5,030,867
-	-	-	-	-	43,253	140,142
-	-	-	-	-	392	41,419
-	-	-	-	-	-	254
-	-	-	-	-	61,831	65,515
-	-	-	-	-	356,000	1,320,000
-	-	-	-	-	22	140
-	-	-	-	-	1,293	19,055
-	-	-	-	-	462,791	1,586,525
-	-	-	-	-	-	397,400
-	-	-	-	-	-	4,190
-	-	432,364	-	-	-	432,364
-	-	-	-	-	-	574,631
5,710	51,024	-	23,027	8,053	236,570	2,035,757
5,710	51,024	432,364	23,027	8,053	236,570	3,444,342
5,710	51,024	432,364	23,027	8,053	699,361	5,030,867

Grundy County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:		
Property and other County tax:		
Property tax	\$ 892,232	-
Local option sales tax	256,757	-
Utility tax replacement excise tax	28,010	-
Other	2,181	-
	<u>1,179,180</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax allocation	-	2,737,885
State grants and reimbursements including indirect federal funding:		
Highway planning and construction grant	-	389,080
Gas and sales tax refunds	-	17,227
Disaster assistance	-	1,162
Resource enhancement and protection program	-	-
Social services block grant	-	-
Case management	-	-
Other	-	186,817
	<u>-</u>	<u>594,286</u>
State tax replacements:		
State tax credits	69,507	-
State allocation	50,936	-
Mental health property tax relief	-	-
	<u>120,443</u>	<u>-</u>
Contributions and reimbursements from other governmental units	-	65,628
	<u>120,443</u>	<u>3,397,799</u>
Licenses and permits	<u>-</u>	<u>1,225</u>

County Recorder's Records Management	County Resource Enhancement and Protection	Landfill Closure Costs	Drainage Districts	State Forfeiture	Mental Health	Total
-	-	-	-	-	197,764	1,089,996
-	-	-	-	-	-	256,757
-	-	-	-	-	6,138	34,148
-	-	-	-	-	502	2,683
-	-	-	-	-	204,404	1,383,584
-	-	-	-	-	-	2,737,885
-	-	-	-	-	-	389,080
-	-	-	-	-	-	17,227
-	-	-	-	-	-	1,162
-	9,310	-	-	-	-	9,310
-	-	-	-	-	37,379	37,379
-	-	-	-	-	116,377	116,377
-	-	-	-	5,822	-	192,639
-	9,310	-	-	5,822	153,756	763,174
-	-	-	-	-	16,439	85,946
-	-	-	-	-	-	50,936
-	-	-	-	-	428,306	428,306
-	-	-	-	-	444,745	565,188
-	-	50,000	-	-	-	115,628
-	9,310	50,000	-	5,822	598,501	4,181,875
-	-	-	-	-	-	1,225

Grundy County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues (continued):		
Charges for service:		
Road maintenance	-	44,688
County landfill fees	394,569	-
Other	-	16
	<u>394,569</u>	<u>44,704</u>
Use of money and property:		
Interest on investments	-	-
Miscellaneous	-	15,890
Total revenues	<u>1,694,192</u>	<u>3,459,618</u>
Expenditures:		
Operating:		
Physical Health and Education Service Area:		
Educational services:		
Libraries	112,890	-
Mental Health Service Area:		
Persons with mental health problems - mental illness:		
Information and education	-	-
General administration	-	-
Treatment services	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with chronic mental illness:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>

County Recorder's Records Management	County Resource Enhancement and Protection	Landfill Closure Costs	Drainage Districts	State Forfeiture	Mental Health	Total
-	-	-	-	-	-	44,688
-	-	-	-	-	-	394,569
3,764	-	-	-	-	-	3,780
3,764	-	-	-	-	-	443,037
289	960	23,819	-	-	-	25,068
-	-	-	-	-	645	16,535
4,053	10,270	73,819	-	5,822	803,550	6,051,324
-	-	-	-	-	-	112,890
-	-	-	-	-	14,931	14,931
-	-	-	-	-	23,261	23,261
-	-	-	-	-	30,590	30,590
-	-	-	-	-	4,392	4,392
-	-	-	-	-	73,174	73,174
-	-	-	-	-	12,204	12,204
-	-	-	-	-	38,098	38,098
-	-	-	-	-	4,990	4,990
-	-	-	-	-	15,017	15,017
-	-	-	-	-	3,583	3,583
-	-	-	-	-	117,180	117,180
-	-	-	-	-	69,640	69,640
-	-	-	-	-	260,712	260,712

Grundy County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Mental Health Service Area:		
Persons with mental retardation:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	-	-
	-	-
Persons with other developmental disabilities:		
General administration	-	-
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
	-	-
	-	-
County Environment Service Area:		
Environmental quality:		
Natural resources conservation	7,000	-
Weed eradication	53,131	-
Solid waste disposal	420,999	-
	481,130	-
Roads and Transportation Service Area:		
Secondary roads administration and engineering:		
Administration	-	88,628
Engineering	-	205,340
	-	293,968

County Recorder's Records Management	County Resource Enhancement and Protection	Landfill Closure Costs	Drainage Districts	State Forfeiture	Mental Health	Total
-	-	-	-	-	21,498	21,498
-	-	-	-	-	93,541	93,541
-	-	-	-	-	51,360	51,360
-	-	-	-	-	98,713	98,713
-	-	-	-	-	381,464	381,464
-	-	-	-	-	75,804	75,804
-	-	-	-	-	722,380	722,380
-	-	-	-	-	2,928	2,928
-	-	-	-	-	12,545	12,545
-	-	-	-	-	600	600
-	-	-	-	-	9,108	9,108
-	-	-	-	-	54,867	54,867
-	-	-	-	-	80,048	80,048
-	-	-	-	-	1,136,314	1,136,314
-	-	-	-	-	-	7,000
-	-	-	-	-	-	53,131
-	-	-	-	-	-	420,999
-	-	-	-	-	-	481,130
-	-	-	-	-	-	88,628
-	-	-	-	-	-	205,340
-	-	-	-	-	-	293,968

Grundy County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>
Expenditures (continued):		
Operating:		
Roads and Transportation Service Area:		
Roadway maintenance:		
Bridges and culverts	-	230,744
Roads	-	1,280,968
Snow and ice control	-	142,490
Traffic controls	-	76,387
Road clearing	-	32,272
	<u>-</u>	<u>1,762,861</u>
General roadway expenditures:		
Equipment	-	437,300
Equipment operation	-	612,696
Tools, materials, and supplies	-	48,252
Real estate and buildings	-	22,506
	<u>-</u>	<u>1,120,754</u>
	<u>-</u>	<u>3,177,583</u>
State and Local Government Services Service Area:		
Representation services:		
Township officials	4,325	-
State administrative services:		
Recording of public documents	-	-
	<u>4,325</u>	<u>-</u>
Interprogram Services Service Area:		
Policy and administration:		
General county management	1,884	-
Central services:		
General Services	4,109	-
Risk management:		
Safety of Workplace	84,651	-
	<u>90,644</u>	<u>-</u>

County Recorder's Records Management	County Resource Enhancement and Protection	Landfill Closure Costs	Drainage Districts	State Forfeiture	Mental Health	Total
-	-	-	-	-	-	230,744
-	-	-	-	-	-	1,280,968
-	-	-	-	-	-	142,490
-	-	-	-	-	-	76,387
-	-	-	-	-	-	32,272
-	-	-	-	-	-	1,762,861
-	-	-	-	-	-	437,300
-	-	-	-	-	-	612,696
-	-	-	-	-	-	48,252
-	-	-	-	-	-	22,506
-	-	-	-	-	-	1,120,754
-	-	-	-	-	-	3,177,583
-	-	-	-	-	-	4,325
13,243	-	-	-	-	-	13,243
13,243	-	-	-	-	-	17,568
-	-	-	-	-	-	1,884
-	-	-	-	-	-	4,109
-	-	-	-	-	-	84,651
-	-	-	-	-	-	90,644

Grundy County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>
Expenditures (continued):		
Capital Projects Service Area:		
Conservation land acquisition	-	-
Roadway construction	-	1,053,185
	-	1,053,185
Total expenditures	<u>688,989</u>	<u>4,230,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,005,203</u>	<u>(771,150)</u>
Other financing sources (uses):		
Sale of fixed assets	-	4,100
Operating transfers in (out):		
General	-	93,246
Special Revenue:		
Rural Services	-	956,735
Secondary Roads	(956,735)	-
Total other financing sources (uses)	<u>(956,735)</u>	<u>1,054,081</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	48,468	282,931
Fund balances beginning of year	797,072	1,479,833
Increase in reserve for:		
Inventories	-	75,100
Prepaid insurance	4,190	-
Fund balances end of year	<u>\$ 849,730</u>	<u>1,837,864</u>

See accompanying independent auditor's report.

County Recorder's Records Management	County Resource Enhancement and Protection	Landfill Closure Costs	Drainage Districts	State Forfeiture	Mental Health	Total
-	500	-	-	-	-	500
-	-	-	-	-	-	1,053,185
-	500	-	-	-	-	1,053,685
13,243	500	-	-	-	1,136,314	6,069,814
(9,190)	9,770	73,819	-	5,822	(332,764)	(18,490)
-	-	-	-	-	-	4,100
-	-	-	-	-	-	93,246
-	-	-	-	-	-	956,735
-	-	-	-	-	-	(956,735)
-	-	-	-	-	-	97,346
(9,190)	9,770	73,819	-	5,822	(332,764)	78,856
14,900	41,254	358,545	23,027	2,231	569,334	3,286,196
-	-	-	-	-	-	75,100
-	-	-	-	-	-	4,190
5,710	51,024	432,364	23,027	8,053	236,570	3,444,342

Schedule 5

Grundy County

Debt Service Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 187,782	
Utility tax replacement excise tax	5,518	
Other	<u>450</u>	\$193,750

Intergovernmental:

State tax replacements:

State tax credits		15,091
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Charges for service:

Prisoner care		<u>28,517</u>
		<u>237,358</u>

Expenditures:

Debt Service Service Area:

Bonds redeemed	147,875	
Interest paid	<u>60,725</u>	<u>208,600</u>

Excess of revenues over expenditures 28,758

Other financing sources (uses):

Operating transfers in (out):

General		<u>(20,298)</u>
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Excess of revenues and other financing sources
over expenditures and other financing uses 8,460

Fund balance beginning of year 12,856

Fund balance end of year \$ 21,316

See accompanying independent auditor's report.

Grundy County

Capital Projects Fund

Statement of Revenue, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Use of money and property:

Interest on investments \$ 3,107

Expenditures:

Capital Projects Service Area:

Hospital sprinkler system and fire code updates 79,966

Deficiency of revenues under expenditures (76,859)

Fund balance beginning of year 176,345Fund balance end of year \$ 99,486

See accompanying independent auditor's report.

Schedule 7

Grundy County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	<u>Expendable</u>		
	Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 138,422	722,845	861,267
Other County officials	-	37,490	37,490
Receivables:			
Property tax:			
Delinquent	-	1,107	1,107
Succeeding year	-	10,333,000	10,333,000
Accounts	-	17,338	17,338
Accrued interest	2,926	3,547	6,473
Special assessments	-	496,000	496,000
Due from other governments	-	4,235	4,235
Total assets	<u>\$ 141,348</u>	<u>11,615,562</u>	<u>11,756,910</u>
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	1,760	1,760
Salaries and benefits payable	-	728	728
Due to other funds	-	30,795	30,795
Due to other governments	-	11,575,926	11,575,926
Trusts payable	-	3,128	3,128
Compensated absences	-	3,225	3,225
Total liabilities	<u>-</u>	<u>11,615,562</u>	<u>11,615,562</u>
Fund equity:			
Unreserved fund balance	<u>141,348</u>	<u>-</u>	<u>141,348</u>
Total liabilities and fund equity	<u>\$ 141,348</u>	<u>11,615,562</u>	<u>11,756,910</u>

See accompanying independent auditor's report.

Grundy County
Expendable Trust Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2002

	Conservation Land Acquisition Trust
Revenues:	
Use of money and property:	
Interest on investments	\$ 2,926
Expenditures:	
None	-
Excess of revenues over expenditures	2,926
Other financing sources:	
Operating transfers in:	
General	17,305
Excess of revenues and other financing sources over expenditures	20,231
Fund balance beginning of year	121,117
Fund balance end of year	\$ 141,348

See accompanying independent auditor's report.

Grundy County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	County Offices	
	County Recorder	County Sheriff
Assets		
Cash and pooled investments:		
County Treasurer	\$ -	-
Other County officials	26,429	11,061
Receivables:		
Property tax:		
Delinquent	-	-
Succeeding year	-	-
Accounts	670	-
Accrued interest	-	-
Special assessments	-	-
Due from other governments	-	-
	\$ 27,099	11,061
Liabilities		
Accounts payable	\$ -	-
Salaries and benefits payable	-	-
Due to other funds	22,870	7,925
Due to other governments	4,229	8
Trusts payable	-	3,128
Compensated absences	-	-
	\$ 27,099	11,061

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpor- ations	Townships
1,900	136,288	120,756	7,230	28,773	2,523
-	-	-	-	-	-
13	22	812	52	187	20
104,000	165,000	6,976,000	426,000	2,498,000	144,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
105,913	301,310	7,097,568	433,282	2,526,960	146,543
-	322	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
105,913	297,763	7,097,568	433,282	2,526,960	146,543
-	-	-	-	-	-
-	3,225	-	-	-	-
105,913	301,310	7,097,568	433,282	2,526,960	146,543

Grundy County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	City Special Assess- ments	Advance Taxes
Assets		
Cash and pooled investments:		
County Treasurer	524	8,367
Other County officials	-	-
Receivables:		
Property tax		
Delinquent	-	-
Succeeding year	-	-
Accounts	-	-
Accrued interest	-	-
Special assessmnets	496,000	-
Due from other governments	-	-
Total assets	496,524	8,367
Liabilities		
Accounts payable	-	-
Salaries and benefits payable	-	-
Due to other funds	-	-
Due to other governments	496,524	8,367
Trusts payable	-	-
Compensated absences	-	-
Total liabilities	496,524	8,367

See accompanying independent auditor's report.

Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Emergency Management Services	Dike Fire District	E911	Anatomical Gift Public Awareness and Transportation	Total
265,205	48	12,734	369	138,084	44	722,845
-	-	-	-	-	-	37,490
-	1	-	-	-	-	1,107
-	2,000	-	18,000	-	-	10,333,000
-	-	-	-	16,668	-	17,338
-	-	-	-	3,547	-	3,547
-	-	-	-	-	-	496,000
-	-	4,235	-	-	-	4,235
265,205	2,049	16,969	18,369	158,299	44	11,615,562
-	-	359	-	1,079	-	1,760
-	-	728	-	-	-	728
-	-	-	-	-	-	30,795
265,205	2,049	15,882	18,369	157,220	44	11,575,926
-	-	-	-	-	-	3,128
-	-	-	-	-	-	3,225
265,205	2,049	16,969	18,369	158,299	44	11,615,562

Grundy County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	County Offices	
	County Recorder	County Sheriff
Assets and Liabilities		
Balances beginning of year	\$ 25,390	8,971
Additions:		
Property and other County tax	-	-
State tax credits	-	-
E911 surcharge	-	-
Office fees and collections	185,555	27,234
Auto licenses, use tax and postage	-	-
Assessments	-	-
Trusts	-	56,480
Miscellaneous	-	-
Total additions	<u>185,555</u>	<u>83,714</u>
Deductions:		
Agency Remittances:		
To other funds	87,264	24,352
To other governments	96,582	186
Trusts paid out	-	57,086
Total deductions	<u>183,846</u>	<u>81,624</u>
Balances end of year	<u>\$ 27,099</u>	<u>11,061</u>

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corpora- tions	Townships	City Special Assess- ments
102,105	311,082	6,560,347	389,700	2,356,066	127,115	294,149
104,845	166,049	6,992,342	429,315	2,474,138	144,745	-
8,111	14,081	517,030	30,482	170,487	9,561	58
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	260,191
-	-	-	-	-	-	-
-	4,956	-	-	-	-	-
112,956	185,086	7,509,372	459,797	2,644,625	154,306	260,249
-	-	-	-	-	-	-
109,148	194,858	6,972,151	416,215	2,473,731	134,878	57,874
-	-	-	-	-	-	-
109,148	194,858	6,972,151	416,215	2,473,731	134,878	57,874
105,913	301,310	7,097,568	433,282	2,526,960	146,543	496,524

Grundy County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>Advance Taxes</u>	<u>Auto License and Use Tax</u>
Assets and Liabilities		
Balances beginning of year	5,380	295,341
Additions:		
Property and other County tax	-	-
State tax credits	-	-
E911 surcharge	-	-
Office fees and collections	-	-
Auto licenses, use tax and postage	-	3,164,008
Assessments	-	-
Trusts	-	-
Miscellaneous	8,810	-
Total additions	<u>8,810</u>	<u>3,164,008</u>
Deductions:		
Agency Remittances:		
To other funds		90,230
To other governments	5,823	3,103,914
Trusts paid out	-	-
Total deductions	<u>5,823</u>	<u>3,194,144</u>
Balances end of year	<u>8,367</u>	<u>265,205</u>

See accompanying independent auditor's report.

Brucellosis and Tuberculosis Eradication	Emergency Management Services	Dike Fire District	E911	Anatomical Gift Public Awareness and Transportation	Total
2,052	25,315	16,474	177,784	8	10,697,279
2,557	-	18,718	-	-	10,332,709
206	-	1,490	-	-	751,506
-	-	-	82,640	-	82,640
-	-	-	-	-	212,789
-	-	-	-	118	3,164,126
-	-	-	-	-	260,191
-	-	-	-	-	56,480
-	12,512	-	3,665	-	29,943
2,763	12,512	20,208	86,305	118	14,890,384
-	-	-	-	-	201,846
2,766	20,858	18,313	105,790	82	13,713,169
-	-	-	-	-	57,086
2,766	20,858	18,313	105,790	82	13,972,101
2,049	16,969	18,369	158,299	44	11,615,562

Schedule 11

Grundy County

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property and other County tax	\$ 3,622,177	3,359,330	3,271,122	2,724,510
Intergovernmental:				
State shared revenues:				
Road use tax	2,737,885	2,625,541	2,663,726	2,513,543
Franchise tax	12,233	30,872	31,944	29,955
Other	2,015	2,015	2,242	1,527
State grants and reimbursements including indirect federal funding:				
Social services block grant	37,379	37,296	38,260	39,814
Human services administrative reimbursements	11,117	6,489	3,056	5,180
Homemaker health grants	-	-	-	19,229
Public health nursing grants	-	-	-	11,699
Child support recovery	-	-	-	8,205
Community services health program	78,952	78,184	62,622	-
Emergency medical service training grant	3,500	6,584	6,584	6,584
Highway planning and construction grant	389,080	413,016	-	338,254
Disaster Assistance	1,162	29,042	-	-
Governor's alliance on substance abuse - Bryne formula grant	37,121	38,606	27,742	32,850
Court fees	13,632	11,154	11,086	10,240
Substance abuse reimbursements	10,000	10,000	10,000	10,000
Resource enhancement and protection program	9,310	9,753	9,298	6,124
Mental health/mental retardation allocation	-	71,217	65,868	65,868
Case management	116,377	125,337	90,632	108,983
Other	224,797	107,747	82,443	167,778
State tax replacements:				
State tax credits	265,490	274,479	266,977	246,505
State allocation	101,872	107,912	108,224	108,096
Mental health property tax relief	428,306	428,305	428,305	428,305
Mental health/mental retardation allowable growth	-	51,372	47,776	49,180
Direct federal grants and entitlements:				
Medicare and medicaid	-	-	-	39,514
Contributions and reimbursements from other governments:				
Contract law enforcement	187,825	188,856	186,494	149,175
Election reimbursements	9,518	8,444	6,663	12,765
E911 service agreement	-	-	-	28,000
Other	115,628	105,167	70,290	264,267
Total intergovernmental	4,793,199	4,767,388	4,220,232	4,701,640
Total	\$ 8,415,376	8,126,718	7,491,354	7,426,150

See accompanying independent auditor's report.

Grundy County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct			
U.S. Department of the Interior:			
Silos and Smokestacks National Heritage Area	15.000		<u>\$ 13,457</u>
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778		<u>3,852</u>
Temporary Assistance for Needy Families	93.558		<u>3,803</u>
Foster Care - Title IV-E	93.658		<u>1,269</u>
Refugee and Entrant Assistance-State Administered Programs	93.566		<u>18</u>
Adoption Assistance	93.659		<u>429</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>495</u>
Social Services Block Grant	93.667		<u>2,499</u>
Social Services Block Grant	93.667		<u>37,379</u> <u>39,878</u>
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>2,422</u>
U.S. Department of Justice:			
Governor's Alliance on Substance Abuse:			
Mid-Iowa Drug Task Force:			
Bryne Formula Grant Program	16.579		<u>37,121</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO38(49)-8J-38	41,426
Highway Planning and Construction	20.205	BROS-CO38(50)-8J-38	117,948
Highway Planning and Construction	20.205	BROS-CO38(51)-8J-38	<u>229,706</u> <u>389,080</u>
Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seat Belts	20.604	01-157, Task 43	797
Safety Incentive Grants for Use of Seat Belts	20.604	PAP 02-157, Task 48	<u>1,576</u> <u>2,373</u>

Schedule 12

Grundy County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Indirect (continued):			
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
State Emergency Management Division:			
Emergency Management Performance			
Grant Program	83.552		<u>6,148</u>
Public Assistance Grants	83.544	DR-1367-IA	<u>1,162</u>
Total indirect			<u>488,050</u>
 Total			<u><u>\$ 501,507</u></u>

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

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of Grundy County:

We have audited the general purpose financial statements of Grundy County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated October 29, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Grundy County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have been resolved.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Grundy County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur

and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-02 is a material weakness. Prior year reportable conditions have been resolved except for items II-A-02, II-D-02, and II-F-02.

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

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

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 29, 2002

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Grundy County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance

To the Officials of Grundy County:

Compliance

We have audited the compliance of Grundy County, Iowa, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. Grundy County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Grundy County's management. Our responsibility is to express an opinion on Grundy County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grundy County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grundy County's compliance with those requirements.

In our opinion, Grundy County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 29, 2002

Grundy County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part I: Summary of the Independent Auditor's Results

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

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS:

II-A-02 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that 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) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail could then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Recorder |
| (2) Receipts collecting, depositing, posting and daily reconciling should not be performed by the same employee. | Recorder and Sheriff |
| (3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks, approve disbursements or record disbursements. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve payment. | Sheriff |
| (4) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Recorder and Sheriff |

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. 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 only two full-time employees. We will monitor our procedures to try to comply as much as possible with limited staff.

County Sheriff - We will change policies and procedures to have the Chief Deputy segregate duties with the Secretary to establish controls.

Conclusion - Responses accepted.

- II-B-02 Board of Supervisors - Expenditures were made by the County and other boards for cellular telephone service for the following departments County Sheriff, County Conservation, Emergency Management Services, Mental Health Administration, Custodian, Zoning, Sanitary Landfill and County Engineer. However, written policies governing the use of cellular phones have not been adopted.

Recommendation - The Board of Supervisors and other boards in conjunction with the various officials and department heads should establish written policies governing the use of cellular phones.

Response - The Board will work to develop the recommended policy.

Conclusion - Response accepted.

- II-C-02 County Auditor - Warrants are allowed to be returned to the person who prepared the claims or warrants for payment prior to being mailed.

Recommendation - After signing, the warrants should be mailed without allowing them to return to individuals who prepared the claims or warrants for payment.

Response - In the future, warrants will be mailed from the County Auditor's Office.

Conclusion - Response accepted.

- II-D-02 Electronic Data Processing Systems - The following weaknesses in the County's computer based system were noted:

The County does not have written policies for changing passwords regularly, password privacy and confidentiality.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Also, a time out and/or log off function is not utilized, nor does the County use a screen saver password.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

Response - We are working with other counties now on getting examples of their policies. We will create our own policies.

Conclusion - Response accepted.

II-E-02 County Sheriff - Gun permit receipts are deposited on a monthly basis.

Recommendation - Gun permits should be deposited on a timely basis.

Response - We will change policy to deposit gun permits more than once per month or possibly every two weeks.

Conclusion - Response accepted.

II-F-02 Fixed Assets - Certain fixed assets were not properly tagged.

Recommendation - All fixed assets should be properly tagged.

Response - We will make it a priority to tag all fixed assets annually.

Conclusion - Response accepted.

Grundy County
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-02 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- IV-B-02 Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.
- IV-C-02 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-02 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-E-02 Business Transactions - No business transactions between the County and County officials or employees were noted.
- IV-F-02 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-02 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-02 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-I-02 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-J-02 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.
- IV-K-02 Insurance Reimbursements - On April 20, 1998, the County Board of Supervisors updated the personnel policy stating "when a county official, employee or spouse that is eligible for the medical insurance benefits, becomes eligible for Medicare, the medical insurance coverage provided by the County shall cease. The County will at that time reimburse the employee the cost of Medicare Supplemental Insurance, plus Medicare part B coverage costs." In August of 2001, the County became aware that the changes made to the personnel policy conflict with the provisions in the Epoch Insurance policy booklet and the Federal Regulations. According to the Medicare regulations, an employer may not offer inducements to any employee which would cause them to reject the employer group health insurance as primary coverage, for example, paying or reimbursing the employee's Medicare Supplemental Insurance, plus Medicare part B coverage costs. Three members of the Board of Supervisors were the only employees receiving reimbursements under that personnel policy at that time.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Upon recommendations from the County's insurance company and the County Attorney the practice of reimbursing employees insurance costs was discontinued in September, 2001. However, in January 2002, a claim for medicare and supplemental insurance reimbursement was submitted by one of the Supervisors and approved for payment. Subsequently, another Supervisor submitted similar claims. These payments ceased in May of 2002 and an Insurance Task Force was formed to investigate the matter.

This was resolved on July 5, 2002, when the two Supervisors reimbursed the County \$1,129.80 and \$1,530.12, respectively, for payments received from January 2002 to May 2002.

IV-L-02 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, 2002 for the County Extension Office did not exceed the amount budgeted.

IV-M-02 Financial Assurance - Grundy County has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and post closure care	\$ 794,968
Less: Balance of funds held in the local dedicated fund at June 30, 2001	<u>718,522</u>
	76,446
Divided by the number of years remaining in the pay-in period	<u>5.5</u>
Required payment into the local dedicated fund For the year ended June 30, 2002	\$ 13,899
Balance of funds held in the local dedicated fund at June 30, 2001	<u>718,522</u>
Required balance of funds held in the local dedicated fund at June 30, 2002	<u>\$ 732,421</u>
Amount County has reserved or designated for closure and postclosure care at June 30, 2002	<u>\$1,006,995</u>

Grundy County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Jeremy J. Howard, CPA, Staff Auditor
Curt J. Schroeder, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State