



**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 _____ March 28, 2006 _____

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$14,281,018 for the year ended June 30, 2005, which included \$805,929 in tax credits from the state. The County forwarded \$10,570,886 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,710,132 of the local tax revenue to finance County operation, a 19% decrease from the prior year. Other revenues included charges for service of \$733,176, operating grants, contributions and restricted interest of \$2,759,416, capital grants, contributions and restricted interest of \$2,444,996, unrestricted investment earnings of \$84,625 and other general revenues of \$148,288.

Expenses for County operations totaled \$7,042,648, a 3% decrease from the prior year. Expenses included \$2,329,224 for roads and transportation, \$1,389,755 for mental health and \$1,107,837 for public safety and legal services.

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

###

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

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
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 Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes 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 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 in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures 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 – All Governmental Funds	5	59
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-68
Staff		69

Union County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Robert G. Brown	Board of Supervisors	Jan 2005
Donald W. Ireland	Board of Supervisors	Jan 2005
Tom McCann	Board of Supervisors	Jan 2007
Michael J. King	Board of Supervisors	Jan 2007
Curt Turner	Board of Supervisors	Jan 2007
Sandy Hysell	County Auditor	Jan 2005
Linda Marley	County Treasurer	Jan 2007
Paula White	County Recorder	Jan 2007
Rick L. Piel	County Sheriff	Jan 2007
Timothy R. Kenyon	County Attorney	Jan 2007
Steven Gene Haner	County Assessor	Jan 2010
(After January 2005)		
Tom McCann	Board of Supervisors	Jan 2007
Michael J. King	Board of Supervisors	Jan 2007
Curt Turner	Board of Supervisors	Jan 2007
Robert G. Brown	Board of Supervisors	Jan 2009
Donald W. Ireland	Board of Supervisors	Jan 2009
Sandy Hysell	County Auditor	Jan 2009
Linda Marley	County Treasurer	Jan 2007
Paula White	County Recorder	Jan 2007
Rick L. Piel	County Sheriff	Jan 2009
Timothy R. Kenyon	County Attorney	Jan 2007
Steven Gene Haner	County Assessor	Jan 2010

Union 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

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express opinions on these financial statements based on our audit.

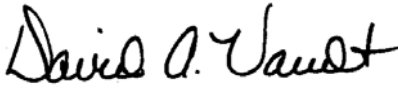
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

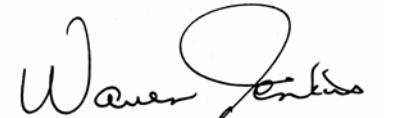
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Union County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2006 on our consideration of Union County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 45 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Union 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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues increased approximately \$1,429,000, or 17%, from fiscal 2004 to fiscal 2005. Property and other county tax decreased approximately \$911,000.
- The County's governmental activities expenses decreased approximately \$193,000, or 3%, from fiscal 2004 to 2005. Administration expenses decreased by approximately \$314,000.
- The County's net assets increased 777%, or approximately \$2,838,000, from June 30, 2004 to June 30, 2005. Of the increase, \$2,411,174 was from capital grants, contributions and restricted interest from the Iowa Department of Transportation for construction work on farm-to-market roads.

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 Union 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 Union 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 Union County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 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 drainage districts, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Union County's combined net assets at June 30, 2005 totaled \$3,203,042. This compares to \$365,057 at June 30, 2004. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 7,250	6,292
Capital assets	4,631	2,179
Total assets	<u>11,881</u>	<u>8,471</u>
Long-term liabilities	4,813	4,971
Other liabilities	3,865	3,135
Total liabilities	<u>8,678</u>	<u>8,106</u>
Net assets:		
Invested in capital assets, net of related debt	3,133	716
Restricted	2,430	2,207
Unrestricted	<u>(2,360)</u>	<u>(2,558)</u>
Total net assets	<u>\$ 3,203</u>	<u>365</u>

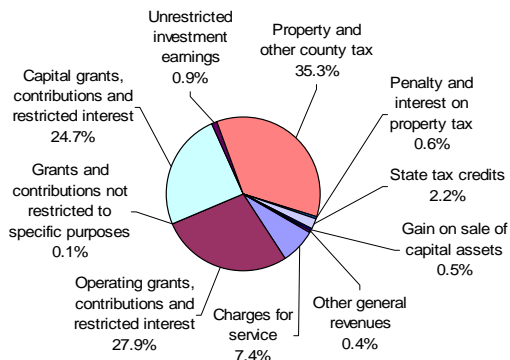
Net assets of Union County's governmental activities increased by \$2,837,985 (\$365,057 compared to \$3,203,042). A large portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at approximately \$(2,360,000) at June 30, 2005, an increase of approximately \$198,000. The negative unrestricted net asset balance is primarily attributed to the County's issuance of debt for which the related offsetting assets are not the County's.

The County increased its investment in roadway equipment and road construction by approximately \$2,601,000 over the prior year.

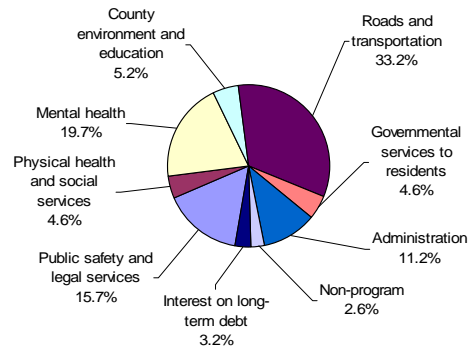
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 733	743
Operating grants, contributions and restricted interest	2,759	2,559
Capital grants, contributions and restricted interest	2,445	302
General revenues:		
Property and other county tax	3,496	4,407
Penalty and interest on property tax	55	62
State tax credits	214	189
Gain on sale of capital assets	53	29
Grants and contributions not restricted to specific purposes	6	53
Unrestricted investment earnings	85	70
Other general revenues	35	38
Total revenues	9,881	8,452
Program expenses:		
Public safety and legal services	1,108	1,121
Physical health and social services	325	294
Mental health	1,390	1,362
County environment and education	364	392
Roads and transportation	2,329	2,341
Governmental services to residents	326	294
Administration	790	1,104
Non-program	184	-
Interest on long-term debt	227	328
Total expenses	7,043	7,236
Increase in net assets	2,838	1,216
Net assets beginning of year	365	(851)
Net assets end of year	\$ 3,203	365

Revenue by Source



Expenses by Program



Union County's net assets of governmental activities increased by approximately \$2,838,000 during the year. Revenues for governmental activities increased by approximately \$1,429,000 over the prior year, with property tax revenue down from the prior year by approximately \$911,000, or 20.7 percent.

The County decreased property tax rates for 2005 by an average of 5.0 percent. The decrease is due to the lowering of the debt service and rural service levies.

The cost of all governmental activities this year was \$7 million compared to \$7.2 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$1.1 million because some of the cost was paid by those directly benefited from those programs (\$733,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,204,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2005 from approximately \$3,604,000 to \$5,937,000, principally due to receiving grant proceeds for the completion of various infrastructure projects. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,496,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Union County completed the year, its governmental funds reported a combined fund balance of \$2.9 million, an increase of approximately \$164,000 above last year's total of \$2.7 million. The increase in fund balance is primarily attributable to cut backs in spending by the departments. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$164,000 while expenditures decreased approximately \$222,000. The ending fund balance increased \$288,000 from the prior year to approximately \$727,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,390,000, an increase of 2% from the prior year. The Mental Health Fund balance at year end increased by approximately \$115,000 over the prior year to \$413,302.
- Revenues of the Rural Services Fund decreased approximately \$47,000 in fiscal year 2005. For the year, expenditures decreased approximately \$58,000 due to the debt payments being made out of the Debt Service Fund. The Rural Services Fund ending balance decreased approximately \$56,000 from the prior year to \$89,497.
- Revenues of the Secondary Roads Fund decreased approximately \$166,000 in fiscal year 2005. Secondary Roads Fund expenditures decreased by approximately \$521,000 from the prior year. The Secondary Roads Fund ending balance of \$1,114,131 increased approximately \$80,000 over the prior year.
- The COOP Urban Renewal and Debt Service Funds, previously combined and reported as the Debt Service Fund, were split and reported as a Special Revenue Fund and a Debt Service Fund, respectively, to better reflect the nature and activity of the funds. Both remain individual major funds. Because of this restatement, information for these two funds is not easily comparable to prior years. In future years, comparisons will be more meaningful.

BUDGETARY HIGHLIGHTS

Over the course of the year, Union County amended its budget once. The amendment was made in May 2005 and resulted in an increase in budgeted disbursements related to the purchase of a sheriff's vehicle, increase in union wages (unions settled after budget was put in place), audit expense, substance abuse expense, county insurance/unemployment, law library expense and juvenile treatment and care expense.

Even with these amendments, the County exceeded the budgeted amount in the capital projects function for the year ended June 30, 2005. The County did not budget appropriately for the Three Mile Lodge Project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Union County had approximately \$4,631,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges, as follows:

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 254	254
Buildings and improvements	826	450
Equipment and vehicles	909	839
Infrastructure	1,245	243
Construction in progress	1,397	393
Total	\$ 4,631	2,179

The County had depreciation expense of \$265,367 in FY05 and total accumulated depreciation of \$3,210,907 at June 30, 2005. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005, Union County had approximately \$4,671,000 in general obligation bonds and other debt outstanding, compared to approximately \$4,852,000 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Capital lease purchase agreement	\$ 108	-
General obligation bonds	4,539	4,828
Rural development loan	24	24
Total	\$ 4,671	4,852

Overall, debt decreased as a result of annual principal and interest payments on the general obligation bonds. The County did enter into a capital lease purchase agreement which increased outstanding debt by \$108,000.

The County continues to carry a general obligation bond rating of Aaa assigned by national rating agencies to the County's debt since 1995. 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. Union County's outstanding general obligation debt is significantly below its constitutional debt limit of \$16 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Union County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.8 percent. This compares with the State's unemployment rate of 4.6 percent and the national rate of 5.0 percent.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$8.1 million, an increase of 6 percent from the final 2005 budget. Property tax (benefiting from the 2006 rate increase and increases in assessed valuations) and State funding in several of our current programs are expected to lead this increase. Union County will continue to finance programs we currently offer and use increased revenues to offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to rise a little due to increase in wages, fuel, utilities, and postage, but departments are keeping other expenses the same as 2005. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary balance is expected to modestly increase at the close of 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Union 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 Union County Auditor's Office, 300 N. Pine Street, Suite #2, Creston, Iowa 50801.

Union County

Basic Financial Statements

Exhibit A

Union County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,353,900
Receivables:	
Property tax:	
Delinquent	22,686
Succeeding year	3,512,000
Interest and penalty on property tax	32,573
Accounts	36,997
Accrued interest	783
Due from other governments	167,487
Inventories	123,784
Capital assets (net of accumulated depreciation)	4,630,927
Total assets	<u>11,881,137</u>
Liabilities	
Accounts payable	207,193
Accrued interest payable	14,410
Salaries and benefits payable	53,814
Due to other governments	77,253
Deferred revenue:	
Succeeding year property tax	3,512,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	25,111
General obligation bonds	345,000
Rural development loan	3,425
Compensated absences	75,156
Portion due or payable after one year:	
Capital lease purchase agreement	82,889
General obligation bonds	4,193,733
Rural development loan	20,575
Compensated absences	67,536
Total liabilities	<u>8,678,095</u>
Net Assets	
Invested in capital assets, net of related debt	3,132,941
Restricted for:	
Supplemental levy purposes	216,043
Mental health purposes	416,052
Secondary roads purposes	1,022,635
Debt service	614,791
Other purposes	160,770
Unrestricted	(2,360,190)
Total net assets	<u>\$ 3,203,042</u>

See notes to financial statements.

Union County
Statement of Activities
Year ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,107,837	21,088	88,467	-	(998,282)
Physical health and social services	325,177	32,108	139,910	-	(153,159)
Mental health	1,389,755	-	752,167	-	(637,588)
County environment and education	363,932	114,484	46,816	33,822	(168,810)
Roads and transportation	2,329,224	40,477	1,732,056	2,411,174	1,854,483
Governmental services to residents	325,793	301,955	-	-	(23,838)
Administration	789,963	223,064	-	-	(566,899)
Non-program	183,760	-	-	-	(183,760)
Interest on long-term debt	227,207	-	-	-	(227,207)
Total	\$ 7,042,648	733,176	2,759,416	2,444,996	(1,105,060)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,180,215
Tax increment financing					59,189
Debt service					257,020
Penalty and interest on property tax					54,876
State tax credits					213,708
Gain on sale of capital assets					52,434
Grants and contributions not restricted to specific purpose					5,604
Unrestricted investment earnings					84,625
Miscellaneous					35,374
Total general revenues					3,943,045
Change in net assets					2,837,985
Net assets beginning of year					365,057
Net assets end of year					\$ 3,203,042

See notes to financial statements.

Union County
Balance Sheet
Governmental Funds

June 30, 2005

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 770,972	518,499	96,229
Receivables:			
Property tax:			
Delinquent	13,880	5,176	1,762
Succeeding year	1,907,000	703,000	585,000
Interest and penalty on property tax	32,573	-	-
Accounts	2,099	-	2,214
Accrued interest	40	-	-
Due from other governments	20,272	-	605
Inventories	-	-	-
Total assets	\$ 2,746,836	1,226,675	685,810
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 49,229	45,099	1,290
Salaries and benefits payable	18,875	506	6,047
Due to other governments	15,235	62,018	-
Deferred revenue:			
Succeeding year property tax	1,907,000	703,000	585,000
Other	29,269	2,750	3,976
Total liabilities	2,019,608	813,373	596,313
Fund balances:			
Reserved for:			
Supplemental levy purposes	217,991	-	-
Debt service	-	-	-
Resource enhancement and protection	-	-	-
Unreserved, reported in:			
General fund	509,237	-	-
Special revenue funds	-	413,302	89,497
Capital projects fund	-	-	-
Total fund balances	727,228	413,302	89,497
Total liabilities and fund balances	\$ 2,746,836	1,226,675	685,810

See notes to financial statements.

Revenue				
Secondary Roads	COOP Urban Renewal	Debt Service	Nonmajor	Total
898,176	366,878	10,443	181,098	2,842,295
-	-	1,868	-	22,686
-	59,000	258,000	-	3,512,000
-	-	-	-	32,573
447	-	-	1,000	5,760
-	-	-	743	783
146,610	-	-	-	167,487
123,784	-	-	-	123,784
<u>1,169,017</u>	<u>425,878</u>	<u>270,311</u>	<u>182,841</u>	<u>6,707,368</u>
26,500	-	-	5,075	127,193
28,386	-	-	-	53,814
-	-	-	-	77,253
-	59,000	258,000	-	3,512,000
-	-	982	-	36,977
<u>54,886</u>	<u>59,000</u>	<u>258,982</u>	<u>5,075</u>	<u>3,807,237</u>
-	-	-	-	217,991
-	366,878	11,329	-	378,207
-	-	-	17,721	17,721
-	-	-	-	509,237
1,114,131	-	-	165,120	1,782,050
-	-	-	(5,075)	(5,075)
<u>1,114,131</u>	<u>366,878</u>	<u>11,329</u>	<u>177,766</u>	<u>2,900,131</u>
<u>1,169,017</u>	<u>425,878</u>	<u>270,311</u>	<u>182,841</u>	<u>6,707,368</u>

Union County

Union County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 2,900,131

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 \$7,841,834 and the accumulated depreciation is \$3,210,907. 4,630,927

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 36,977

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. 462,842

Long-term liabilities, including capital lease purchase agreement payable, general obligation bonds payable, rural development loan 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. (4,827,835)

Net assets of governmental activities (page 16) \$ 3,203,042

See notes to financial statements.

Union County

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

Year ended June 30, 2005

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 1,895,349	706,718	579,524
Tax increment financing	-	-	-
Interest and penalty on property tax	68,137	-	-
Intergovernmental	393,554	797,748	36,679
Licenses and permits	2,493	-	15,355
Charges for service	407,736	-	596
Use of money and property	76,941	-	-
Miscellaneous	17,769	-	-
Total revenues	2,861,979	1,504,466	632,154
Expenditures:			
Operating:			
Public safety and legal services	1,025,418	-	91,614
Physical health and social services	256,037	-	35,479
Mental health	-	1,389,755	-
County environment and education	232,827	-	48,732
Roads and transportation	-	-	98,347
Governmental services to residents	289,979	-	-
Administration	795,600	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	2,599,861	1,389,755	274,172
Excess (deficiency) of revenues over (under) expenditures	262,118	114,711	357,982
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	67,976	-	-
Operating transfers out	(42,521)	-	(413,816)
Capital lease purchase agreement	-	-	-
Total other financing sources (uses)	25,455	-	(413,816)
Net change in fund balances	287,573	114,711	(55,834)
Fund balances beginning of year, as restated	439,655	298,591	145,331
Fund balances end of year	\$ 727,228	413,302	89,497

See notes to financial statements.

Revenue				
Secondary Roads	COOP Urban Renewal	Debt Service	Nonmajor	Total
-	-	258,814	-	3,440,405
-	59,189	-	-	59,189
-	-	-	-	68,137
1,744,528	-	16,594	82,672	3,071,775
1,070	-	-	-	18,918
450	-	-	15,759	424,541
-	10,321	-	20,151	107,413
40,476	-	-	-	58,245
1,786,524	69,510	275,408	118,582	7,248,623
-	-	-	-	1,117,032
-	-	-	5,586	297,102
-	-	-	-	1,389,755
-	-	-	679	282,238
2,298,658	-	-	-	2,397,005
-	-	-	42,226	332,205
-	-	-	-	795,600
-	238,332	278,449	-	516,781
3,030	-	-	92,486	95,516
2,301,688	238,332	278,449	140,977	7,223,234
(515,164)	(168,822)	(3,041)	(22,395)	25,389
31,000	-	-	-	31,000
456,337	8,972	-	87,411	620,696
-	(67,976)	(8,972)	(87,411)	(620,696)
108,000	-	-	-	108,000
595,337	(59,004)	(8,972)	-	139,000
80,173	(227,826)	(12,013)	(22,395)	164,389
1,033,958	594,704	23,342	200,161	2,735,742
1,114,131	366,878	11,329	177,766	2,900,131

Union County

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

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 164,389

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

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

Expenditures for capital assets	\$ 284,954	
Capital assets contributed by the Iowa Department of Transportation	2,411,174	
Depreciation expense	(265,357)	2,430,771

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 21,434

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	(14,308)	
Other	(36,067)	(50,375)

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

Issued	(108,000)	
Repaid	288,876	180,876

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:

Compensated absences	(23,600)	
Interest on long-term debt	698	(22,902)

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. 113,792

Change in net assets of governmental activities (page 17) \$ 2,837,985

See notes to financial statements.

Union County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2005

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 511,605
Accounts receivable	31,237
	542,842
Total assets	
Liabilities	
Accounts payable	80,000
	80,000
Net Assets	
Unrestricted	\$ 462,842
	462,842

See notes to financial statements.

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

Year ended June 30, 2005

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 736,712
Reimbursements from employees		81,900
Insurance reimbursements		<u>8,612</u>
Total operating revenues		827,224
Operating expenses:		
Medical claims	\$ 511,833	
Insurance premiums	148,312	
Administrative fees	57,847	
Miscellaneous	<u>3,540</u>	<u>721,532</u>
Operating income		105,692
Non-operating revenues:		
Interest income		<u>8,100</u>
Net income		113,792
Net assets beginning of year		<u>349,050</u>
Net assets end of year		<u><u>\$ 462,842</u></u>

See notes to financial statements.

Union County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2005

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 706,400
Cash received from employees and others	90,512
Cash paid to suppliers for services	(726,532)
Net cash provided by operating activities	70,380
Cash flows from investing activities:	
Interest on investments	8,322
Net increase in cash and cash equivalents	78,702
Cash and cash equivalents beginning of year	432,903
Cash and cash equivalents end of year	\$ 511,605
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 105,692
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(30,312)
(Decrease) in accounts payable	(5,000)
Net cash provided by operating activities	\$ 70,380

See notes to financial statements.

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

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,589,686
Other County officials	22,755
Receivables:	
Property tax:	
Delinquent	75,872
Succeeding year	8,970,000
Accounts	65,309
Special assessments	2,859
Due from other funds	281
Due from other governments	2,739
Total assets	<u>10,729,501</u>

Liabilities

Accounts payable	29,803
Salaries and benefits payable	106
Due to other funds	281
Due to other governments	10,658,165
Trusts payable	32,121
Compensated absences	9,025
Total liabilities	<u>10,729,501</u>

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Union County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Union 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, Union 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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

The County also participates in the following jointly governed organizations: Prairie Solid Waste Agency, South Iowa Area Detention Service Agency, Creston-Union Law Enforcement Commission, South Central Iowa Regional E911 Service Board and Union County Development Association.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The COOP Urban Renewal Fund is used to account for TIF revenues collected and used to pay related debt.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures

in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the 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	\$ 65,000
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)
Land improvements	10 - 50
Buildings & 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 compensatory time and vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, 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.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated 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, 2005, disbursements exceeded the amount budgeted in the capital projects function and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$18,839 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 42,521
	Special Revenue: Rural Services	413,816
COOP Urban Renewal	Debt Service	8,972
General	Special Revenue: Coop Urban Renewal	67,976
Capital Projects	Special Revenue: Resource Enhancement and Protection	1,916
	Conservation Land Acquisition	85,495
Total		<u>\$ 620,696</u>

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 253,619	-	-	253,619
Construction in progress, road network	-	2,411,174	(1,014,200)	1,396,974
Construction in progress	392,884	33,822	(426,706)	-
Total capital assets not being depreciated	<u>646,503</u>	<u>2,444,996</u>	<u>(1,440,906)</u>	<u>1,650,593</u>
Capital assets being depreciated:				
Buildings	1,461,300	426,706	-	1,888,006
Improvements other than buildings	27,710	-	-	27,710
Equipment and vehicles	3,060,166	280,349	(322,629)	3,017,886
Infrastructure, road network	243,439	1,014,200	-	1,257,639
Total capital assets being depreciated	<u>4,792,615</u>	<u>1,721,255</u>	<u>(322,629)</u>	<u>6,191,241</u>
Less accumulated depreciation for:				
Buildings	1,036,932	49,289	-	1,086,221
Improvements other than buildings	1,847	1,847	-	3,694
Equipment and vehicles	2,221,463	201,741	(314,846)	2,108,358
Infrastructure, road network	154	12,480	-	12,634
Total accumulated depreciation	<u>3,260,396</u>	<u>265,357</u>	<u>(314,846)</u>	<u>3,210,907</u>
Total capital assets being depreciated, net	<u>1,532,219</u>	<u>1,455,898</u>	<u>(7,783)</u>	<u>2,980,334</u>
Governmental activities capital assets, net	<u>\$ 2,178,722</u>	<u>3,900,894</u>	<u>(1,448,689)</u>	<u>4,630,927</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 21,277
Physical health and social services		28,734
County environment and education		25,913
Roads and transportation		173,075
Administration		<u>16,358</u>
Total depreciation expense - governmental activities		<u>\$ 265,357</u>

(5) 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	\$ 15,235
Special Revenue:		
Mental Health	Services	<u>62,018</u>
Total for governmental funds		<u>\$ 77,253</u>
Agency:		
County Recorder	Collections	\$ 18,394
Agricultural Extension Education		95,643
County Assessor		288,138
County Hospital		1,104,285
Schools		4,920,595
Community Colleges		211,084
Corporations		2,587,230
Auto License and Use Tax		222,297
Prairie Solid Waste Agency		1,009,072
All other		<u>201,427</u>
Total for agency funds		<u>\$ 10,658,165</u>

(6) Changes in Long-Term Liabilities

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

	Capital Lease Purchase Agreement	General Obligation Bonds	Rural Development Loan	Compensated Absences	Total
Balance beginning of year	\$ -	4,827,609	24,000	119,092	4,970,701
Increases	108,000	-	-	97,905	205,905
Decreases	-	288,876	-	74,305	363,181
Balance end of year	<u>\$ 108,000</u>	<u>4,538,733</u>	<u>24,000</u>	<u>142,692</u>	<u>4,813,425</u>
Due within one year	<u>\$ 25,111</u>	<u>345,000</u>	<u>3,425</u>	<u>75,156</u>	<u>448,692</u>

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a John Deere motor grader with a historical cost of \$165,000. The following is a schedule of the future minimum lease payments, including interest of 4.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2005:

Year ending June 30,	Total
2006	\$ 30,354
2007	30,355
2008	30,355
2009	30,354
Total minimum lease payments	121,418
Less amount representing interest	(13,418)
Present value of net minimum lease payments	<u>\$ 108,000</u>

General Obligation Bonds Payable

A summary of the County's June 30, 2005 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Series 2004			
	Issued June 1, 2004			
	Interest Rates	Principal Amount	Interest	Total
2006	2.50%	\$ 345,000	172,924	517,924
2007	2.50	355,000	164,299	519,299
2008	3.25	365,000	155,424	520,424
2009	3.25	375,000	143,561	518,561
2010	3.25	385,000	131,374	516,374
2011 - 2015	3.40-3.90	2,145,000	445,967	2,590,967
2016 - 2017	4.00	980,000	59,200	1,039,200
Total		<u>\$ 4,950,000</u>	<u>1,272,749</u>	<u>6,222,749</u>

During the year ended June 30, 2004, the County issued \$5,285,000 in general obligation bonds which were sold at a discount. Unamortized discount at June 30, 2005 totaled \$411,267.

Refunded General Obligation Bonds

During the year ended June 30, 2004, the County entered into an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation capital loan notes as they become due. After the principal and interest on all of the outstanding notes have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the County. The transactions, balances and liabilities of the escrow account are not recorded by the County. The amount of the refunded general obligation capital loan notes considered extinguished and, therefore, excluded from long-term liabilities was \$4,500,000 at June 30, 2005.

The reacquisition price exceeded the net carrying amount of the old debt by \$545,000. This amount is being netted against the new debt and amortized over the remaining life of the old debt, which is shorter than the life of the new debt.

Rural Development Loan

On July 25, 2002, the County entered into an interest-free loan agreement with Farmers Electric Cooperative, Inc. of Greenfield, Iowa. The County borrowed \$24,000 to help finance the expansion and renovation of Three Mile Lodge operated by the Union County Conservation Board. The loan requires six equal payments of \$3,425, beginning three years after receipt of the funds, with a final payment of \$3,450 in the tenth year. The balance owed on the loan was \$24,000 at June 30, 2005. The proceeds of this loan were accounted for in the Special Revenue, Conservation Land Acquisition Fund.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$124,177, \$116,273 and \$108,669, respectively, equal to the required contributions for each year.

(8) Risk Management

Union County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceed commercial insurance coverage in any of the past three fiscal years.

(9) 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 American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. 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 American Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2005 was \$736,712.

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$80,000, 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 \$462,842 at June 30, 2005 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	\$ 85,000
Incurred claims (including claims incurred but not reported at June 30, 2005)	506,833
Payment on claims during the fiscal year	<u>(511,833)</u>
Unpaid claims end of year	<u><u>\$ 80,000</u></u>

(10) Jointly Governed Organization

Union County participates in the Creston-Union Law Enforcement Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2005:

Additions:		
Contributions from governmental units:		
Union County	\$ 47,313	
City of Creston	47,679	
	<u>94,992</u>	\$ 94,992
Miscellaneous		50
Total additions		<u>95,042</u>
Deductions:		
Office supplies	5,133	
Telephone	7,981	
Computer software maintenance	5,147	
Office equipment and repair	10,615	
Contractual services	7,382	
Inmate supplies	2,170	
Janitorial	3,270	
Utilities	24,369	
Insurance	-	
Principal redeemed	23,536	
Interest paid	477	
Building improvements	10,247	
Miscellaneous	2,328	
	<u>102,655</u>	
Net		(7,613)
Balance beginning of year		<u>10,846</u>
Balance end of year		<u><u>\$ 3,233</u></u>

(11) Health Care Facility and Industrial Development Revenue Bonds

The County has issued \$4,900,000 of Health Care Facility and Industrial Revenue Bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely out of revenues derived from a loan agreement entered into between the issuer and borrower, and the bond principal and interest do not constitute a liability of the County.

(12) Hospital Revenue Capital Loan Notes

The County has issued \$1,021,500 of Hospital Revenue Capital Loan Notes pursuant to Chapters 331.402(3) and 331.461(1)(d) of the Code of Iowa. The notes and related interest are payable solely out of the net earnings of the Hospital and do not constitute a liability of the County.

(13) Contingent Liabilities

Southwest Iowa Residential Facility, Inc.

Southwest Iowa Residential Facility, Inc. received a \$200,000 Farmers Home Administration (FmHA) loan in June, 1987 to assist in the construction of two group homes for mentally handicapped adults. Other financing for the project was provided through the Iowa Community Development Block Grant Program. Annual payments for the FmHA loan were to be made by Southwest Iowa Residential Facility, Inc. through June, 2011, and Union County agreed to guarantee these payments in the event Southwest Iowa Residential Facility, Inc. was unable to make the payments. On December 3, 2004, the Southwest Iowa Residential Facility, Inc. paid off the remaining balance of \$100,314, releasing Union County of any contingent liability.

South Iowa Area Detention Service Agency

The South Iowa Area Detention Service Agency (SIADSA) is a public authority established in 1991 under a 28E agreement by Appanoose, Davis, Des Moines, Jefferson, Lee, Lucas, Louisa, Mahaska, Union and Wapello counties. On May 1, 1991, SIADSA issued \$2,300,000 of capital loan note certificates for construction of the detention center facilities and purchase of equipment. Each member county authorized separate loan agreements with SIADSA which were pledged as security for SIADSA's debt obligation through the 2005/2006 fiscal year.

During the year ended June 30, 2004, SIADSA refinanced the 1991 debt issuance to receive better interest rates. The SIADSA Board consented to SIADSA incurring indebtedness to refund the 1991 capital loan note certificates for cost savings and pledged the 1991 loan agreements as security for the new debt obligation provided the refunding debt does not extend beyond the 2005/2006 fiscal year. The principal balance for Union County remaining at June 30, 2005 was \$24,500.

Although Union County has authorized the loan agreement, it has not issued any debt as a guarantor for SIADSA. Accordingly, the County remains contingently liable in the event SIADSA cannot satisfy its debt obligation. During the fiscal year ending June 30, 2005, each of the ten member counties was asked to contribute \$16,871 to the debt service payment due on June 1, 2005.

Law Enforcement Center Bank Loan

On October 27, 2000, the Law Enforcement Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, entered into a loan agreement with Iowa State Savings Bank of Creston to borrow \$80,000 for updating the Union County Dispatch Center. The loan requires five annual payments of \$18,061 beginning January 15, 2001, including interest at 5.75% per annum. The

Law Enforcement Center paid more than the required annual payment during the year ended June 30, 2005. The remaining balance of \$7,530 was paid on January 11, 2005.

On November 15, 2002, the Law Enforcement Center entered into a loan agreement with Iowa State Savings Bank of Creston to borrow \$30,000 for jail improvements. The loan requires three annual payments of \$10,755 beginning July 15, 2003, including interest at 4.5% per annum. The Law Enforcement Center paid more than the required annual payment during the year ended June 30, 2004. The remaining balance of \$16,006 was paid on June 14, 2005.

The loan principal and related interest were paid exclusively from Law Enforcement Center revenues. The transactions for these loans are accounted for in an Agency Fund.

(14) Deficit Fund Balance

The Capital Projects Fund had a deficit fund balance of \$5,075 at June 30, 2005. The deficit fund balance was the result of project costs incurred prior to availability of funds.

(15) Restatement

The COOP Urban Renewal Fund, previously reported as an account within the Debt Service Fund, is now reported as a Special Revenue Fund to better reflect the nature and activity of this fund. As a result, the beginning balance in the Debt Service Fund decreased \$594,704 and the beginning balance of the Special Revenue, COOP Urban Renewal Fund increased \$594,704. The restatement had no effect on the beginning net asset total.

Required Supplementary Information

Union County

Union County

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

Required Supplementary Information

Year ended June 30, 2005

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 3,489,852	3,585,140	3,585,140	(95,288)
Interest and penalty on property tax	56,944	25,818	25,818	31,126
Intergovernmental	3,080,234	2,863,330	2,883,834	196,400
Licenses and permits	18,918	18,115	18,115	803
Charges for service	424,085	304,740	330,596	93,489
Use of money and property	106,202	96,260	96,260	9,942
Miscellaneous	88,816	19,100	19,100	69,716
Total receipts	<u>7,265,051</u>	<u>6,912,503</u>	<u>6,958,863</u>	<u>306,188</u>
Disbursements:				
Public safety and legal services	1,092,681	1,131,307	1,195,861	103,180
Physical health and social services	301,404	350,459	367,459	66,055
Mental health	1,352,400	1,352,797	1,352,797	397
County environment and education	288,426	311,916	312,166	23,740
Roads and transportation	2,300,609	2,225,938	2,325,938	25,329
Governmental services to residents	332,704	319,468	361,476	28,772
Administration	800,991	809,405	847,012	46,021
Debt service	516,781	542,370	542,370	25,589
Capital projects	101,766	120,000	20,000	(81,766)
Total disbursements	<u>7,087,762</u>	<u>7,163,660</u>	<u>7,325,079</u>	<u>237,317</u>
Excess (deficiency) of receipts over (under) disbursements	177,289	(251,157)	(366,216)	543,505
Balance beginning of year	2,665,006	1,815,549	1,815,549	849,457
Balance end of year	<u>\$ 2,842,295</u>	<u>1,564,392</u>	<u>1,449,333</u>	<u>1,392,962</u>

See accompanying independent auditor's report.

Union County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,265,051	(16,428)	7,248,623
Expenditures	7,087,762	135,472	7,223,234
Net	177,289	(151,900)	25,389
Other financing sources, net	-	139,000	139,000
Beginning fund balances	2,665,006	70,736	2,735,742
Ending fund balances	\$ 2,842,295	57,836	2,900,131

See accompanying independent auditor's report.

Union County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. 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 \$161,419. 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, 2005, disbursements exceeded the amount budgeted in the capital projects function and disbursements in certain departments exceeded the amounts appropriated.

Union County

Other Supplementary Information

Union County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Special County Recorder's Electronic Transaction Fee
Assets				
Cash and pooled investments	\$ 3,032	17,721	28,051	2,541
Receivables:				
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Total assets	\$ 3,032	17,721	28,051	2,541
Fund Equity				
Liabilities:				
Accounts payable	\$ -	-	-	-
Total liabilities	-	-	-	-
Fund equity:				
Fund balances:				
Reserved for resource enhancement and protection	-	17,721	-	-
Unreserved	3,032	-	28,051	2,541
Total fund equity	3,032	17,721	28,051	2,541
Total fund equity	\$ 3,032	17,721	28,051	2,541

See accompanying independent auditor's report.

Revenue						
Conservation Land Acquisition	Care Facility Trust	Care Depreciation	Commissary	Capital Projects	Total	
3,127	108,587	14,941	3,098	-	181,098	
-	-	1,000	-	-	1,000	
-	743	-	-	-	743	
3,127	109,330	15,941	3,098	-	182,841	
-	-	-	-	5,075	5,075	
-	-	-	-	5,075	5,075	
-	-	-	-	-	17,721	
3,127	109,330	15,941	3,098	(5,075)	160,045	
3,127	109,330	15,941	3,098	(5,075)	177,766	
3,127	109,330	15,941	3,098	-	182,841	

Union County

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

Year ended June 30, 2005

	Flood and Erosion	Resource Enhancement and Protection	County Recorder's Records Management	Special County Recorder's Electronic Transaction Fee
Revenues:				
Intergovernmental	\$ 2,033	12,475	-	-
Charges for service	-	-	3,393	12,366
Use of money and property	-	162	301	530
Total revenues	<u>2,033</u>	<u>12,637</u>	<u>3,694</u>	<u>12,896</u>
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	679	-	-	-
Governmental services to residents	-	-	7,270	34,956
Capital projects	-	-	-	-
Total expenditures	<u>679</u>	<u>-</u>	<u>7,270</u>	<u>34,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,354</u>	<u>12,637</u>	<u>(3,576)</u>	<u>(22,060)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(1,916)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(1,916)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>1,354</u>	<u>10,721</u>	<u>(3,576)</u>	<u>(22,060)</u>
Fund balances beginning of year	<u>1,678</u>	<u>7,000</u>	<u>31,627</u>	<u>24,601</u>
Fund balances end of year	<u>\$ 3,032</u>	<u>17,721</u>	<u>28,051</u>	<u>2,541</u>

See accompanying independent auditor's report.

Revenue						
Conservation Land Acquisition	Care Facility Trust	Care Depreciation	Commissary	Capital Projects	Total	
68,164	-	-	-	-	82,672	
-	-	-	-	-	15,759	
116	1,787	15,941	1,314	-	20,151	
68,280	1,787	15,941	1,314	-	118,582	
-	5,586	-	-	-	5,586	
-	-	-	-	-	679	
-	-	-	-	-	42,226	
-	-	-	-	92,486	92,486	
-	5,586	-	-	92,486	140,977	
68,280	(3,799)	15,941	1,314	(92,486)	(22,395)	
-	-	-	-	87,411	87,411	
(85,495)	-	-	-	-	(87,411)	
(85,495)	-	-	-	87,411	-	
(17,215)	(3,799)	15,941	1,314	(5,075)	(22,395)	
20,342	113,129	-	1,784	-	200,161	
3,127	109,330	15,941	3,098	(5,075)	177,766	

Union County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	County Schools
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,995	116,980	24,372	106,471
Other County officials	22,755	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	648	1,293	7,913	34,124
Succeeding year	-	93,000	173,000	1,072,000	4,780,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 22,755	95,643	291,273	1,104,285	4,920,595
Liabilities					
Accounts payable	\$ -	-	120	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other funds	281	-	-	-	-
Due to other governments	18,394	95,643	288,138	1,104,285	4,920,595
Trusts payable	4,080	-	-	-	-
Compensated absences	-	-	3,015	-	-
Total liabilities	\$ 22,755	95,643	291,273	1,104,285	4,920,595

See accompanying independent auditor's report.

Community Colleges	Corporations	Auto License and Use Tax	Prairie Solid Waste Agency	Other	Total
4,593	38,226	222,297	957,904	116,848	1,589,686
-	-	-	-	-	22,755
1,491	30,004	-	-	399	75,872
205,000	2,519,000	-	-	128,000	8,970,000
-	-	-	59,966	5,343	65,309
-	-	-	-	2,859	2,859
-	-	-	-	281	281
-	-	-	-	2,739	2,739
211,084	2,587,230	222,297	1,017,870	256,469	10,729,501
-	-	-	6,516	23,167	29,803
-	-	-	106	-	106
-	-	-	-	-	281
211,084	2,587,230	222,297	1,009,072	201,427	10,658,165
-	-	-	-	28,041	32,121
-	-	-	2,176	3,834	9,025
211,084	2,587,230	222,297	1,017,870	256,469	10,729,501

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

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	County Hospital	Schools
Assets and Liabilities					
Balances beginning of year	\$ 22,159	78,391	247,219	963,655	4,244,292
Additions:					
Property and other county tax	-	105,127	196,787	1,215,200	5,357,695
State tax credits	-	5,704	11,387	69,689	304,325
Contract law enforcement	-	-	-	-	-
Drivers license fees	-	-	-	-	-
Office fees and collections	235,960	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Solid waste management fees	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	395,606	-	-	-	-
Miscellaneous	-	-	2,426	-	-
Total additions	631,566	110,831	210,600	1,284,889	5,662,020
Deductions:					
Agency remittances:					
To other funds	141,026	-	-	-	-
To other governments	97,297	93,579	166,546	1,144,259	4,985,717
Trusts paid out	392,647	-	-	-	-
Total deductions	630,970	93,579	166,546	1,144,259	4,985,717
Balances end of year	\$ 22,755	95,643	291,273	1,104,285	4,920,595

See accompanying independent auditor's report.

Community Colleges	Corporations	Auto License and Use Tax	Prairie Solid Waste Agency	Other	Total
181,711	2,351,080	201,204	807,291	255,455	9,352,457
231,819	2,724,630	-	-	147,407	9,978,665
13,132	180,790	-	-	7,194	592,221
-	-	-	-	95,043	95,043
-	-	-	-	74,783	74,783
-	-	-	-	-	235,960
-	-	-	-	3,400	3,400
-	-	2,516,639	-	-	2,516,639
-	-	-	705,116	-	705,116
-	-	-	-	6,438	6,438
-	-	-	-	242,532	638,138
-	-	-	320,715	228,195	551,336
244,951	2,905,420	2,516,639	1,025,831	804,992	15,397,739
-	-	84,239	246,054	250	471,569
215,578	2,669,270	2,411,307	569,198	597,650	12,950,401
-	-	-	-	206,078	598,725
215,578	2,669,270	2,495,546	815,252	803,978	14,020,695
211,084	2,587,230	222,297	1,017,870	256,469	10,729,501

Union County

Union County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 3,499,594	4,373,383	3,290,664	3,269,726	3,513,719
Interest and penalty on property tax	68,137	48,989	42,956	44,220	37,846
Intergovernmental	3,071,775	3,157,926	3,084,980	4,081,816	2,959,489
Licenses and permits	18,918	14,649	15,362	12,496	10,358
Charges for service	424,541	381,389	332,637	320,143	274,294
Use of money and property	107,413	97,546	158,313	233,068	280,432
Miscellaneous	58,245	76,148	105,261	159,316	120,375
Total	\$ 7,248,623	8,150,030	7,030,173	8,120,785	7,196,513
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,117,032	1,166,689	1,021,263	1,039,061	1,007,939
Physical health and social services	297,102	270,334	315,862	275,879	296,802
Mental health	1,389,755	1,362,450	1,278,649	1,518,334	1,546,327
County environment and education	282,238	319,864	283,016	298,477	296,694
Roads and transportation	2,397,005	2,356,278	2,435,477	2,208,228	2,158,252
Governmental services to residents	332,205	304,926	284,120	350,770	346,816
Administration	795,600	984,631	836,747	930,718	843,208
Non-program	-	-	543,222	-	-
Debt service	516,781	543,435	-	542,450	545,516
Capital projects	95,516	664,585	721,925	367,409	246,387
Total	\$ 7,223,234	7,973,192	7,720,281	7,531,326	7,287,941

See accompanying independent auditor's report.

Union County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Union County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Union County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 13, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Union County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

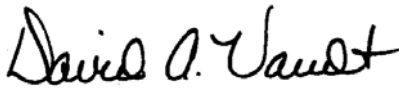
Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Union County and other parties to whom Union 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 Union 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, 2006

Union County

Union County
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

One individual issues receipts, prepares deposits, records cash receipts, and reconciles bank accounts. Also, a listing of money and checks received through the mail is not being prepared and compared with the cash receipt records by an independent person.

In addition, there is no documentation of the Council's authorization of disbursements from the Grants and Contracts account.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. The Office should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

The Council's approval of disbursements from the Grants and Contracts account should be documented.

Response – Our office will initiate a reporting sheet for listing all receipts on a daily basis to be reviewed by the director as per guidelines set forth in Union County Extension fiscal policy. (Fiscal policy is reviewed annually by Council.)

The Council will approve all transactions from Grants & Contracts in the same manner as operating funds in motion and signature.

Conclusion – Response accepted.

Union County
Schedule of Findings
Year ended June 30, 2005

- (B) County Sheriff Commissary – The inmate trust account listing and the accumulated profits in the account were not reconciled with the bank balance monthly.

Recommendation – The listing of inmate trust account balances and the accumulated profits in the account should be reconciled with the bank balance monthly.

Response – From now on, the Active Cash Balance Report and the bank statement will be reconciled monthly.

Conclusion – Response accepted.

Union County
Schedule of Findings
Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were exceeded in the Sheriff's First National Bank accounts during the months of September 2004 and May 2005.

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, 2006, the Board of Supervisors raised the maximum deposit amounts in the Sheriff's First National Bank account to \$200,000.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the capital projects function.

Disbursements for the conservation and debt service departments during the year ended June 30, 2005 exceeded the amounts appropriated.

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 – We will amend the budget in a more timely fashion in the future.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Union County

Schedule of Findings

Year ended June 30, 2005

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

The minutes record did not document the reason for entering closed session on two of the instances when the Board went into closed session to discuss matters relating to the County.

Although minutes of the Board proceedings were published, a copy of the proceedings was not furnished to the official publication within one week following adjournment of the Board as required by Chapter 349.18 of the Code of Iowa.

Minutes of the Conservation Board were not signed as required.

Minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation –

The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

The County Auditor should furnish a copy of the proceedings to be published within one week following the adjournment of the Board as required by Chapter 349.18 of the Code of Iowa.

All minutes should be signed to authenticate action taken.

Response – We will review more closely and make sure code numbers are included on the closed session.

All minutes will be signed by Conservation Board President and Secretary. County Agricultural Extension Council representatives will sign off on past minutes to bring records up to date.

Conclusion – Response accepted.

- (8) Deposits and Investments – Except as noted above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Deficit Fund Balance – The Capital Projects Fund had a deficit fund balance at June 30, 2005 of \$5,075.

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

Union County
Schedule of Findings
Year ended June 30, 2005

Response – The deficit balance was due to the pass through timing. We will keep a closer eye on the fund and correct the situation.

Conclusion – Response accepted.

- (11) 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 the County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

The County Extension Office is required to publish a summary of receipts and disbursements for the fiscal year. The annual report was published, but several of the amounts published were incorrect.

Recommendation – The annual report should be reviewed and amounts traced to the accounting records to help ensure accurate information is published.

Response – The Director will review accounts each month before reconciliation to make sure entries are categorized correctly. Before it is published, the annual report will be reviewed to ensure calculations and summary reports are accurately represented.

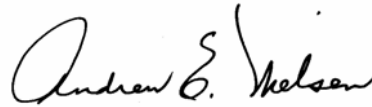
Conclusion – Response accepted.

Union County

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Karen L. Brustkern, CPA, Senior Auditor
Stephanie A. Bernard, Staff Auditor
Michelle L. Harris, Assistant Auditor
Melissa J. Knoll, Assistant Auditor
Joseph M. Seuntjens, Assistant Auditor
Dorothy O. Stover, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State