



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ June 30, 2005 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$16,055,559 for the year ended June 30, 2004, which included \$945,401 in tax credits from the state. The County forwarded \$11,816,696 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,238,863 of the local tax revenue to finance County operations. Other revenues included charges for service of \$1,186,425, operating grants, contributions and restricted interest of \$4,254,791, capital grants, contributions and restricted interest of \$525,924, local option sales tax of \$294,560, unrestricted investment earnings of \$114,390 and other general revenues of \$207,535.

Expenses for County operations totaled \$9,173,491. Expenses included \$3,793,976 for roads and transportation, \$1,235,064 for mental health and \$1,210,459 for administration.

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

# # #

**GRUNDY COUNTY**

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

**JUNE 30, 2004**

Table of Contents

|   |                 | Page  |
|---|-----------------|-------|
| Officials   |                 | 3     |
| Independent Auditor’s Report  |                 | 5-6   |
| Management’s Discussion and Analysis  |                 | 7-14  |
| Basic Financial Statements:   | <u>Exhibit</u>  |       |
| Government-wide Financial Statements:   |                 |       |
| Statement of Net Assets   | A               | 16    |
| Statement of Activities   | B               | 17    |
| Governmental Fund Financial Statements:   |                 |       |
| Balance Sheet   | C               | 18-19 |
| Reconciliation of the Balance Sheet – Governmental Funds to the<br>Statement of Net Assets  | D               | 21    |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances   | E               | 22-23 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes<br>in Fund Balances – Governmental Funds to the Statement of Activities | F               | 24    |
| Proprietary Fund Financial Statements:  |                 |       |
| Statement of Net Assets   | G               | 25    |
| Statement of Revenues, Expenses and Changes in<br>Fund Net Assets   | H               | 26    |
| Statement of Cash Flows   | I               | 27    |
| Fiduciary Fund Financial Statement:   |                 |       |
| Statement of Fiduciary Assets and Liabilities – Agency Funds  | J               | 28    |
| Notes to Financial Statements   |                 | 29-42 |
| Required Supplementary Information:   |                 |       |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes<br>in Balances – Budget and Actual (Cash Basis) – All Governmental Funds |                 | 44-45 |
| Budget to GAAP Reconciliation   |                 | 46    |
| Notes to Required Supplementary Information – Budgetary Reporting   |                 | 47    |
| Other Supplementary Information:  | <u>Schedule</u> |       |
| Nonmajor Special Revenue Funds:   |                 |       |
| Combining Balance Sheet   | 1               | 50-51 |
| Combining Schedule of Revenues, Expenditures<br>and Changes in Fund Balances  | 2               | 52-53 |
| Agency Funds:   |                 |       |
| Combining Schedule of Fiduciary Assets and Liabilities  | 3               | 54-55 |
| Combining Schedule of Changes in Fiduciary Assets and Liabilities   | 4               | 56-57 |
| Schedule of Revenues by Source and Expenditures by Function –<br>All Governmental Funds   | 5               | 58    |
| Schedule of Expenditures of Federal Awards  | 6               | 60    |
| Independent Auditor’s Report on Compliance and on Internal Control<br>over Financial Reporting  |                 | 63-64 |
| Independent Auditor’s Report on Compliance with Requirements Applicable<br>to Each Major Program and Internal Control over Compliance         |                 | 67-68 |
| Schedule of Findings and Questioned Costs   |                 | 69-75 |
| Staff   |                 | 76    |

**Grundy County**

**Officials**

| <u>Name</u>       | <u>Title</u>         | <u>Term Expires</u> |
|-------------------|----------------------|---------------------|
| Leland Arends     | Board of Supervisors | Jan 2005            |
| Barbara Smith     | Board of Supervisors | Jan 2005            |
| Elmer Willms      | Board of Supervisors | Jan 2005            |
| Harlyn Riekema    | Board of Supervisors | Jan 2007            |
| Mark Schildroth   | Board of Supervisors | Jan 2007            |
| Mary Schmidt      | County Auditor       | Jan 2005            |
| Brenda Noteboom   | County Treasurer     | Jan 2007            |
| Charles Kruse     | County Recorder      | Jan 2007            |
| Rick Penning      | County Sheriff       | Jan 2005            |
| Bradley J. Harris | County Attorney      | Jan 2007            |
| Greg Harms        | County Assessor      | Jan 2010            |

**Grundy County**



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Independent Auditor's Report

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Grundy County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

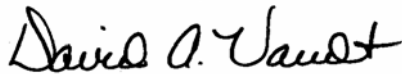
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14 to the financial statements, during the year ended June 30, 2004, Grundy County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

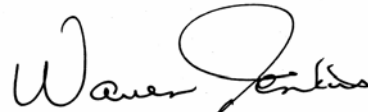
In accordance with Government Auditing Standards, we have also issued our reports dated January 13, 2005 on our consideration of Grundy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Grundy County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 13, 2005

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Grundy County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Grundy County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- The County's governmental fund revenues increased 6%, or approximately \$113,000, from fiscal 2003 to fiscal 2004. Property and other county tax increased approximately \$376,000.
- The County's governmental fund expenditures increased 9%, or approximately \$885,000, in fiscal 2004 from fiscal 2003. Roads and transportation expenditures increased approximately \$472,000 and capital projects expenditures increased approximately \$380,000.
- The County's net assets increased 14.82%, or approximately \$1,649,000, from June 30, 2003 to June 30, 2004.
- The County started a new on-line vehicle registration system.
- Grundy County Lake opened on July 19, 2004.
- The County adopted Resolution 4-2003/2004, a County Comprehensive Land Use Plan.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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



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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grundy County's combined net assets changed from a year ago, increasing from \$11,128,265 to \$12,777,262. The analysis that follows focuses on the changes in the net assets for governmental activities.

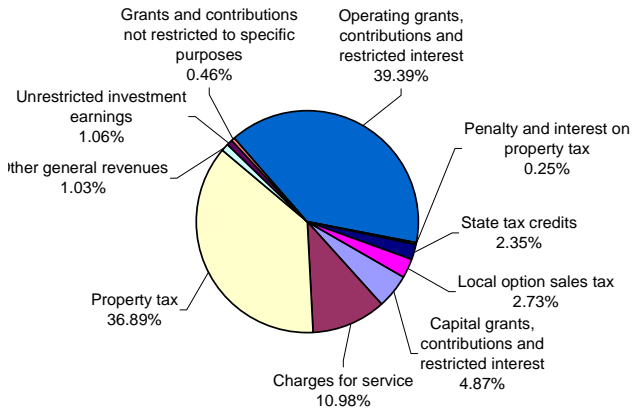
| Net Assets of Governmental Activities<br>(Expressed in Thousands) |                  |
|---|------------------|
|   | June 30, 2004    |
| Current and other assets  | \$ 11,747        |
| Capital assets  | 7,756            |
| Total assets  | <u>19,503</u>    |
| Long-term liabilities   | 1,672            |
| Other liabilities   | 5,054            |
| Total liabilities   | <u>6,726</u>     |
| Net assets:   |                  |
| Invested in capital assets, net of related debt                   | 7,046            |
| Restricted  | 4,833            |
| Unrestricted  | 898              |
| Total net assets  | <u>\$ 12,777</u> |

Net assets of Grundy County's governmental activities increased by \$1,648,997 (\$11,128,265 compared to \$12,777,262). The beginning balance on the Statement of Activities was restated due to the implementation of GASB 34 to include capital assets and the changes in assets and liabilities resulting from the conversion to the accrual basis of accounting. The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at approximately \$898,000 at June 30, 2004.

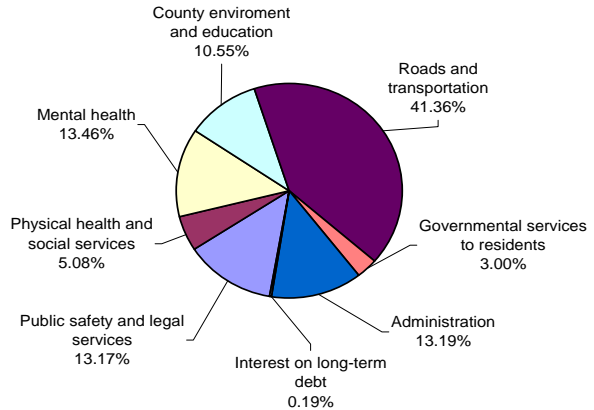
Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

|   | Year ended<br>June 30, 2004 |
|---|-----------------------------|
| Revenues:   |                             |
| Program revenues:   |                             |
| Charges for service   | \$ 1,186                    |
| Operating grants, contributions and restricted interest         | 4,255                       |
| Capital grants, contributions and restricted interest           | 526                         |
| General revenues:   |                             |
| Property tax  | 3,985                       |
| Penalty and interest on property tax                            | 27                          |
| State tax credits   | 254                         |
| Local option sales tax  | 295                         |
| Grants and contributions not restricted<br>to specific purposes | 50                          |
| Unrestricted investment earnings                                | 114                         |
| Other general revenues  | 130                         |
| Total revenues  | 10,822                      |
| Program expenses:   |                             |
| Public safety and legal services                                | 1,208                       |
| Physical health and social services                             | 466                         |
| Mental health   | 1,235                       |
| County environment and education                                | 968                         |
| Roads and transportation  | 3,794                       |
| Governmental services to residents                              | 275                         |
| Administration  | 1,210                       |
| Interest on long-term debt                                      | 17                          |
| Total expenses  | 9,173                       |
| Increase in net assets  | 1,649                       |
| Net assets beginning of year, as restated                       | 11,128                      |
| Net assets end of year  | \$ 12,777                   |

**Revenues by Source**



**Expenses by Function**



Grundy County decreased property tax rates by \$0.056 per \$1,000 of valuation in the rural levy and raised property tax rates by \$0.402 per \$1,000 of valuation in the county-wide levy. Taxable value by levy, the actual levy rate per \$1,000 of valuation and total dollars levied are as follows:

|   | For Taxes Levied<br>FY2004 | For Taxes Levied<br>FY2003 |
|---|----------------------------|----------------------------|
| Countywide taxable value                  | \$ 573,644,430             | 550,076,593                |
| Countywide levy rate without debt service | 5.08721                    | 4.63717                    |
| Dollars levied without debt service       | 2,918,250                  | 2,550,798                  |
| County taxable value for debt service     | 596,703,706                | 576,530,797                |
| County debt service levy rate             | .28219                     | .33056                     |
| Dollars levied for debt service           | 168,384                    | 190,578                    |
| Total Countywide rate                     | 5.3694                     | 4.96773                    |
| Total dollars levied countywide           | 3,086,634                  | 2,741,376                  |
| Rural taxable value                       | 426,541,586                | 409,591,786                |
| Rural tax levy rate                       | 2.39068                    | 2.44690                    |
| Dollars levied rural area only            | 1,019,724                  | 1,002,230                  |
| Total dollars levied                      | 4,106,358                  | 3,743,606                  |

The local option sales tax revenue totaled \$294,560. Grundy County uses 100% of the local option sales tax revenue to reduce property tax in the Rural Services Fund.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$6,460,464, an increase of \$413,057 above last year's total of \$6,047,407. The increase in fund balance is primarily attributable to above expected revenues and the department heads keeping their expenditures below budgeted amounts. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased \$165,210 over the prior year to \$886,535. Property tax revenue increased by 17.15%. Total expenditures and other financing uses decreased by 1.82%, or \$61,489, from FY2003. Most of this decrease is attributable to cutting the transfer made to the Secondary Roads Fund by almost 50%.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,232,856, an increase of 11.81% from the prior year. The Mental Health Fund balance decreased by \$226,055 from the prior year. This has left this fund with a negative GAAP balance, which is being corrected through a review of services. Because of this, Grundy County should also qualify for more state funding and allocation dollars for FY2005 and FY2006.
- The Rural Services Fund balance decreased by \$57,965 from the prior year. An increase in Grundy County's rural value caused an increase in the amount needed to maintain the County local effort match of state road use tax funding. The additional dollars required were \$64,544 to maintain 75% funding of the local effort maximum. \$417,230 of the \$753,836 fund balance is being held in reserve for landfill closure and postclosure care.

- Secondary Roads Fund expenditures increased by approximately \$1,045,000 over the prior year, due principally to an increase in roadway construction/repair, in particular D19. The increase in transfers in was offset by lower revenue received from the road use tax. The County also received a payment of \$1,040,000 from the state for taking over D19 (old Hwy 20). A slight decrease in revenues, an increase in expenditures, and an increase in transfers in resulted in an increase in the Secondary Roads Fund ending balance by approximately \$383,000, or 10.9%.
- The Debt Service Fund accumulates and pays the principal and interest on the County's general obligation debt. In June 2003, the Law Enforcement Center and the Hospital Sprinkler system bond issues were refunded into one note. The refunding resulted in an aggregate debt service reduction of \$71,827 over the next seven years. There was an increase in the fund balance of the Debt Service Fund due to the completion of the refunding after the FY2004 budget had been approved.
- Approximately \$54,000 remained in the Capital Projects Fund at the end of the year. This will be transferred in FY2005 to Debt Service to off-set note indebtedness as permitted by the Code of Iowa.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Grundy County amended its budget one time. The amendment was made on June 1, 2004 and resulted in an increase in budgeted disbursements of \$169,989, as follows:

- \$7,000 in Medical Examiner fees
- \$105,000 in Landfill Equipment
- \$42,500 Black Hawk County share of State Payment for D19 (old Hwy 20)
- \$9,972 Final bill for the Hospital Sprinkler System
- \$5,000 Advancement to Cafeteria Plan
- \$517 State Drug Forfeiture

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, Grundy County had approximately \$7.756 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. GASB 34 required the addition of infrastructure assets and required depreciation of all capital assets. The general fixed assets reported last year have been modified as per the County's "Capital Asset Policy". This is a net increase (including additions and deletions) of \$1,001,313, or 14.82%, over last year.

| Capital Assets of Governmental Activities at Year End |                     |
|---|---------------------|
|   | June 30, 2004       |
| Land  | \$ 787,189          |
| Buildings   | 3,087,426           |
| Equipment and vehicles                                | 3,056,536           |
| Infrastructure, road network                          | 824,945             |
| Total   | <u>\$ 7,756,096</u> |
| This year's additions included:                       |                     |
| Road net infrastructure                               | \$ 848,172          |
| Land  | 196,718             |
| Pickup ambulance                                      | 6,500               |
| 2004 Chevy Silverado                                  | 18,353              |
| John Deere crawler loader                             | 167,750             |
| 2004 Dodge Ram pickup                                 | 31,725              |
| 2004 Ford Sterling tandem dump truck                  | 119,586             |
| 2004 Ford Sterling tandem dump truck                  | 119,586             |
| 2004 Ford Sterling tandem dump truck                  | 119,586             |
| 2004 Chevy pickup                                     | 19,056              |
| John Deere diesel front mower                         | 10,199              |
| John Deere diesel front mower                         | 10,199              |
| Total   | <u>\$ 1,667,430</u> |

The County had depreciation expense of \$552,234 in FY04 and total accumulated depreciation of \$3,667,999 at June 30, 2004. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2004, Grundy County had approximately \$777,000 in note indebtedness outstanding compared to approximately \$1,021,000 at June 30, 2003.

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

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

Grundy County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County as of June 2004 stands at 3.4 percent versus 3.5 percent a year ago. This compares with the State's unemployment rate of 4.8 percent. Interest income continues to be low because of aggressive rate cutting by the Federal Reserve. The State of Iowa's modest financial condition and relatively flat revenue projections continue. The actual revenue shortfalls compared to projected revenue of the State of Iowa are, in fact, causing property tax and charges for service to pick up a larger share of local governmental expenditures.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$4,937,337, a decrease of 27.44 percent from the final 2004 budget. Property tax receipts will increase from a tax rate increase needed to compensate for a decrease in assessed valuations. A decrease in intergovernmental revenue will leave Grundy County an overall decrease in receipts to finance programs we currently offer along with any amounts needed to offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise by approximately \$2,070,637. Increased wage and cost-of-living adjustments and an increase in roadway construction represent the largest increases. The County has added new programs or initiatives to the 2005 budget. They are: Records CLRIS project, upgrade financial software, new motor vehicle program from state and replacement/upgrade of E911 radio tower equipment damaged by lightening. Also impacting the 2005 budget is a high turnout General Election where there were a record number of absentee ballots for which the County had to pay return postage and other associated costs.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2005.

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

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

## **Basic Financial Statements**



**Exhibit A**

Grundy County  
Statement of Net Assets  
June 30, 2004

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets</b>   |                                    |
| Cash and pooled investments                                   | \$ 6,677,434                       |
| Receivables:  |                                    |
| Property tax:   |                                    |
| Delinquent  | 1,027                              |
| Succeeding year   | 4,168,000                          |
| Interest and penalty on property tax                          | 835                                |
| Accounts  | 139,774                            |
| Accrued interest  | 24,203                             |
| Due from other governments                                    | 256,406                            |
| Inventories   | 415,910                            |
| Prepaid insurance   | 63,020                             |
| Capital assets (net of accumulated depreciation)              | 7,756,096                          |
| <b>Total assets</b>   | <u>19,502,705</u>                  |
| <b>Liabilities</b>  |                                    |
| Accounts payable  | 757,648                            |
| Accrued interest payable                                      | 1,370                              |
| Salaries and benefits payable                                 | 15,967                             |
| Due to other governments                                      | 110,825                            |
| Deferred revenue:   |                                    |
| Succeeding year property tax                                  | 4,168,000                          |
| Long-term liabilities:  |                                    |
| Portion due or payable within one year:                       |                                    |
| Capital loan notes  | 67,074                             |
| General obligation capital loan refunding notes               | 185,000                            |
| Compensated absences  | 127,447                            |
| Portion due or payable after one year:                        |                                    |
| General obligation capital loan refunding notes               | 525,000                            |
| Estimated liability for landfill closure and postclosure care | 683,203                            |
| Compensated absences  | 83,909                             |
| <b>Total liabilities</b>                                      | <u>6,725,443</u>                   |
| <b>Net Assets</b>   |                                    |
| Invested in capital assets, net of related debt               | 7,046,096                          |
| Restricted for:   |                                    |
| Supplemental levy purposes                                    | 157,470                            |
| Landfill closure and postclosure care                         | 320,495                            |
| Secondary roads purposes                                      | 3,798,712                          |
| Debt service  | 68,001                             |
| Capital projects  | 54,341                             |
| Other purposes  | 433,894                            |
| Unrestricted  | 898,253                            |
| <b>Total net assets</b>                                       | <u>\$ 12,777,262</u>               |

See notes to financial statements.

Grundy County  
Statement of Activities  
Year ended June 30, 2004

|   | Expenses            | Program Revenues       |  | Net (Expense)<br>Revenue and<br>Changes<br>in Net Assets |  |
|---|---------------------|------------------------|--|--|--|
|   |                     | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest |  | Capital Grants,<br>Contributions<br>and Restricted<br>Interest |
| <b>Functions/Programs:</b>                                  |                     |                        |  |  |  |
| Governmental activities:                                    |                     |                        |  |  |  |
| Public safety and legal services                            | \$ 1,208,350        | 334,576                | 22,489   | -  | (851,285)  |
| Physical health and social services                         | 466,226             | 6,619                  | 33,296   | -  | (426,311)  |
| Mental health   | 1,235,064           | -                      | 563,591  | -  | (671,473)  |
| County environment and education                            | 967,800             | 426,142                | 22,062   | 50,000   | (469,596)  |
| Roads and transportation                                    | 3,793,976           | 135,730                | 3,565,998  | 453,235  | 360,987  |
| Governmental services to residents                          | 274,950             | 235,138                | -  | 22,689   | (17,123)   |
| Administration  | 1,210,459           | 48,220                 | 47,355   | -  | (1,114,884)  |
| Non-program   | 308                 | -                      | -  | -  | (308)  |
| Interest on long-term debt                                  | 16,358              | -                      | -  | -  | (16,358)   |
| <b>Total</b>  | <b>\$ 9,173,491</b> | <b>1,186,425</b>       | <b>4,254,791</b>   | <b>525,924</b>   | <b>(3,206,351)</b>   |
| <b>General Revenues:</b>                                    |                     |                        |  |  |  |
| Property and other county tax levied for:                   |                     |                        |  |  |  |
| General purposes  |                     |                        |  |  | 3,822,742  |
| Debt service  |                     |                        |  |  | 162,368  |
| Penalty and interest on property tax                        |                     |                        |  |  | 27,347   |
| State tax credits   |                     |                        |  |  | 253,753  |
| Local option sales tax                                      |                     |                        |  |  | 294,560  |
| Grants and contributions not restricted to specific purpose |                     |                        |  |  | 49,823   |
| Unrestricted investment earnings                            |                     |                        |  |  | 114,390  |
| Miscellaneous   |                     |                        |  |  | 130,365  |
| <b>Total general revenues</b>                               |                     |                        |  |  | <b>4,855,348</b>   |
| Change in net assets  |                     |                        |  |  | 1,648,997  |
| Net assets beginning of year, as restated                   |                     |                        |  |  | 11,128,265   |
| Net assets end of year                                      |                     |                        |  |  | <b>\$ 12,777,262</b>   |

See notes to financial statements.

Grundy County  
Balance Sheet  
Governmental Funds

June 30, 2004

|  | Special Revenue     |                  |                   |                    |
|--|---------------------|------------------|-------------------|--------------------|
|  | General             | Mental<br>Health | Rural<br>Services | Secondary<br>Roads |
| <b>Assets</b>                              |                     |                  |                   |                    |
| Cash and pooled investments                | \$ 775,211          | 126,896          | 671,902           | 3,824,942          |
| Receivables:                               |                     |                  |                   |                    |
| Property tax:                              |                     |                  |                   |                    |
| Delinquent                                 | 763                 | 111              | 105               | -                  |
| Succeeding year                            | 2,611,000           | 356,000          | 1,091,000         | -                  |
| Interest and penalty on property tax       | 835                 | -                | -                 | -                  |
| Accounts                                   | 109,603             | 60               | 27,590            | 1,896              |
| Accrued interest                           | 14,091              | -                | -                 | -                  |
| Due from other funds                       | -                   | -                | -                 | 4,194              |
| Due from other governments                 | 7,622               | 2,041            | 40,483            | 200,698            |
| Inventories                                | -                   | -                | -                 | 415,910            |
| Prepaid insurance                          | 32,710              | -                | 30,310            | -                  |
| <b>Total assets</b>                        | <b>\$ 3,551,835</b> | <b>485,108</b>   | <b>1,861,390</b>  | <b>4,447,640</b>   |
| <b>Liabilities and Fund Balances</b>       |                     |                  |                   |                    |
| Liabilities:                               |                     |                  |                   |                    |
| Accounts payable                           | \$ 31,007           | 78,264           | 9,307             | 544,070            |
| Salaries and benefits payable              | 2,259               | 139              | 2,297             | 11,272             |
| Due to other funds                         | 3,047               | -                | 1,147             | -                  |
| Due to other governments                   | 16,449              | 90,606           | 3,718             | 52                 |
| Deferred revenue:                          |                     |                  |                   |                    |
| Succeeding year property tax               | 2,611,000           | 356,000          | 1,091,000         | -                  |
| Other                                      | 1,538               | 107              | 85                | -                  |
| Total liabilities                          | 2,665,300           | 525,116          | 1,107,554         | 555,394            |
| Fund balances:                             |                     |                  |                   |                    |
| Reserved for:                              |                     |                  |                   |                    |
| Supplemental levy purposes                 | 157,470             | -                | -                 | -                  |
| Landfill closure and postclosure care      | -                   | -                | 417,230           | -                  |
| Debt service                               | -                   | -                | -                 | -                  |
| Unreserved:                                |                     |                  |                   |                    |
| Designated for old Highway 20 improvements | -                   | -                | -                 | 1,995,000          |
| Undesignated, reported in:                 |                     |                  |                   |                    |
| General fund                               | 729,065             | -                | -                 | -                  |
| Special revenue funds                      | -                   | (40,008)         | 336,606           | 1,897,246          |
| Capital projects fund                      | -                   | -                | -                 | -                  |
| Total fund balances                        | 886,535             | (40,008)         | 753,836           | 3,892,246          |
| <b>Total liabilities and fund balances</b> | <b>\$ 3,551,835</b> | <b>485,108</b>   | <b>1,861,390</b>  | <b>4,447,640</b>   |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total      |
|--------------|------------------|--------------------------|------------|
| 63,661       | 54,341           | 833,553                  | 6,350,506  |
| 48           | -                | -                        | 1,027      |
| 110,000      | -                | -                        | 4,168,000  |
| -            | -                | -                        | 835        |
| 100          | -                | 525                      | 139,774    |
| -            | -                | 10,112                   | 24,203     |
| -            | -                | -                        | 4,194      |
| 5,562        | -                | -                        | 256,406    |
| -            | -                | -                        | 415,910    |
| -            | -                | -                        | 63,020     |
| 179,371      | 54,341           | 844,190                  | 11,423,875 |
| -            | -                | -                        | 662,648    |
| -            | -                | -                        | 15,967     |
| -            | -                | -                        | 4,194      |
| -            | -                | -                        | 110,825    |
| 110,000      | -                | -                        | 4,168,000  |
| 47           | -                | -                        | 1,777      |
| 110,047      | -                | -                        | 4,963,411  |
| -            | -                | -                        | 157,470    |
| -            | -                | 586,468                  | 1,003,698  |
| 69,324       | -                | -                        | 69,324     |
| -            | -                | -                        | 1,995,000  |
| -            | -                | -                        | 729,065    |
| -            | -                | 257,722                  | 2,451,566  |
| -            | 54,341           | -                        | 54,341     |
| 69,324       | 54,341           | 844,190                  | 6,460,464  |
| 179,371      | 54,341           | 844,190                  | 11,423,875 |

**Grundy County**

Grundy County

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

June 30, 2004

**Total governmental fund balances (page 19)** \$ 6,460,464

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$11,424,095 and the accumulated depreciation is \$3,667,999. 7,756,096

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,777

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 231,928

Long-term liabilities, including notes payable, landfill closure and postclosure care payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,673,003)

**Net assets of governmental activities (page 16)** \$ 12,777,262

See notes to financial statements.

Grundy County

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

Year ended June 30, 2004

|  | Special Revenue |                  |                   |                    |
|--|-----------------|------------------|-------------------|--------------------|
|  | General         | Mental<br>Health | Rural<br>Services | Secondary<br>Roads |
| <b>Revenues:</b>   |                 |                  |                   |                    |
| Property and other county tax                                | \$ 2,452,946    | 358,745          | 1,281,573         | -                  |
| Interest and penalty on property tax                         | 26,856          | -                | -                 | -                  |
| Intergovernmental  | 485,459         | 636,862          | 222,679           | 4,075,739          |
| Licenses and permits   | 4,350           | -                | 75                | 1,244              |
| Charges for service  | 262,644         | -                | 259,115           | -                  |
| Use of money and property                                    | 83,642          | -                | -                 | -                  |
| Miscellaneous  | 175,282         | 11,194           | 7,167             | 81,724             |
| Total revenues   | 3,491,179       | 1,006,801        | 1,770,609         | 4,158,707          |
| <b>Expenditures:</b>   |                 |                  |                   |                    |
| Operating:   |                 |                  |                   |                    |
| Public safety and legal services                             | 1,167,688       | -                | 434               | -                  |
| Physical health and social services                          | 534,020         | -                | -                 | -                  |
| Mental health  | -               | 1,232,856        | -                 | -                  |
| County environment and education                             | 355,983         | -                | 696,208           | -                  |
| Roads and transportation                                     | -               | -                | -                 | 3,797,749          |
| Governmental services to residents                           | 258,272         | -                | 4,600             | -                  |
| Administration   | 952,914         | -                | 114,332           | -                  |
| Non-program  | -               | -                | -                 | -                  |
| Debt service   | -               | -                | -                 | -                  |
| Capital projects   | -               | -                | -                 | 1,040,999          |
| Total expenditures   | 3,268,877       | 1,232,856        | 815,574           | 4,838,748          |
| Excess (deficiency) of revenues<br>over (under) expenditures | 222,302         | (226,055)        | 955,035           | (680,041)          |
| <b>Other financing sources (uses):</b>                       |                 |                  |                   |                    |
| Operating transfers in                                       | -               | -                | -                 | 1,063,000          |
| Operating transfers out                                      | (57,092)        | -                | (1,013,000)       | -                  |
| Total other financing sources (uses)                         | (57,092)        | -                | (1,013,000)       | 1,063,000          |
| Net change in fund balances                                  | 165,210         | (226,055)        | (57,965)          | 382,959            |
| Fund balances beginning of year                              | 721,325         | 186,047          | 811,801           | 3,509,287          |
| Fund balances end of year                                    | \$ 886,535      | (40,008)         | 753,836           | 3,892,246          |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total       |
|--------------|------------------|--------------------------|-------------|
| 162,356      | -                | -                        | 4,255,620   |
| -            | -                | -                        | 26,856      |
| 10,311       | -                | 59,759                   | 5,490,809   |
| -            | -                | -                        | 5,669       |
| 39,210       | -                | 26,922                   | 587,891     |
| -            | 1,365            | 28,081                   | 113,088     |
| -            | -                | 26,032                   | 301,399     |
| 211,877      | 1,365            | 140,794                  | 10,781,332  |
| -            | -                | 2,487                    | 1,170,609   |
| -            | -                | -                        | 534,020     |
| -            | -                | -                        | 1,232,856   |
| -            | -                | -                        | 1,052,191   |
| -            | -                | -                        | 3,797,749   |
| -            | -                | -                        | 262,872     |
| -            | -                | -                        | 1,067,246   |
| -            | -                | 308                      | 308         |
| 196,255      | -                | -                        | 196,255     |
| -            | 9,972            | 3,198                    | 1,054,169   |
| 196,255      | 9,972            | 5,993                    | 10,368,275  |
| 15,622       | (8,607)          | 134,801                  | 413,057     |
| 14,693       | -                | 7,092                    | 1,084,785   |
| -            | (14,693)         | -                        | (1,084,785) |
| 14,693       | (14,693)         | 7,092                    | -           |
| 30,315       | (23,300)         | 141,893                  | 413,057     |
| 39,009       | 77,641           | 702,297                  | 6,047,407   |
| 69,324       | 54,341           | 844,190                  | 6,460,464   |



Grundy County

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

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 23)** \$ 413,057

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

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

|   |              |           |
|---|--------------|-----------|
| Expenditures for capital assets                                     | \$ 1,280,696 |           |
| Capital assets contributed by the Iowa Department of Transportation | 292,634      |           |
| Depreciation expense  | (552,234)    | 1,021,096 |
|   |              |           |

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (19,783)

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

|              |       |       |
|--------------|-------|-------|
| Property tax | (376) |       |
| Other        | (286) | (662) |
|              |       |       |

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 243,686

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

|   |          |          |
|---|----------|----------|
| Adjustment to estimated costs for landfill closure and postclosure care | (20,729) |          |
| Compensated absences  | (61,539) |          |
| Interest on long-term debt  | (101)    | (82,369) |
|   |          |          |

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 73,972

**Change in net assets of governmental activities (page 17)** \$ 1,648,997

See notes to financial statements.

Grundy County  
 Statement of Net Assets  
 Proprietary Fund  
 June 30, 2004

|                           | Internal<br>Service -<br>Employee<br>Group<br>Health |
|---------------------------|--|
| <b>Assets</b>             |  |
| Cash and cash equivalents | \$ 326,928   |
| <b>Liabilities</b>        |  |
| Accounts payable          | 95,000   |
| <b>Net Assets</b>         |  |
| Unrestricted              | \$ 231,928   |

See notes to financial statements.

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

Year ended June 30, 2004

|                                     |               | <u>Internal<br/>Service -<br/>Employee<br/>Group<br/>Health</u> |
|-------------------------------------|---------------|---|
| Operating revenues:                 |               |   |
| Reimbursements from operating funds |               | \$ 674,952  |
| Insurance reimbursements            |               | 18,180  |
| Total operating revenues            |               | <u>693,132</u>  |
| Operating expenses:                 |               |   |
| Medical claims                      | \$ 603,059    |   |
| Administrative fees                 | <u>17,403</u> | <u>620,462</u>  |
| Operating income                    |               | 72,670  |
| Non-operating revenues:             |               |   |
| Interest income                     |               | 1,302   |
| Net income                          |               | <u>73,972</u>   |
| Net assets beginning of year        |               | <u>157,956</u>  |
| Net assets end of year              |               | <u><u>\$ 231,928</u></u>  |

See notes to financial statements.

Grundy County

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

|   | Internal<br>Service -<br>Employee<br>Group<br>Health |
|---|--|
| Cash flows from operating activities:   |  |
| Cash received from operating funds  | \$ 674,952   |
| Cash received from insurance refunds  | 18,180   |
| Cash paid to suppliers for services   | (615,462)  |
| Net cash provided by operating activities   | 77,670   |
| Cash flows from investing activities:   |  |
| Interest on investments   | 1,302  |
| Net increase in cash and cash equivalents   | 78,972   |
| Cash and cash equivalents beginning of year   | 247,956  |
| Cash and cash equivalents end of year   | \$ 326,928   |
| <br><b>Reconciliation of operating income to net cash provided by operating activities:</b> |  |
| Operating income  | \$ 73,972  |
| Adjustment to reconcile operating income to net cash provided by operating activities:      |  |
| Increase in accounts payable  | 5,000  |
| Net cash provided by operating activities   | \$ 78,972  |

See notes to financial statements.

Grundy County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2004

**Assets**

|                              |                   |
|------------------------------|-------------------|
| Cash and pooled investments: |                   |
| County Treasurer             | \$ 758,515        |
| Other County officials       | 18,428            |
| Receivables:                 |                   |
| Property tax:                |                   |
| Delinquent                   | 4,199             |
| Succeeding year              | 11,114,000        |
| Accounts                     | 4,003             |
| Accrued interest             | 1,615             |
| Special assessments          | 246,506           |
| Due from other governments   | 1,645             |
| <b>Total assets</b>          | <u>12,148,911</u> |

**Liabilities**

|                          |                   |
|--------------------------|-------------------|
| Accounts payable         | 2,037             |
| Due to other governments | 12,121,744        |
| Trusts payable           | 9,858             |
| Compensated absences     | 15,272            |
| <b>Total liabilities</b> | <u>12,148,911</u> |

**Net assets** \$ -

See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2004

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

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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



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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents.

Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the roads and transportation function and disbursements in certain departments exceeded the amounts appropriated prior to the budget amendment.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3.

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

The detail of interfund receivables and payables at June 30, 2004 is as follows:

| Receivable Fund                     | Payable Fund                       | Amount          |
|-------------------------------------|------------------------------------|-----------------|
| Special Revenue:<br>Secondary Roads | General                            | \$ 3,047        |
|                                     | Special Revenue:<br>Rural Services | 1,147           |
| Total                               |                                    | <u>\$ 4,194</u> |

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

| Transfer to                         | Transfer from                      | Amount              |
|-------------------------------------|------------------------------------|---------------------|
| Special Revenue:<br>Secondary Roads | General                            | \$ 50,000           |
|                                     | Special Revenue:<br>Rural Services | 1,013,000           |
| Conservation Land Acquisition       | General                            | 7,092               |
| Debt Service                        | Capital Projects                   | 14,693              |
| Total                               |                                    | <u>\$ 1,084,785</u> |

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

|   | Balance<br>Beginning<br>of Year,<br>as restated | Increases        | Decreases        | Balance<br>End<br>of Year |
|---|---|------------------|------------------|---------------------------|
| <b>Governmental activities:</b>             |   |                  |                  |                           |
| Capital assets not being depreciated:       |   |                  |                  |                           |
| Land  | \$ 590,471                                      | 196,718          | -                | 787,189                   |
| Capital assets being depreciated:           |   |                  |                  |                           |
| Buildings                                   | 3,684,651                                       | -                | -                | 3,684,651                 |
| Equipment and vehicles                      | 5,823,051                                       | 622,540          | (341,508)        | 6,104,083                 |
| Infrastructure, road network                | -   | 848,172          | -                | 848,172                   |
| Total capital assets being depreciated      | <u>9,507,702</u>                                | <u>1,470,712</u> | <u>(341,508)</u> | <u>10,636,906</u>         |
| Less accumulated depreciation for:          |   |                  |                  |                           |
| Buildings                                   | 531,741   | 65,484           | -                | 597,225                   |
| Equipment and vehicles                      | 2,811,649                                       | 463,523          | (227,625)        | 3,047,547                 |
| Infrastructure, road network                | -   | 23,227           | -                | 23,227                    |
| Total accumulated depreciation              | <u>3,343,390</u>                                | <u>552,234</u>   | <u>(227,625)</u> | <u>3,667,999</u>          |
| Total capital assets being depreciated, net | <u>6,164,312</u>                                | <u>918,478</u>   | <u>(113,883)</u> | <u>6,968,907</u>          |
| Governmental activities capital assets, net | <u>\$ 6,754,783</u>                             | <u>1,115,196</u> | <u>(113,883)</u> | <u>7,756,096</u>          |

Depreciation expense was charged to the following functions:

|  |  |                   |
|--|--|-------------------|
| Governmental activities:                             |  |                   |
| Public safety and legal services                     |  | \$ 52,415         |
| County environment and education                     |  | 57,948            |
| Roads and transportation                             |  | 356,864           |
| Governmental services to residents                   |  | 9,456             |
| Administration                                       |  | 75,551            |
|  |  | <u>75,551</u>     |
| Total depreciation expense - governmental activities |  | <u>\$ 552,234</u> |

**(6) Due to Other Governments**

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

| Fund                         | Description | Amount               |
|------------------------------|-------------|----------------------|
| General                      | Services    | <u>\$ 16,449</u>     |
| Special Revenue:             |             |                      |
| Mental Health                | Services    | 90,606               |
| Rural Services               | Services    | 3,718                |
| Secondary Roads              | Services    | 52                   |
|                              |             | <u>94,376</u>        |
| Total for governmental funds |             | <u>\$ 110,825</u>    |
| Agency:                      |             |                      |
| County Assessor              | Collections | \$ 311,205           |
| Schools                      |             | 7,296,069            |
| Community Colleges           |             | 528,182              |
| Corporations                 |             | 2,948,325            |
| Auto License and Use Tax     |             | 295,733              |
| All other                    |             | 742,230              |
|                              |             | <u>742,230</u>       |
| Total for agency funds       |             | <u>\$ 12,121,744</u> |

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

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

|                           | Capital Loan Notes | General Obligation Loan Refunding Notes | Estimated Liability for Landfill Closure and Postclosure Care | Compensated Absences | Total            |
|---------------------------|--------------------|---|---|----------------------|------------------|
| Balance beginning of year | \$ 130,760         | 890,000                                 | 662,474   | 149,817              | 1,833,051        |
| Increases                 | -                  | -                                       | 20,729  | 187,943              | 208,672          |
| Decreases                 | 63,686             | 180,000                                 | -   | 126,404              | 370,090          |
| Balance end of year       | <u>\$ 67,074</u>   | <u>710,000</u>                          | <u>683,203</u>  | <u>211,356</u>       | <u>1,671,633</u> |
| Due within one year       | <u>\$ 67,074</u>   | <u>185,000</u>                          | <u>-</u>  | <u>127,447</u>       | <u>379,521</u>   |

### Capital Loan Notes

On March 1, 1993, the County issued \$615,000 of capital loan notes to pay the costs of remodeling, maintaining, refinancing and equipping the Grundy County Memorial Hospital (Hospital). 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.

A summary of the County's June 30, 2004 capital loan note indebtedness is as follows:

| Year<br>ending<br>June 30, | Interest<br>Rate | 1993 County Memorial Hospital |          |        |
|----------------------------|------------------|-------------------------------|----------|--------|
|                            |                  | Principal                     | Interest | Total  |
| 2005                       | 5.25%            | \$ 67,074                     | 2,652    | 69,726 |

### General Obligation Capital Loan Refunding Notes

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

The refunding resulted in an aggregate debt service reduction of \$71,827 over the next seven years.

A summary of the County's June 30, 2004 general obligation capital loan refunding notes is as follows:

| Year<br>ending<br>June 30, | Interest<br>Rates | General Obligation Capital<br>Loan Refunding Notes - Series 2003 |          |         |
|----------------------------|-------------------|--|----------|---------|
|                            |                   | Principal  | Interest | Total   |
| 2005                       | 1.35%             | \$ 185,000   | 13,795   | 198,795 |
| 2006                       | 1.60              | 145,000  | 11,298   | 156,298 |
| 2007                       | 2.00              | 95,000   | 8,978    | 103,978 |
| 2008                       | 2.20              | 95,000   | 7,078    | 102,078 |
| 2009                       | 2.50              | 95,000   | 40,988   | 135,988 |
| 2010                       | 2.75              | 95,000   | 2,613    | 97,613  |
| Total                      |                   | \$ 710,000   | 84,750   | 794,750 |

### **(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 for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$161,318, \$165,503 and \$162,225, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Grundy County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$185,767.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks 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 a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

#### **(10) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with EPOCH Group L.E.. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$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 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 Employee Group Health Fund. The County's contribution for the year ended June 30, 2004 was \$674,952.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$95,000, 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 \$231,928 at June 30, 2004 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been

incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

|   |                         |
|---|-------------------------|
| Unpaid claims beginning of year   | \$ 90,000               |
| Incurred claims (including claims incurred but not reported at June 30, 2004) | 608,059                 |
| Payment on claims during the fiscal year                                      | <u>(603,059)</u>        |
| Unpaid claims end of year   | <u><u>\$ 95,000</u></u> |

**(11) Construction Commitment**

The County has entered into contracts totaling \$2,050,361 for bridge construction and roadway paving. As of June 30, 2004, costs of \$71,055 on the contracts have been incurred. The balance remaining on the contracts at June 30, 2004 (\$1,979,306) will be paid as work on the projects progress.

**(12) Closure and Postclosure Care Costs**

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

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

The total costs for the County Landfill have been estimated at \$788,311 as of June 30, 2004 and the portion of the liability that has been recognized is \$683,203. This liability represents the cumulative amount reported to date based on the use of approximately 87 percent of the capacity of the landfill with a remaining life of four years. A provision for the above liability has been made on the County's Statement of

Net Assets as of June 30, 2004. The County has begun to accumulate resources to fund these costs and, at June 30, 2004, deposits of \$1,003,698 are held for these purposes. These resources are reported in the Special Revenue, Rural Services and Landfill Closure Costs Funds.

**(13) Deficit Fund Balance**

The Special Revenue, Mental Health Fund had a deficit balance of \$40,008 at June 30, 2004. The deficit will be eliminated through working with the Iowa Department of Human Services for ways to lower costs and improve efficiency.

**(14) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

|  | Amount        |
|--|---------------|
| Net assets June 30, 2003, as previously reported<br>for government funds | \$ 6,047,407  |
| GASB 34 adjustments:   |               |
| Capital assets, net of accumulated<br>depreciation of \$3,343,390        | 6,754,783     |
| Internal Service Fund  | 157,956       |
| Long-term liabilities  | (1,834,320)   |
| Deferral of long-term assets   | 2,439         |
| Net assets July 1, 2003, as restated                                     | \$ 11,128,265 |

**Required Supplementary Information**

Grundy County

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

Required Supplementary Information

Year ended June 30, 2004

|  | Actual              | Less<br>Funds not<br>Required to<br>be Budgeted | Net               |
|--|---------------------|---|-------------------|
| <b>Receipts:</b>   |                     |   |                   |
| Property and other county tax                              | \$ 4,261,752        | -   | 4,261,752         |
| Interest and penalty on property tax                       | 26,834              | -   | 26,834            |
| Intergovernmental  | 5,573,174           | -   | 5,573,174         |
| Licenses and permits                                       | 5,319               | -   | 5,319             |
| Charges for service  | 600,525             | -   | 600,525           |
| Use of money and property                                  | 100,343             | -   | 100,343           |
| Miscellaneous  | 223,518             | -   | 223,518           |
| Total receipts   | <u>10,791,465</u>   | -   | <u>10,791,465</u> |
| <b>Disbursements:</b>                                      |                     |   |                   |
| Public safety and legal services                           | 1,178,089           | -   | 1,178,089         |
| Physical health and social services                        | 545,371             | -   | 545,371           |
| Mental health  | 1,174,362           | -   | 1,174,362         |
| County environment and education                           | 1,077,753           | -   | 1,077,753         |
| Roads and transportation                                   | 3,508,274           | -   | 3,508,274         |
| Governmental services to residents                         | 267,911             | -   | 267,911           |
| Administration   | 1,128,083           | -   | 1,128,083         |
| Non-program  | 308                 | 308   | -                 |
| Debt service   | 196,255             | -   | 196,255           |
| Capital projects   | 767,502             | -   | 767,502           |
| Total disbursements  | <u>9,843,908</u>    | <u>308</u>                                      | <u>9,843,600</u>  |
| Excess (deficiency) of receipts over (under) disbursements | 947,557             | (308)   | 947,865           |
| Balance beginning of year                                  | <u>5,402,949</u>    | <u>23,027</u>                                   | <u>5,379,922</u>  |
| Balance end of year  | <u>\$ 6,350,506</u> | <u>22,719</u>                                   | <u>6,327,787</u>  |

See accompanying independent auditor's report.

| Budgeted Amounts  |                   | Final to<br>Net<br>Variance |
|-------------------|-------------------|-----------------------------|
| Original          | Final             |                             |
| 4,210,043         | 4,210,043         | 51,709                      |
| 20,812            | 20,812            | 6,022                       |
| 4,628,659         | 4,628,659         | 944,515                     |
| 2,700             | 2,700             | 2,619                       |
| 491,185           | 491,185           | 109,340                     |
| 102,750           | 102,750           | (2,407)                     |
| 79,950            | 79,950            | 143,568                     |
| <u>9,536,099</u>  | <u>9,536,099</u>  | <u>1,255,366</u>            |
| 1,274,771         | 1,282,288         | 104,199                     |
| 641,770           | 641,770           | 96,399                      |
| 1,211,182         | 1,211,182         | 36,820                      |
| 1,070,129         | 1,175,129         | 97,376                      |
| 3,440,600         | 3,483,100         | (25,174)                    |
| 307,892           | 307,892           | 39,981                      |
| 1,141,755         | 1,146,755         | 18,672                      |
| -                 | -                 | -                           |
| 212,580           | 212,580           | 16,325                      |
| 1,127,753         | 1,137,725         | 370,223                     |
| <u>10,428,432</u> | <u>10,598,421</u> | <u>754,821</u>              |
| (892,333)         | (1,062,322)       | 2,010,187                   |
| <u>3,416,682</u>  | <u>3,416,682</u>  | <u>1,963,240</u>            |
| <u>2,524,349</u>  | <u>2,354,360</u>  | <u>3,973,427</u>            |

Grundy County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2004

|                         | Governmental Funds |                             |                              |
|-------------------------|--------------------|-----------------------------|------------------------------|
|                         | Cash<br>Basis      | Accrual<br>Adjust-<br>ments | Modified<br>Accrual<br>Basis |
| Revenues                | \$ 10,791,465      | (10,133)                    | 10,781,332                   |
| Expenditures            | 9,843,908          | 524,367                     | 10,368,275                   |
| Net                     | 947,557            | (534,500)                   | 413,057                      |
| Beginning fund balances | 5,402,949          | 644,458                     | 6,047,407                    |
| Ending fund balances    | \$ 6,350,506       | 109,958                     | 6,460,464                    |

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$169,989. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the roads and transportation function and disbursements in certain departments exceeded the amounts appropriated prior to the budget amendment.



**Grundy County**

## **Other Supplementary Information**

Grundy County  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds

June 30, 2004

|   | County<br>Recorder's<br>Records<br>Management | County<br>Recorder's<br>Electronic<br>Transaction Fee | Resource<br>Enhancement<br>and Protection | Landfill<br>Closure<br>Costs |
|---|---|---|---|------------------------------|
| <b>Assets</b>   |   |   |   |                              |
| Cash and pooled investments                           | \$ 14,233                                     | 22,689  | 49,344                                    | 578,209                      |
| Receivables:  |   |   |   |                              |
| Accounts  | -   | -   | -   | -                            |
| Accrued interest                                      | 120   | 93  | 429                                       | 8,259                        |
| <b>Total assets</b>                                   | <b>\$ 14,353</b>                              | <b>22,782</b>   | <b>49,773</b>                             | <b>586,468</b>               |
| <b>Fund Equity</b>                                    |   |   |   |                              |
| Fund equity:  |   |   |   |                              |
| Fund balances:  |   |   |   |                              |
| Reserved for landfill closure<br>and postclosure care | \$ -  | -   | -   | 586,468                      |
| Unreserved  | 14,353  | 22,782  | 49,773                                    | -                            |
| <b>Total fund equity</b>                              | <b>\$ 14,353</b>                              | <b>22,782</b>   | <b>49,773</b>                             | <b>586,468</b>               |

See accompanying independent auditor's report.

| State<br>Drug<br>Forfeiture | Federal<br>Drug<br>Forfeiture | Sheriff's<br>Grant | Drainage<br>Districts | Conservation<br>Land<br>Acquisition | Total   |
|-----------------------------|-------------------------------|--------------------|-----------------------|-------------------------------------|---------|
| 20,365                      | 5,822                         | 265                | 22,719                | 119,907                             | 833,553 |
| 525                         | -                             | -                  | -                     | -                                   | 525     |
| -                           | -                             | -                  | -                     | 1,211                               | 10,112  |
| 20,890                      | 5,822                         | 265                | 22,719                | 121,118                             | 844,190 |
| -                           | -                             | -                  | -                     | -                                   | 586,468 |
| 20,890                      | 5,822                         | 265                | 22,719                | 121,118                             | 257,722 |
| 20,890                      | 5,822                         | 265                | 22,719                | 121,118                             | 844,190 |

Grundy County

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

Year ended June 30, 2004

|  | County<br>Recorder's<br>Records<br>Management | County<br>Recorder's<br>Electronic<br>Transaction Fee | Resource<br>Enhancement<br>and Protection | Landfill<br>Closure<br>Costs |
|--|---|---|---|------------------------------|
| Revenues:  |   |   |   |                              |
| Intergovernmental  | \$ -  | -   | 9,759                                     | 50,000                       |
| Charges for service  | 4,233   | 22,689  | -   | -                            |
| Use of money and property  | 120   | 93  | 429                                       | 26,227                       |
| Miscellaneous  | -   | -   | -   | -                            |
| Total revenues   | <u>4,353</u>                                  | <u>22,782</u>   | <u>10,188</u>                             | <u>76,227</u>                |
| Expenditures:  |   |   |   |                              |
| Operating:   |   |   |   |                              |
| Public safety and legal services   | -   | -   | -   | -                            |
| Non-program  | -   | -   | -   | -                            |
| Capital projects   | -   | -   | 865                                       | -                            |
| Total expenditures   | <u>-</u>                                      | <u>-</u>  | <u>865</u>                                | <u>-</u>                     |
| Excess (deficiency) of revenues over<br>(under) expenditures                             | 4,353   | 22,782  | 9,323                                     | 76,227                       |
| Other financing sources:   |   |   |   |                              |
| Operating transfers in   | -   | -   | -   | -                            |
| Excess (deficiency) of revenues and other<br>financing sources over (under) expenditures | 4,353   | 22,782  | 9,323                                     | 76,227                       |
| Fund balances beginning of year  | <u>10,000</u>                                 | <u>-</u>  | <u>40,450</u>                             | <u>510,241</u>               |
| Fund balances end of year  | <u>\$ 14,353</u>                              | <u>22,782</u>   | <u>49,773</u>                             | <u>586,468</u>               |

See accompanying independent auditor's report.

| State<br>Drug<br>Forfeiture | Federal<br>Drug<br>Forfeiture | Sheriff's<br>Grant | Drainage<br>Districts | Conservation<br>Land<br>Acquisition | Total   |
|-----------------------------|-------------------------------|--------------------|-----------------------|-------------------------------------|---------|
| -                           | -                             | -                  | -                     | -                                   | 59,759  |
| -                           | -                             | -                  | -                     | -                                   | 26,922  |
| -                           | -                             | -                  | -                     | 1,212                               | 28,081  |
| 21,888                      | -                             | -                  | -                     | 4,144                               | 26,032  |
| 21,888                      | -                             | -                  | -                     | 5,356                               | 140,794 |
| 2,487                       | -                             | -                  | -                     | -                                   | 2,487   |
| -                           | -                             | -                  | 308                   | -                                   | 308     |
| -                           | -                             | -                  | -                     | 2,333                               | 3,198   |
| 2,487                       | -                             | -                  | 308                   | 2,333                               | 5,993   |
| 19,401                      | -                             | -                  | (308)                 | 3,023                               | 134,801 |
| -                           | -                             | -                  | -                     | 7,092                               | 7,092   |
| 19,401                      | -                             | -                  | (308)                 | 10,115                              | 141,893 |
| 1,489                       | 5,822                         | 265                | 23,027                | 111,003                             | 702,297 |
| 20,890                      | 5,822                         | 265                | 22,719                | 121,118                             | 844,190 |

Grundy County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2004

|                              | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools          |
|------------------------------|-------------------|--|--------------------|------------------|
| <b>Assets</b>                |                   |  |                    |                  |
| Cash and pooled investments: |                   |  |                    |                  |
| County Treasurer             | \$ -              | 1,689                                  | 125,746            | 112,892          |
| Other County officials       | 18,428            | -                                      | -                  | -                |
| Receivables:                 |                   |  |                    |                  |
| Property tax:                |                   |  |                    |                  |
| Delinquent                   | -                 | 33                                     | 61                 | 2,177            |
| Succeeding year              | -                 | 111,000                                | 201,000            | 7,181,000        |
| Accounts                     | -                 | -                                      | -                  | -                |
| Accrued interest             | -                 | -                                      | -                  | -                |
| Special assessments          | -                 | -                                      | -                  | -                |
| Due from other governments   | -                 | -                                      | -                  | -                |
| <b>Total assets</b>          | <b>\$ 18,428</b>  | <b>112,722</b>                         | <b>326,807</b>     | <b>7,296,069</b> |
| <b>Liabilities</b>           |                   |  |                    |                  |
| Accounts payable             | \$ -              | -                                      | 330                | -                |
| Due to other governments     | 8,570             | 112,722                                | 311,205            | 7,296,069        |
| Trusts payable               | 9,858             | -                                      | -                  | -                |
| Compensated absences         | -                 | -                                      | 15,272             | -                |
| <b>Total liabilities</b>     | <b>\$ 18,428</b>  | <b>112,722</b>                         | <b>326,807</b>     | <b>7,296,069</b> |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Other   | Total      |
|--------------------|--------------|-----------|--------------------------|---------|------------|
| 7,040              | 20,558       | 2,517     | 295,733                  | 192,340 | 758,515    |
| -                  | -            | -         | -                        | -       | 18,428     |
| 142                | 1,767        | 1         | -                        | 18      | 4,199      |
| 521,000            | 2,926,000    | 151,000   | -                        | 23,000  | 11,114,000 |
| -                  | -            | -         | -                        | 4,003   | 4,003      |
| -                  | -            | -         | -                        | 1,615   | 1,615      |
| -                  | -            | -         | -                        | 246,506 | 246,506    |
| -                  | -            | -         | -                        | 1,645   | 1,645      |
| 528,182            | 2,948,325    | 153,518   | 295,733                  | 469,127 | 12,148,911 |
| -                  | -            | -         | -                        | 1,707   | 2,037      |
| 528,182            | 2,948,325    | 153,518   | 295,733                  | 467,420 | 12,121,744 |
| -                  | -            | -         | -                        | -       | 9,858      |
| -                  | -            | -         | -                        | -       | 15,272     |
| 528,182            | 2,948,325    | 153,518   | 295,733                  | 469,127 | 12,148,911 |



Grundy County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2004

|                                    | County<br>Offices | Agricultural<br>Extension<br>Education | County<br>Assessor | Schools   |
|------------------------------------|-------------------|--|--------------------|-----------|
| <b>Assets and Liabilities</b>      |                   |  |                    |           |
| Balances beginning of year         | \$ 57,242         | 108,030                                | 311,592            | 7,289,698 |
| Additions:                         |                   |  |                    |           |
| Property and other county tax      | -                 | 111,874                                | 202,122            | 7,200,690 |
| E911 surcharges                    | -                 | -                                      | -                  | -         |
| State tax credits                  | -                 | 6,985                                  | 12,816             | 468,904   |
| Office fees and collections        | 281,476           | -                                      | -                  | -         |
| Electronic transaction fees        | -                 | -                                      | -                  | -         |
| Auto licenses, use tax and postage | -                 | -                                      | -                  | -         |
| Trusts                             | 75,101            | -                                      | -                  | -         |
| Miscellaneous                      | -                 | -                                      | 702                | -         |
| Total additions                    | 356,577           | 118,859                                | 215,640            | 7,669,594 |
| Deductions:                        |                   |  |                    |           |
| Agency remittances:                |                   |  |                    |           |
| To other funds                     | 204,729           | -                                      | -                  | -         |
| To other governments               | 116,128           | 114,167                                | 200,425            | 7,663,223 |
| Trusts paid out                    | 74,534            | -                                      | -                  | -         |
| Total deductions                   | 395,391           | 114,167                                | 200,425            | 7,663,223 |
| Balances end of year               | \$ 18,428         | 112,722                                | 326,807            | 7,296,069 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Other   | Total      |
|--------------------|--------------|-----------|--------------------------|---------|------------|
| 453,276            | 2,603,152    | 147,269   | 243,213                  | 583,884 | 11,797,356 |
| 526,141            | 2,908,678    | 151,610   | -                        | 23,933  | 11,125,048 |
| -                  | -            | -         | -                        | 75,145  | 75,145     |
| 28,963             | 163,458      | 8,821     | -                        | 1,701   | 691,648    |
| -                  | -            | -         | -                        | -       | 281,476    |
| -                  | -            | -         | -                        | 21,160  | 21,160     |
| -                  | -            | -         | 3,310,378                | 103     | 3,310,481  |
| -                  | -            | -         | -                        | -       | 75,101     |
| -                  | -            | -         | -                        | 34,868  | 35,570     |
| 555,104            | 3,072,136    | 160,431   | 3,310,378                | 156,910 | 15,615,629 |
| -                  | -            | -         | 94,627                   | -       | 299,356    |
| 480,198            | 2,726,963    | 154,182   | 3,163,231                | 271,667 | 14,890,184 |
| -                  | -            | -         | -                        | -       | 74,534     |
| 480,198            | 2,726,963    | 154,182   | 3,257,858                | 271,667 | 15,264,074 |
| 528,182            | 2,948,325    | 153,518   | 295,733                  | 469,127 | 12,148,911 |

**Schedule 5**

## Grundy County

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

For the Last Four Years

|                                      | Modified Accrual Basis |                   |                  |                  |
|--------------------------------------|------------------------|-------------------|------------------|------------------|
|                                      | 2004                   | 2003              | 2002             | 2001             |
| Revenues:                            |                        |                   |                  |                  |
| Property and other county tax        | \$ 4,255,620           | 3,879,743         | 3,622,177        | 3,359,330        |
| Interest and penalty on property tax | 26,856                 | 25,811            | 26,850           | 25,019           |
| Intergovernmental                    | 5,490,809              | 5,927,767         | 4,793,199        | 4,767,388        |
| Licenses and permits                 | 5,669                  | 2,880             | 31,412           | 1,625            |
| Charges for service                  | 587,891                | 513,514           | 664,398          | 598,473          |
| Use of money and property            | 113,088                | 145,298           | 205,223          | 336,303          |
| Miscellaneous                        | 301,399                | 173,267           | 26,600           | 56,341           |
| Total                                | <u>\$ 10,781,332</u>   | <u>10,668,280</u> | <u>9,369,859</u> | <u>9,144,479</u> |
| Expenditures:                        |                        |                   |                  |                  |
| Operating:                           |                        |                   |                  |                  |
| Public safety and legal services     | \$ 1,170,609           | 1,190,754         | 1,133,542        | 1,106,040        |
| Physical health and social services  | 534,020                | 578,737           | 565,695          | 610,081          |
| Mental health                        | 1,232,856              | 1,102,682         | 1,136,314        | 1,011,857        |
| County environment and education     | 1,052,191              | 1,124,511         | 980,275          | 840,374          |
| Roads and transportation             | 3,797,749              | 3,325,895         | 3,177,583        | 3,465,244        |
| Governmental services to residents   | 262,872                | 279,209           | 260,224          | 240,445          |
| Administration                       | 1,067,246              | 997,193           | 924,514          | 898,108          |
| Non-program                          | 308                    | -                 | -                | -                |
| Debt service                         | 196,255                | 210,730           | 208,600          | 128,453          |
| Capital projects                     | 1,054,169              | 673,931           | 1,133,651        | 869,910          |
| Total                                | <u>\$ 10,368,275</u>   | <u>9,483,642</u>  | <u>9,520,398</u> | <u>9,170,512</u> |

See accompanying independent auditor's report.

**Grundy County**

**Schedule 6**

Grundy County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

| Grantor/Program   | CFDA<br>Number             | Agency or<br>Pass-through<br>Number | Program<br>Expenditures |
|---|----------------------------|-------------------------------------|-------------------------|
| Indirect:   |                            |                                     |                         |
| U.S. Department of Agriculture:   |                            |                                     |                         |
| Iowa Department of Human Services:  |                            |                                     |                         |
| Human Services Administrative Reimbursements:                                     |                            |                                     |                         |
| State Administrative Matching Grants for Food Stamp Program                       | 10.561                     |                                     | \$ 2,552                |
| U.S. Department of Transportation:  |                            |                                     |                         |
| Iowa Department of Transportation:  |                            |                                     |                         |
| Highway Planning and Construction   | 20.205 BROS-CO38(54)-8J-38 |                                     | 8,804                   |
| Highway Planning and Construction   | 20.205 BROS-CO38(60)-8J-39 |                                     | 376,441                 |
| Highway Planning and Construction   | 20.205 BROS-CO38(61)-8J-40 |                                     | 93,962                  |
|   |                            |                                     | 479,207                 |
| Iowa Department of Public Safety:   |                            |                                     |                         |
| Safety Incentive Grants for Use of Seat Belts                                     | 20.604 PAP 04-157, Task 65 |                                     | 3,500                   |
| U.S. Department of Health and Human Services:                                     |                            |                                     |                         |
| Iowa Department of Human Services:  |                            |                                     |                         |
| Human Services Administrative Reimbursements:                                     |                            |                                     |                         |
| Temporary Assistance for Needy Families   | 93.558                     |                                     | 3,316                   |
| Refugee and Entrant Assistance - State Administered Program                       | 93.566                     |                                     | 11                      |
| Foster Care - Title IV-E  | 93.658                     |                                     | 1,511                   |
| Adoption and Assistance   | 93.659                     |                                     | 403                     |
| Child Care Mandatory and Matching Funds<br>of the Child Care and Development Fund | 93.596                     |                                     | 607                     |
| Medical Assistance Program  | 93.778                     |                                     | 3,326                   |
| Social Services Block Grant   | 93.667                     |                                     | 2,180                   |
| Social Services Block Grant   | 93.667                     |                                     | 30,149                  |
|   |                            |                                     | 32,329                  |
| Iowa Department of Public Health:   |                            |                                     |                         |
| Public Health and Social Services Emergency Fund                                  | 93.003                     |                                     | 11,673                  |
| U.S. Department of Homeland Security:   |                            |                                     |                         |
| Iowa Department of Public Defense:  |                            |                                     |                         |
| Iowa Homeland Security and Emergency<br>Management Division:                      |                            |                                     |                         |
| State and Local All Hazards Emergency Operations Planning                         | 97.051                     |                                     | 4,149                   |
| Emergency Management - State and Local Assistance                                 | 97.042                     |                                     | 6,825                   |
|   |                            |                                     | 10,974                  |
| Total   |                            |                                     | \$ 549,409              |

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

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

**Grundy County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Officials of Grundy County:

We have audited the financial statements of Grundy County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 13, 2005. 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 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, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

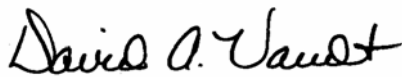
In planning and performing our audit, we considered Grundy County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.



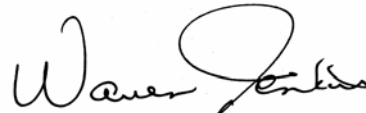
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected 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, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

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. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 13, 2005

**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**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and 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 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, 2004. 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 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.

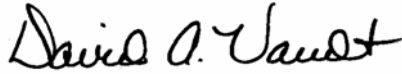
In our opinion, Grundy County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

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 material weaknesses.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 13, 2005

Grundy County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section . 510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (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, 2004

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

II-A-04 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Response:

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

County Sheriff – The Sheriff or Chief Deputy will receipt incoming monies and then forward to the Secretary for book keeping entries.

The Secretary will prepare checks for disbursement and be reviewed by Chief Deputy and initialed.

Bank accounts will be reconciled at least monthly by the Secretary and reviewed by Chief Deputy and/or Sheriff.

Conclusion – Responses accepted.



Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

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

IV-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year, except for deposits at Grundy National Bank.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – On January 3, 2005, the Board adopted Resolution #19-2004/2005 that increased the depository amounts to cover these situations.

Conclusion – Response accepted.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the roads and transportation function. Disbursements in certain departments exceeded the amounts appropriated prior to the budget amendment, but did not exceed the amounts appropriated at year end.

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

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

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

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

- IV-E-04 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title and<br>Business Connection  | Transaction<br>Description | Amount |
|---|----------------------------|--------|
| Paul Henely, husband of county employee | Lawn care services         | \$ 40  |

In accordance with Chapter 331.342 of the Code of Iowa, the above transaction does not represent a conflict of interest since the total cumulative transactions per individual were less than \$1,500 during the fiscal year.

- IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-I-04 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-04 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-04 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, 2004 for the County Extension Office did not exceed the amount budgeted.

Grundy County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

IV-L-04 Financial Assurance – Grundy County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. The calculation is made as follows:

|   |                    |
|---|--------------------|
| Total estimated costs for closure and postclosure care                            | \$ 788,311         |
| Less: Balance of funds held in the local dedicated fund at June 30, 2003          | <u>744,930</u>     |
|   | 43,381             |
| Divided by the number of years remaining in the pay-in period                     | ÷ <u>4</u>         |
| Required payment into the local dedicated fund for the year ended June 30, 2004   | 10,845             |
| Balance of funds held in the local dedicated fund at June 30, 2003                | <u>744,930</u>     |
| Required balance of funds to be held in the local dedicated fund at June 30, 2004 | <u>\$ 755,775</u>  |
| Amount County has reserved for closure and postclosure care at June 30, 2004      | <u>\$1,003,698</u> |

IV-M-04 Financial Condition – The Special Revenue, Mental Health Fund had a deficit balance of \$40,008 at June 30, 2004.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We have been working with the Iowa Department of Human Services and will have this fund in the black by the end of fiscal year 2006.

Conclusion – Response accepted.

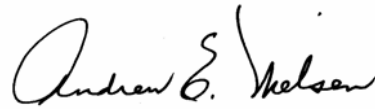
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Grundy County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
Richard C. Brown, CGFM, Senior Auditor  
Heather B. Allen, Staff Auditor  
Dustin S. Boxa, CPA, Assistant Auditor  
Cynthia R. Ellingson, Assistant Auditor  
Jennifer L. Johnson, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State