



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 _____ February 25, 2010 _____

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$18,879,352 for the year ended June 30, 2009, which included \$943,017 in tax credits from the state. The County forwarded \$14,105,669 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,773,683 of the local tax revenue to finance County operations, a 2.8 percent increase over the prior year. Other revenues included charges for service of \$1,036,317, operating grants, contributions and restricted interest of \$3,226,757, capital grants, contributions and restricted interest of \$1,398,012, local option sales tax of \$406,653, unrestricted investment earnings of \$164,610 and other general revenues of \$25,138.

Expenses for County operations totaled \$10,122,810, a 5.4 percent decrease from the prior year. Expenses included \$4,500,402 for roads and transportation, \$1,524,759 for public safety and legal services and \$1,438,669 for administration.

A copy of the audit 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/index.html>.

###

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

JUNE 30, 2009

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-14
Basic Financial Statements:	Exhibit	
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16
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		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Other Supplementary Information:	Schedule	
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	58-59
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 Government Auditing Standards		61-62
Schedule of Findings		64-66
Staff		67

Grundy County

Officials

(Before January 2009)

Name	Title	Term Expires
Barbara Smith	Board of Supervisors	Jan 2009
Charles Bakker	Board of Supervisors	Jan 2009
James Ross	Board of Supervisors	Jan 2009
Harlyn Riekema	Board of Supervisors	Jan 2011
Mark Schildroth	Board of Supervisors	Jan 2011
Mary Schmidt	County Auditor	Jan 2009
Brenda Noteboom	County Treasurer	Jan 2011
Charles Kruse	County Recorder	Jan 2011
Rick Penning	County Sheriff	Jan 2009
Bradley J. Harris	County Attorney	(Resigned)
Kirby D. Schmidt (Appointed)	County Attorney	Nov 2008
Greg Harms	County Assessor	Jan 2010

(After January 2009)

Harlyn Riekema	Board of Supervisors	Jan 2011
Mark Schildroth	Board of Supervisors	Jan 2011
Barbara Smith	Board of Supervisors	Jan 2013
Charles Bakker	Board of Supervisors	Jan 2013
James Ross	Board of Supervisors	Jan 2013
Mary Schmidt	County Auditor	Jan 2013
Brenda Noteboom	County Treasurer	Jan 2011
Charles Kruse	County Recorder	Jan 2011
Rick Penning	County Sheriff	Jan 2013
Kirby D. Schmidt	County Attorney	Jan 2011
Greg Harms	County Assessor	Jan 2010

Grundy County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Grundy County's management. Our responsibility is to express opinions on these financial statements based on our audit.

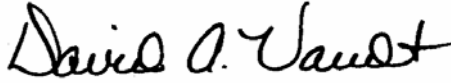
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County at June 30, 2009, 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 February 10, 2010 on our consideration of Grundy County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2008 (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

February 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased .4%, or approximately \$40,000, from fiscal year (FY) 2008 to FY2009. Property tax increased approximately \$134,000 and capital grants, contributions and restricted interest increased approximately \$777,000. Also, charges for service and operating grants, contributions and restricted interest decreased approximately \$436,000 and \$317,000, respectively.
- Program expenses decreased approximately \$573,000, or 5.4%, from FY2008 to FY2009. Roads and transportation expenses decreased approximately \$216,000 and County environment expenses decreased approximately \$458,000.
- The County's net assets increased 4.6%, or approximately \$908,000, from June 30, 2008 to June 30, 2009.
- A second hard winter in a row decreased the Special Revenue, Secondary Roads Fund ending balance due to overtime and fuel costs.
- The Grundy County Lake campgrounds were not completed until after June 30, 2009. Consequently, campground revenues did not increase.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Reporting the County's financial activities

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grundy County's combined net assets changed from a year ago, increasing from \$19,722,116 to \$20,630,476. The analysis that follows focuses on the changes in the net assets of governmental activities.

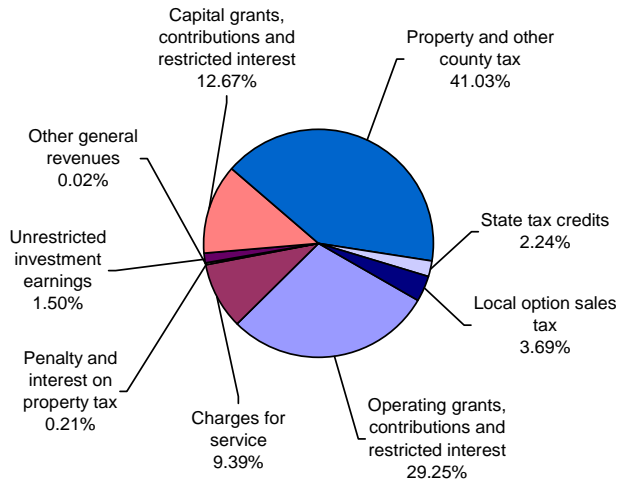
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2009	2008
Current and other assets	\$ 12,737	12,671
Capital assets	14,761	13,649
Total assets	<u>27,498</u>	<u>26,320</u>
Long-term liabilities	1,455	1,266
Other liabilities	5,413	5,332
Total liabilities	<u>6,868</u>	<u>6,598</u>
Net assets:		
Invested in capital assets, net of related debt	14,666	13,459
Restricted	4,545	4,383
Unrestricted	1,419	1,880
Total net assets	<u>\$ 20,630</u>	<u>19,722</u>

Net assets of Grundy County's governmental activities increased \$908,360 (\$19,722,116 compared to \$20,630,476). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$1,880,000 at June 30, 2008 to approximately \$1,419,000 at the end of this year, a decrease of 24.5%.

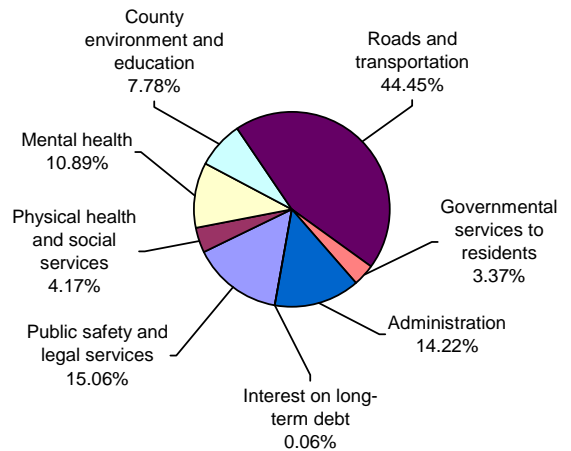
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 1,036	1,472
Operating grants, contributions and restricted interest	3,227	3,544
Capital grants, contributions and restricted interest	1,398	621
General revenues:		
Property and other county tax	4,526	4,392
Penalty and interest on property tax	23	35
State tax credits	247	249
Local option sales tax	407	383
Unrestricted investment earnings	165	314
Other general revenues	2	61
Total revenues	11,031	11,071
Program expenses:		
Public safety and legal services	1,525	1,418
Physical health and social services	422	438
Mental health	1,102	1,147
County environment and education	788	1,246
Roads and transportation	4,500	4,716
Governmental services to residents	341	341
Administration	1,439	1,383
Interest on long-term debt	6	7
Total expenses	10,123	10,696
Increase in net assets	908	375
Net assets beginning of year	19,722	19,347
Net assets end of year	\$ 20,630	19,722

Revenues by Source



Expenses by Function



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

	Taxes Levied FY2009	Taxes Levied FY2008
Countywide taxable valuation	\$ 569,950,588	556,282,470
Countywide levy rate without debt	5.82947	5.82220
Dollars levied without debt	3,322,510	3,238,788
County taxable debt service valuation	408,772,391	594,924,313
County debt service levy rate	0.16105	0.16832
Dollars levied debt service	98,181	100,138
Total countywide rate	5.99052	5.99052
Total dollars levied countywide	3,420,691	3,338,926
Rural taxable valuation	408,772,391	390,355,077
Rural tax levy rate	2.94304	2.94304
Dollars levied rural area only	1,203,033	1,148,772
Total dollars levied	4,623,724	4,487,698

Local option sales tax revenue totaled \$406,653. Grundy County uses 100% of the local option sales tax revenue to reduce property tax in the Rural Services Fund.

INDIVIDUAL MAJOR FUND ANALYSIS

As Grundy County completed the year, its governmental funds reported a combined fund balance of \$6,407,043, an increase of \$425,457 above last year's total of \$5,981,586. The increase in fund balance is primarily attributable to a good faith deposit of \$320,400 on general obligation urban renewal capital loan notes. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund ending fund balance increased \$32,608 over the prior year to \$1,497,117. Total revenue decreased 5.6%. Total expenditures decreased 9.5%, or \$377,939, compared with FY2008, which is primarily due to a decrease in health insurance costs (\$168,099 decrease) and no courthouse improvement projects. The County switched health insurance plans from being totally self-funded to a mixed self-fund and Blue Cross/Blue Shield plan.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,094,457, a decrease of \$64,316 from the prior year. The Mental Health Fund balance at year end increased \$129,041 over the prior year. Revenue increased \$170,932, as anticipated, because of an increase in State payments received by this program and an increase in the mental health tax levy.
- The Rural Services Fund balance increased \$20,133 above the prior year. The County Landfill closed on September 29, 2007. The County is currently operating a transfer station, which has lead to a decrease in County environment expenditures of \$220,005 in FY2009. Revenues also decreased \$90,635, which was primarily due to an increase in local option sales tax, an increase in property tax and a decrease in revenues from the closure of the County Landfill. Of the \$894,253 fund balance, \$425,854 is being held in reserve for landfill/transfer station care.

- Secondary Roads Fund expenditures decreased \$907,733 from the prior year, due primarily to a decrease in capital projects and a decrease in bridge and culvert projects. Revenues decreased \$343,120. The decrease in expenditures was not enough to compensate for the decrease in revenues, which resulted in a decrease in the Secondary Roads Fund ending balance of \$129,260.
- The Landfill Closure Costs Fund balance decreased \$131,328 from the prior year to \$1,020,231. Closure/postclosure care costs of \$163,674 were expended from this fund during FY2009.
- Conservation Land Acquisition Fund expenditures decreased \$163,958 from the prior year, due primarily to the completion of phase I construction of a recreational trail and campground development at Grundy County Lake in FY2008. Revenues increased \$288,548 because of state and federal reimbursements to the County for the costs incurred on the Grundy County Lake campground and trail projects. The decrease in expenditures and the increase in revenues resulted in an increase in the Conservation Land Acquisition Fund June 30, 2008 deficit balance of \$(181,284) to a positive balance of \$13,938.
- The Debt Service Fund accumulates and pays the principal and interest on debt issued for the Law Enforcement Center and the hospital sprinkler system. This debt is projected to be paid in full during FY2010. In anticipation of bond sales, a \$320,400 good faith deposit on general obligation urban renewal capital loan notes was deposited in June 2009. This note will be used to make a loan to the Grundy County Memorial Hospital for an expansion building project.

BUDGETARY HIGHLIGHTS

Over the course of the year, Grundy County amended its budget once. The increase in the intergovernmental receipts budget was primarily due to grant revenues. The budget for the roads and transportation function was increased due to an increase in fuel costs and salaries due to overtime requirements during the winter months. The administration function budget was increased due to landfill unemployment compensation claims, the physical health and social services function budget was increased for a veteran affairs grant spending, the county environment and education function was increased for TIF disbursements and the capital projects function was decreased to help compensate for increased spending for roads and transportation.

The County's actual receipts were \$79,293 more than budgeted, a variance of .8%. Due to the uncertainty of miscellaneous receipts at the time of budgeting, miscellaneous receipts were \$80,964 greater than anticipated. Intergovernmental receipts were less than anticipated as some of the grants and contributions for the Grundy County Lake campground development project were not received.

Total actual disbursements were \$1,097,828 less than the amended budget, a variance of 9.6%. Actual disbursements for the public safety and legal services, administration and capital projects functions were \$143,799, \$203,974 and \$286,717, respectively, less than budgeted. Disbursements for the mental health function were \$228,704 less than budget due primarily to less than anticipated number and severity of mental health cases. The disbursements for sheriff costs under the public safety and legal services function were \$81,554 less than anticipated, \$65,826 less was spent on real property insurance in the administration function than anticipated and work was not completed/started as anticipated on the Grundy County Lake campground development project, which was approximately \$236,556 less in the capital projects function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Grundy County had \$14,760,982 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1,112,029, or approximately 8%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2009	2008
Land	\$ 1,215,184	1,149,956
Construction in process	212,206	358,304
Buildings	2,945,642	3,027,476
Equipment and vehicles	2,602,252	2,577,608
Infrastructure, road network	7,785,698	6,535,609
Total	\$ 14,760,982	13,648,953
This year's major additions include:		
Road network infrastructure		\$ 1,631,540
Land - County Lake / Campgrounds		65,228
2008 JD220D Wheeled Excavator		241,470
2009 Sterling Truck LT9511		149,280
Total		\$ 2,087,518

The County had depreciation expense of \$900,803 in FY2009 and total accumulated depreciation of \$6,427,672 at June 30, 2009.

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

Long-Term Debt

At June 30, 2009, Grundy County had \$95,000 in general obligation capital loan refunding notes outstanding, compared to \$190,000 at June 30, 2008.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Grundy County's outstanding general obligation debt is significantly below its constitutional debt limit of \$46,212,058. Additional information about the County's long-term debt and other long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Grundy County's elected and appointed officials and citizens considered many factors when setting the FY2010 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County as of June 2009 stands at 5.5% versus 3.4% a year ago. This compares with the State's unemployment rate of 6.2%. Interest income is very stagnant after reaching an all time low because of aggressive rate cutting by the Federal Reserve. The State of Iowa's sluggish financial condition and relatively flat revenue projections continue. The uncertainty of revenue projections for the State of Iowa are keeping Grundy County's state funding in question for the FY2010 budget.

These indicators were taken into account when adopting the budget for fiscal year 2010. The FY2010 budget of \$11,586,131 increased 5.3% over the FY2009 original budget of \$11,001,701. Property tax receipts will increase slightly even though the tax rate is staying the same because assessed valuations have increased. The budgeted tax levy for the Mental Health Fund will stay at 100% to increase the fund balance and cover budgeted disbursements due to rumored state funding cuts in FY2010. Budgeted disbursements are expected to increase approximately \$172,825 from FY2009 final budgeted amounts. Most of the increase is due to roads and transportation costs. The last phase of campground/trail at Grundy County Lake is anticipated to be completed in FY2010. The County knows of the following items which will impact the FY2010 budget: anticipation of a high primary election absentee and voter turnout, preparation for the 2010 Census, construction on the campground/trail at Grundy County Lake, continued increase of mapping layers in the County GIS system, high fuel costs for all departments and state budget cuts for mental health property tax credits and road funding.

If these estimates are realized, the County's ending cash balance is expected to decrease \$1,136,376 by the close of FY2010 from the re-estimated FY2009 ending cash balance.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Grundy County
Statement of Net Assets
June 30, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,836,944
Receivables:	
Property tax:	
Delinquent	956
Succeeding year	4,727,000
Interest and penalty on property tax	586
Accounts	512
Accrued interest	21,976
Due from other governments	321,481
Inventories	651,841
Prepaid insurance	175,766
Capital assets (net of accumulated depreciation)	14,760,982
Total assets	<u>27,498,044</u>
Liabilities	
Accounts payable	392,213
Accrued interest payable	218
Salaries and benefits payable	32,626
Due to other governments	103,610
Deferred revenue:	
Succeeding year property tax	4,727,000
Other	157,335
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan refunding notes	95,000
Compensated absences	152,727
Portion due or payable after one year:	
Good faith deposit on general obligation urban renewal capital loan notes	320,400
Estimated liability for landfill closure and postclosure care	751,400
Compensated absences	135,039
Total liabilities	<u>6,867,568</u>
Net Assets	
Invested in capital assets, net of related debt	14,665,982
Restricted for:	
Supplemental levy purposes	396,328
Mental health purposes	382,084
Secondary roads purposes	1,970,123
Landfill closure and postclosure care	694,685
Conservation purposes	13,938
Debt service	24,281
Other purposes	1,063,986
Unrestricted	1,419,069
Total net assets	<u>\$ 20,630,476</u>

See notes to financial statements.

Grundy County
Statement of Activities
Year ended June 30, 2009

	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	\$ 1,524,759	312,440	18,542	-	(1,193,777)
Physical health and social services	421,840	5,944	26,638	-	(389,258)
Mental health	1,101,542	3,930	691,293	-	(406,319)
County environment and education	787,942	28,753	77,286	32,691	(649,212)
Roads and transportation	4,500,402	325,191	2,399,674	1,365,321	(410,216)
Governmental services to residents	341,102	227,816	9,715	-	(103,571)
Administration	1,438,669	132,243	3,609	-	(1,302,817)
Nonprogram	1,464	-	-	-	(1,464)
Interest on long-term debt	5,090	-	-	-	(5,090)
Total	<u>\$ 10,122,810</u>	<u>1,036,317</u>	<u>3,226,757</u>	<u>1,398,012</u>	<u>(4,461,724)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					4,430,791
Debt service					95,328
Penalty and interest on property tax					23,409
State tax credits					247,564
Local option sales tax					406,653
Unrestricted investment earnings					164,610
Miscellaneous					1,729
Total general revenues					<u>5,370,084</u>
Change in net assets					908,360
Net assets beginning of year					<u>19,722,116</u>
Net assets end of year					<u>\$ 20,630,476</u>

See notes to financial statements.

Grundy County
Balance Sheet
Governmental Funds

June 30, 2009

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,147,356	472,555	782,813
Receivables:			
Property tax:			
Delinquent	664	114	162
Succeeding year	2,894,000	498,000	1,218,000
Interest and penalty on property tax	586	-	-
Accounts	410	-	-
Accrued interest	12,521	-	-
Due from other funds	270,000	-	-
Due from other governments	5,131	40,368	32,211
Inventories	-	-	-
Prepaid insurance	87,883	-	87,883
	Total assets	1,011,037	2,121,069
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 14,116	25,055	5,777
Salaries and benefits payable	2,698	105	1,480
Due to other funds	4,761	-	1,397
Due to other governments	4,609	97,375	-
Deferred revenue:			
Succeeding year property tax	2,894,000	498,000	1,218,000
Other	1,250	114	162
Total liabilities	2,921,434	620,649	1,226,816
Fund balances:			
Reserved for:			
Supplemental levy purposes	409,415	-	-
Landfill closure and postclosure care	-	-	-
Debt service	-	-	-
Unreserved:			
Designated for:			
Old Highway 20 improvements	-	-	-
Convenience center and transfer station	-	-	425,854
Undesignated, reported in:			
General fund	1,087,702	-	-
Special revenue funds	-	390,388	468,399
Total fund balances	1,497,117	390,388	894,253
	Total liabilities and fund balances	1,011,037	2,121,069

See notes to financial statements.

Revenue					
Secondary Roads	Landfill Closure Costs	Conservation Land Acquisition	Debt Service	Nonmajor	Total
1,648,794	1,019,640	350,599	344,883	154,611	5,921,251
-	-	-	16	-	956
-	-	-	73,000	44,000	4,727,000
-	-	-	-	-	586
102	-	-	-	-	512
-	6,186	2,387	-	882	21,976
6,158	-	-	-	-	276,158
243,771	-	-	-	-	321,481
651,841	-	-	-	-	651,841
-	-	-	-	-	175,766
2,550,666	1,025,826	352,986	417,899	199,493	12,097,527
334,400	5,192	473	-	7,200	392,213
27,940	403	-	-	-	32,626
-	-	270,000	-	-	276,158
1,626	-	-	-	-	103,610
-	-	-	73,000	44,000	4,727,000
88,760	-	68,575	16	-	158,877
452,726	5,595	339,048	73,016	51,200	5,690,484
-	-	-	-	-	409,415
-	1,020,231	-	-	-	1,020,231
-	-	-	344,883	-	344,883
844,530	-	-	-	-	844,530
-	-	-	-	-	425,854
-	-	-	-	-	1,087,702
1,253,410	-	13,938	-	148,293	2,274,428
2,097,940	1,020,231	13,938	344,883	148,293	6,407,043
2,550,666	1,025,826	352,986	417,899	199,493	12,097,527

Grundy County

Grundy County

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

June 30, 2009

Total governmental fund balances (page 19) \$ 6,407,043

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 governmental funds. The cost of assets is \$21,188,654 and the accumulated depreciation is \$6,427,672. 14,760,982

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 1,542

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. 915,693

Long-term liabilities, including general obligation capital loan refunding notes payable, good faith deposit on general obligation urban renewal capital loan notes, landfill closure and postclosure care payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,454,784)

Net assets of governmental activities (page 16) \$ 20,630,476

See notes to financial statements.

Grundy County

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

Year ended June 30, 2009

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,721,873	500,337	1,171,553
Local option sales tax	-	-	406,653
Interest and penalty on property tax	28,501	-	-
Intergovernmental	480,059	719,229	62,563
Licenses and permits	3,825	-	3,600
Charges for service	273,193	-	19,742
Use of money and property	122,347	-	-
Miscellaneous	40,340	3,932	5,169
Total revenues	3,670,138	1,223,498	1,669,280
Expenditures:			
Operating:			
Public safety and legal services	1,318,296	-	158,031
Physical health and social services	421,682	-	-
Mental health	-	1,094,457	-
County environment and education	426,027	-	259,653
Roads and transportation	-	-	-
Governmental services to residents	325,267	-	3,250
Administration	1,114,381	-	177,213
Non-program	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,605,653	1,094,457	598,147
Excess (deficiency) of revenues over (under) expenditures	64,485	129,041	1,071,133
Other financing sources (uses):			
Good faith deposit on general obligation urban renewal capital loan notes	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(31,877)	-	(1,051,000)
Total other financing sources (uses)	(31,877)	-	(1,051,000)
Net change in fund balances	32,608	129,041	20,133
Fund balances beginning of year	1,464,509	261,347	874,120
Fund balances end of year	\$ 1,497,117	390,388	894,253

See notes to financial statements.

Revenue						
Secondary Roads	Landfill Closure Costs	Conservation Land Acquisition	Debt Service	Nonmajor	Total	
-	-	-	95,371	38,411	4,527,545	
-	-	-	-	-	406,653	
-	-	-	-	-	28,501	
2,788,802	-	307,334	5,091	15,866	4,378,944	
6,035	-	-	-	-	13,460	
176	-	-	-	3,003	296,114	
600	32,346	2,388	-	5,060	162,741	
98,886	-	-	-	20	148,347	
2,894,499	32,346	309,722	100,462	62,360	9,962,305	
-	-	-	-	-	1,476,327	
-	-	-	-	-	421,682	
-	-	-	-	-	1,094,457	
-	162,287	-	-	38,766	886,733	
4,051,213	-	-	-	-	4,051,213	
-	-	-	-	2,060	330,577	
-	1,387	-	-	-	1,292,981	
-	-	-	-	1,464	1,464	
-	-	-	100,288	-	100,288	
23,546	-	170,780	-	7,200	201,526	
4,074,759	163,674	170,780	100,288	49,490	9,857,248	
(1,180,260)	(131,328)	138,942	174	12,870	105,057	
-	-	-	320,400	-	320,400	
1,051,000	-	56,280	3,715	-	1,110,995	
-	-	-	-	(28,118)	(1,110,995)	
1,051,000	-	56,280	324,115	(28,118)	320,400	
(129,260)	(131,328)	195,222	324,289	(15,248)	425,457	
2,227,200	1,151,559	(181,284)	20,594	163,541	5,981,586	
2,097,940	1,020,231	13,938	344,883	148,293	6,407,043	

Grundy County

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

Year ended June 30, 2009

Net change in fund balances - Total governmental funds (page 23) \$ 425,457

**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	\$ 694,878	
Capital assets contributed by the Iowa Department of Transportation	1,338,117	
Depreciation expense	<u>(900,803)</u>	1,132,192

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (20,163)

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	(6,537)	
Other	<u>(377,456)</u>	(383,993)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 95,000

The good faith deposit on general obligation urban renewal capital loan notes is reported as an other financing source in the governmental funds, but is reclassified as a liability in the Statement of Net Assets. (320,400)

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

Adjustment to estimated costs for landfill closure and postclosure care	83,403	
Compensated absences	(46,153)	
Interest on long-term debt	<u>198</u>	37,448

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. (57,181)

Change in net assets of governmental activities (page 17) \$ 908,360

See notes to financial statements.

Grundy County
Statement of Net Assets
Proprietary Fund
June 30, 2009

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 915,693
Liabilities	
None	<u>-</u>
Net Assets	
Unrestricted	<u><u>\$ 915,693</u></u>

See notes to financial statements.

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

Year ended June 30, 2009

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 808,772
Contributions from employees		43,421
Contributions from others		14,193
Total operating revenues		<u>866,386</u>
Operating expenses:		
Partially self funded medical claims	\$ 61,865	
Medical claims	70,270	
Life insurance premiums	9,318	
Insurance premiums	774,981	
Administrative fees	13,782	930,216
Operating loss		<u>(63,830)</u>
Non-operating revenues:		
Interest income		6,649
Net loss		<u>(57,181)</u>
Net assets beginning of year		<u>972,874</u>
Net assets end of year		<u>\$ 915,693</u>

See notes to financial statements.

Grundy County

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating funds	\$ 808,772
Cash received from employees and others	57,614
Cash paid to suppliers for services	(930,216)
Net cash used by operating activities	<u>(63,830)</u>
Cash flows from investing activities:	
Interest on investments	<u>6,649</u>
Net decrease in cash and cash equivalents	(57,181)
Cash and cash equivalents beginning of year	<u>972,874</u>
Cash and cash equivalents end of year	<u><u>\$ 915,693</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (63,830)
Adjustment to reconcile operating loss to net cash used by operating activities:	
None	<u>-</u>
Net cash used by operating activities	<u><u>\$ (63,830)</u></u>

See notes to financial statements.

Grundy County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

Assets

Cash and pooled investments:

County Treasurer	\$	796,483
Other County officials		16,944

Receivables:

Property tax:

Delinquent		3,345
Succeeding year		13,425,000

Accounts		20,420
----------	--	--------

Accrued interest		1,196
------------------	--	-------

Special assessments		51,316
---------------------	--	--------

Due from other governments		9,185
----------------------------	--	-------

Total assets		<u>14,323,889</u>
---------------------	--	-------------------

Liabilities

Accounts payable		4,465
------------------	--	-------

Due to other governments		14,288,165
--------------------------	--	------------

Trusts payable		9,082
----------------	--	-------

Compensated absences		22,177
----------------------	--	--------

Total liabilities		<u>14,323,889</u>
--------------------------	--	-------------------

Net assets

	\$	<u><u>-</u></u>
--	----	-----------------

See notes to financial statements.

Grundy County

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

The Grundy County Heritage Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, the primary function shall be to solicit and receive contributions, gifts, grants, devises and bequests of personal property and/or real property from individuals, corporations, partnerships, trusts, foundations, governmental bodies and agencies and any other parties and to distribute and apply such assets and/or the income therefrom from time to time to or for the benefit of the Grundy County Conservation Board and any affiliated organizations of the Conservation Board. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Grundy County Heritage Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The Conservation Land Acquisition Fund accumulates monies for future land purchases.

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$169,899 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Conservation Land Acquisition	\$ 270,000
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	4,761 1,397
Total		<u>\$ 276,158</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Conservation Land Acquisition	General Special Revenue: Grundy County Heritage Foundation	\$ 28,162 28,118
Secondary Roads	Rural Services	1,051,000
Debt Service	General	<u>3,715</u>
Total		<u>\$ 1,110,995</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,149,956	65,228	-	1,215,184
Construction in progress	75,760	136,446	-	212,206
Construction in progress, road network	282,544	1,348,996	(1,631,540)	-
Total capital assets not being depreciated	1,508,260	1,550,670	(1,631,540)	1,427,390
Capital assets being depreciated:				
Buildings	3,964,149	-	-	3,964,149
Equipment and vehicles	6,413,175	532,313	(356,099)	6,589,389
Infrastructure, road network	7,576,186	1,631,540	-	9,207,726
Total capital assets being depreciated	17,953,510	2,163,853	(356,099)	19,761,264
Less accumulated depreciation for:				
Buildings	936,673	81,834	-	1,018,507
Equipment and vehicles	3,835,567	437,518	(285,948)	3,987,137
Infrastructure, road network	1,040,577	381,451	-	1,422,028
Total accumulated depreciation	5,812,817	900,803	(285,948)	6,427,672
Total capital assets being depreciated, net	12,140,693	1,263,050	(70,151)	13,333,592
Governmental activities capital assets, net	\$ 13,648,953	2,813,720	(1,701,691)	14,760,982

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 58,664
Mental health	3,385
County environment and education	39,221
Roads and transportation	731,027
Governmental services to residents	5,845
Administration	62,661
Total depreciation expense - governmental activities	\$ 900,803

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 4,609
Special Revenue:		
Mental Health	Services	97,375
Secondary Roads	Services	1,626
		99,001
Total for governmental funds		\$ 103,610
Agency:		
Agricultural Extension Education	Collections	\$ 132,892
County Assessor		350,770
Schools		8,383,448
Community Colleges		822,078
Corporations		3,737,000
Townships		199,004
Auto License and Use Tax		365,385
All other		297,588
Total for agency funds		\$ 14,288,165

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Capital Loan Refunding Notes	General Obligation Urban Renewal Capital Loan Notes	Estimated Liability for Landfill Closure and Postclosure Care	Compen- sated Absences	Total
Balance beginning of year	\$ 190,000	-	834,803	241,613	1,266,416
Increases	-	320,400	-	199,373	519,773
Decreases	95,000	-	83,403	153,220	331,623
Balance end of year	\$ 95,000	320,400	751,400	287,766	1,454,566
Due within one year	\$ 95,000	-	-	152,727	247,727

General Obligation Capital Loan Refunding Notes

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

A summary of the County's June 30, 2009 general obligation capital loan refunding notes is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	2.75%	\$ 95,000	2,613	97,613

General Obligation Urban Renewal Capital Loan Notes

As more fully described in Note 15 to the financial statements, the County is in the process of issuing general obligation urban renewal capital loan notes of \$16,020,000.

On June 16, 2009, the County received a good faith deposit of \$320,400 which was credited to the Debt Service Fund. The amount of the good faith deposit is displayed as an increase in general obligation urban renewal capital loan notes in the above table.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009,

2008 and 2007 were \$219,565, \$203,626 and \$194,146, respectively, equal to the required contributions for each year.

(9) Risk Management

Grundy County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 577 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2009 were \$186,175.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Traveler's Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(10) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Iowa Governmental Health Care Plan. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the deductible of \$2,000/\$4,000 per single/family plan with a maximum out of pocket expense of \$4,000/\$8,000 per single/family plan. The deductible and maximum out of pocket expense for the County is reduced by the deductible amount paid by the employee of \$750/\$1,500 per single/family plan and employee maximum out of pocket expense of \$1,500/\$3,000 per single/family plan. Claims in excess of deductibles are covered by Iowa Governmental Health Care Plan.

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 Twin Rivers Bank & Trust, Burlington, Iowa and Iowa Governmental Health Care Plan administers the plan funds. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2009 was \$808,772.

The County was not required to obtain an actuarial report for the year ended June 30, 2009 since its plan qualifies as a "mini plan."

(11) Closure and Postclosure Care Costs

To comply with federal and state regulations, the County Landfill is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and

postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

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

The total costs for the County Landfill have been estimated at \$751,400 as of June 30, 2009 and the portion of the liability that has been recognized is \$751,400. This liability represents the cumulative amount reported to date based on the use of approximately 100 percent of the capacity of the landfill. By October 1, 2007, Iowa solid waste landfills must have met the national Municipal Solid Waste Landfill Criteria for artificial liners under the Resource Conservation and Recovery Act (RCRA) Subtitle D, MSW landfill permitting program. The County implemented closure requirements by October 1, 2007 for all cells not meeting RCRA Subtitle D liner requirements and opened a transfer station instead of constructing new cells. The Landfill plans to maintain its recycling program and will use existing resources to finance these activities. A provision for the above liability has been made on the County's Statement of Net Assets as of June 30, 2009. The County has accumulated resources to fund these costs and, at June 30, 2009, deposits of \$1,020,231 are held for these purposes. These resources are reported in the Special Revenue, Landfill Closure Costs Fund.

(12) Developer Agreements

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

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Bacon Veneer Urban Renewal Area. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between June 1, 2004 and June 1, 2018, but shall not exceed the developer's actual infrastructure costs as certified to the County or \$1,000,000, whichever is less. During the year ended June 30, 2009, \$9,848 was rebated to the developer, R. S. Bacon Veneer Company.

The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the costs of certain improvements for the "Welcome Center" in the Grundy County Industrial Park Urban Renewal Area. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between July 1, 2007 and June 30, 2017 (semi annual payments for ten years), but shall not exceed the developer's actual infrastructure costs as certified to the County or \$316,026, whichever is less. During the year ended June 30, 2009, \$20,060 was rebated to the developers, Grundy County Heritage Center, Grundy County Rural Electric Cooperative and Corn Belt & Industrial Park.

The County agreed to rebate 80% of the incremental tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Industrial Park Urban Renewal Area. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated up to \$105,000 or upon termination of the agreement, whichever is first. During the year ended June 30, 2009, \$3,702 was rebated to the developer, Olderog Wholesale Tires, Inc.

The County agreed to rebate 80% of the incremental tax paid by the developer in exchange for the costs of certain improvements in the Grundy County Titan Urban Renewal Area. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated between January 1, 2009 and December 31, 2028 (up to forty semi-annual payments for twenty years), but shall not exceed \$225,000 or upon termination of the agreement, whichever is first. During the year ended June 30, 2009, \$4,801 was rebated to the developer, Dealer Site LLC.

(13) Litigation

The County is involved in a discrimination lawsuit as of June 30, 2009. The probability of loss, if any, is undeterminable at this time.

(14) Construction Commitments

The County has entered into a construction contract totaling \$167,470 for secondary roads. As of June 30, 2009, no work had been done on this project.

The County has entered into construction contracts totaling \$389,306 for conservation projects. As of June 30, 2009, costs of \$173,956 had been paid on the contracts. The remaining \$215,350 will be paid as work on these projects progresses.

(15) Subsequent Events

On July 15, 2009, the County issued \$16,020,000 of general obligation urban renewal capital loan notes for the construction of an improvement project for improvements to and renovation, construction, expansion, equipping and furnishing an addition to the existing space within the Grundy County Memorial Hospital and to refund the outstanding principal amount of the Hospital's \$4,025,000 of Hospital Revenue Bonds issued in 2004. The notes shall bear interest payable June 1, 2010 and semiannually thereafter on the first of June and December in each year at rates ranging from 4.25% to 4.75% per annum. The first principal payment is payable on June 1, 2011.

The County will loan the general obligation urban renewal capital loan note proceeds to the Grundy County Memorial Hospital. Under the agreement, the Grundy County Memorial Hospital is to make payments to the County equal to the payments the County is required to make on the general obligation urban renewal capital loan notes. The principal and interest payments from the Grundy County Memorial Hospital will be credited to the Debt Service Fund.

The County received a "Good Faith Deposit" of \$320,400 on June 16, 2009 which was credited the Debt Service Fund.

On October 5, 2009, the County approved a loan with Black Hawk Economic Development, Inc. not to exceed \$200,000 for capital improvements at the campground operated by the Grundy County Conservation Board. The loan will bear interest at 5% per annum and is to be repaid from Grundy County Conservation Board resources within a period not to exceed ten years.

Required Supplementary Information

Grundy County

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

Required Supplementary Information

Year ended June 30, 2009

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 4,970,556	-	4,970,556
Interest and penalty on property tax	28,509	-	28,509
Intergovernmental	4,555,652	-	4,555,652
Licenses and permits	13,445	-	13,445
Charges for service	298,564	-	298,564
Use of money and property	189,674	178	189,496
Miscellaneous	191,297	20	191,277
Total receipts	<u>10,247,697</u>	<u>198</u>	<u>10,247,499</u>
Disbursements:			
Public safety and legal services	1,475,781	-	1,475,781
Physical health and social services	423,129	-	423,129
Mental health	1,113,360	-	1,113,360
County environment and education	893,542	355	893,187
Roads and transportation	4,333,978	-	4,333,978
Governmental services to residents	331,794	-	331,794
Administration	1,314,469	-	1,314,469
Nonprogram	1,464	1,464	-
Debt service	100,288	-	100,288
Capital projects	329,492	-	329,492
Total disbursements	<u>10,317,297</u>	<u>1,819</u>	<u>10,315,478</u>
Excess (deficiency) of receipts over (under) disbursements	(69,600)	(1,621)	(67,979)
Other financing sources (uses), net	292,282	(28,118)	320,400
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	222,682	(29,739)	252,421
Balance beginning of year	5,698,569	79,389	5,619,180
Balance end of year	<u>\$ 5,921,251</u>	<u>49,650</u>	<u>5,871,601</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,811,231	4,811,231	159,325
-	-	28,509
4,385,652	4,749,652	(194,000)
7,450	7,450	5,995
306,210	306,210	(7,646)
183,350	183,350	6,146
110,313	110,313	80,964
<u>9,804,206</u>	<u>10,168,206</u>	<u>79,293</u>
1,619,580	1,619,580	143,799
487,824	497,824	74,695
1,342,064	1,342,064	228,704
976,927	977,472	84,285
3,699,663	4,340,523	6,545
400,903	400,903	69,109
1,506,243	1,518,443	203,974
-	-	-
100,288	100,288	-
868,209	616,209	286,717
<u>11,001,701</u>	<u>11,413,306</u>	<u>1,097,828</u>
(1,197,495)	(1,245,100)	1,177,121
-	-	320,400
(1,197,495)	(1,245,100)	1,497,521
<u>4,984,452</u>	<u>4,984,452</u>	<u>634,728</u>
<u>3,786,957</u>	<u>3,739,352</u>	<u>2,132,249</u>

Grundy County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,247,697	(285,392)	9,962,305
Expenditures	10,317,297	(460,049)	9,857,248
Net	(69,600)	174,657	105,057
Other financing sources, net	292,282	28,118	320,400
Beginning fund balances	5,698,569	283,017	5,981,586
Ending fund balances	\$ 5,921,251	485,792	6,407,043

See accompanying independent auditor's report.

Grundy County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$411,605. 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, 2009, disbursements did not exceed the amounts budgeted by function.

Grundy County

Other Supplementary Information

Grundy County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2009

	County Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant
Assets					
Cash and pooled investments	\$ 17,397	58,580	13,766	223	265
Receivables:					
Succeeding year property tax	-	-	-	-	-
Accrued interest	222	660	-	-	-
Total assets	\$ 17,619	59,240	13,766	223	265
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	7,200	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	-
Total liabilities	-	7,200	-	-	-
Fund equity:					
Fund balances:					
Unreserved	17,619	52,040	13,766	223	265
Total liabilities and fund equity	\$ 17,619	59,240	13,766	223	265

See accompanying independent auditor's report.

Special Revenue									
Sheriff's Commissary	Drainage Districts	Bacon Veneer TIF	Welcome Center TIF	Olderog TIF	Titan TIF	Convenience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Total
4,000	21,255	-	-	-	-	730	10,000	28,395	154,611
-	-	10,000	20,000	9,000	5,000	-	-	-	44,000
-	-	-	-	-	-	-	-	-	882
4,000	21,255	10,000	20,000	9,000	5,000	730	10,000	28,395	199,493
-	-	-	-	-	-	-	-	-	7,200
-	-	10,000	20,000	9,000	5,000	-	-	-	44,000
-	-	10,000	20,000	9,000	5,000	-	-	-	51,200
4,000	21,255	-	-	-	-	730	10,000	28,395	148,293
4,000	21,255	10,000	20,000	9,000	5,000	730	10,000	28,395	199,493

Grundy County

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

Year ended June 30, 2009

	County Recorder's Records Management	Resource Enhancement and Protection	State Drug Forfeiture	Federal Drug Forfeiture	Sheriff's Grant
Revenues:					
Property and other county tax	\$ -	-	-	-	-
Intergovernmental	-	15,866	-	-	-
Charges for service	3,003	-	-	-	-
Use of money and property	222	660	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	3,225	16,526	-	-	-
Expenditures:					
Operating:					
County environment and education	-	-	-	-	-
Governmental services to residents	2,060	-	-	-	-
Nonprogram	-	-	-	-	-
Capital projects	-	7,200	-	-	-
Total expenditures	2,060	7,200	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,165	9,326	-	-	-
Other financing uses:					
Operating transfers out	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	1,165	9,326	-	-	-
Fund balances beginning of year	16,454	42,714	13,766	223	265
Fund balances end of year	\$ 17,619	52,040	13,766	223	265

See accompanying independent auditor's report.

Special Revenue									
Sheriff's Commissary	Drainage Districts	Bacon Veneer TIF	Welcome Center TIF	Olderog TIF	Titan TIF	Convenience Center Closure	Household Hazardous Materials	Grundy County Heritage Foundation	Total
-	-	9,848	20,060	3,702	4,801	-	-	-	38,411
-	-	-	-	-	-	-	-	-	15,866
-	-	-	-	-	-	-	-	-	3,003
4,000	-	-	-	-	-	-	-	178	5,060
-	-	-	-	-	-	-	-	20	20
4,000	-	9,848	20,060	3,702	4,801	-	-	198	62,360
-	-	9,848	20,060	3,702	4,801	-	-	355	38,766
-	-	-	-	-	-	-	-	-	2,060
-	1,464	-	-	-	-	-	-	-	1,464
-	-	-	-	-	-	-	-	-	7,200
-	1,464	9,848	20,060	3,702	4,801	-	-	355	49,490
4,000	(1,464)	-	-	-	-	-	-	(157)	12,870
-	-	-	-	-	-	-	-	(28,118)	(28,118)
4,000	(1,464)	-	-	-	-	-	-	(28,275)	(15,248)
-	22,719	-	-	-	-	730	10,000	56,670	163,541
4,000	21,255	-	-	-	-	730	10,000	28,395	148,293

Grundy County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,862	85,231	116,533
Other County officials	16,944	-	-	-
Receivables:				
Property tax:				
Delinquent	-	30	66	1,915
Succeeding year	-	131,000	288,000	8,265,000
Accounts	1,247	-	-	-
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 18,191	132,892	373,297	8,383,448
Liabilities				
Accounts payable	\$ -	-	350	-
Due to other governments	9,109	132,892	350,770	8,383,448
Trusts payable	9,082	-	-	-
Compensated absences	-	-	22,177	-
Total liabilities	\$ 18,191	132,892	373,297	8,383,448

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
11,917	34,855	3,004	365,385	16,536	161,160	796,483
-	-	-	-	-	-	16,944
161	1,145	-	-	-	28	3,345
810,000	3,701,000	196,000	-	-	34,000	13,425,000
-	-	-	-	-	19,173	20,420
-	-	-	-	-	1,196	1,196
-	-	-	-	-	51,316	51,316
-	-	-	-	4,536	4,649	9,185
822,078	3,737,000	199,004	365,385	21,072	271,522	14,323,889
-	-	-	-	-	4,115	4,465
822,078	3,737,000	199,004	365,385	21,072	267,407	14,288,165
-	-	-	-	-	-	9,082
-	-	-	-	-	-	22,177
822,078	3,737,000	199,004	365,385	21,072	271,522	14,323,889

Grundy County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 22,971	129,101	396,335	8,079,504
Additions:				
Property and other county tax	-	131,091	288,704	8,282,489
E911 surcharges	-	-	-	-
State tax credits	-	7,099	18,194	442,448
Office fees and collections	286,782	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Trusts	221,033	-	-	-
Miscellaneous	-	-	361	-
Total additions	507,815	138,190	307,259	8,724,937
Deductions:				
Agency remittances:				
To other funds	131,125	-	-	-
To other governments	158,203	134,399	330,297	8,420,993
Trusts paid out	223,267	-	-	-
Total deductions	512,595	134,399	330,297	8,420,993
Balances end of year	\$ 18,191	132,892	373,297	8,383,448

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Tama County 28E Agreement	Other	Total
818,974	3,737,074	181,104	301,863	21,027	268,220	13,956,173
811,990	3,665,185	197,006	-	-	33,751	13,410,216
-	-	-	-	-	104,670	104,670
43,649	172,874	9,600	-	-	1,589	695,453
-	-	-	-	-	-	286,782
-	-	-	3,550,234	-	-	3,550,234
-	-	-	-	-	-	221,033
-	-	-	-	53,752	48,836	102,949
855,639	3,838,059	206,606	3,550,234	53,752	188,846	18,371,337
-	-	-	106,310	-	-	237,435
852,535	3,838,133	188,706	3,380,402	53,707	185,544	17,542,919
-	-	-	-	-	-	223,267
852,535	3,838,133	188,706	3,486,712	53,707	185,544	18,003,621
822,078	3,737,000	199,004	365,385	21,072	271,522	14,323,889

Grundy County

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

For the Last Nine Years

	2009	2008	2007	2006
Revenues:				
Property and other county tax	\$ 4,527,545	4,392,566	4,370,337	4,196,442
Local option sales tax	406,653	383,424	415,586	338,860
Interest and penalty on property tax	28,501	33,931	39,124	30,889
Intergovernmental	4,378,944	4,413,276	4,438,662	5,078,363
Licenses and permits	13,460	7,460	11,705	6,685
Charges for service	296,114	408,315	592,272	551,572
Use of money and property	162,741	306,813	342,613	290,924
Miscellaneous	148,347	376,504	246,785	148,427
Total	\$ 9,962,305	10,322,289	10,457,084	10,642,162
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,476,327	1,528,670	1,470,990	1,309,667
Physical health and social services	421,682	440,207	447,720	434,940
Mental health	1,094,457	1,158,773	1,214,556	1,237,419
County environment and education	886,733	1,006,215	955,184	938,294
Roads and transportation	4,051,213	4,546,283	3,379,405	3,804,400
Governmental services to residents	330,577	370,588	333,656	349,062
Administration	1,292,981	1,545,307	1,248,445	1,150,151
Nonprogram	1,464	-	-	-
Debt service	100,288	102,227	104,127	156,598
Capital projects	201,526	800,942	671,079	1,184,598
Total	\$ 9,857,248	11,499,212	9,825,162	10,565,129

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
4,203,281	3,961,060	3,602,860	3,365,420	3,063,270
307,504	294,560	276,883	256,757	296,060
29,633	26,856	25,811	26,850	25,019
4,716,397	5,490,809	5,927,767	4,793,199	4,767,388
3,090	5,669	2,880	31,412	1,625
576,500	587,891	513,514	664,398	598,473
133,305	113,088	145,298	205,223	336,303
234,471	301,399	173,267	26,600	56,341
10,204,181	10,781,332	10,668,280	9,369,859	9,144,479
1,375,553	1,170,609	1,190,754	1,133,542	1,106,040
513,729	534,020	578,737	565,695	610,081
1,232,838	1,232,856	1,102,682	1,136,314	1,011,857
1,120,067	1,052,191	1,124,511	980,275	840,374
2,961,944	3,797,749	3,325,895	3,177,583	3,465,244
299,787	262,872	279,209	260,224	240,445
1,102,054	1,067,246	997,193	924,514	898,108
-	308	-	-	-
199,095	196,255	210,730	208,600	128,453
1,597,657	1,054,169	673,931	1,133,651	869,910
10,402,724	10,368,275	9,483,642	9,520,398	9,170,512

Grundy County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Grundy County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grundy County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 10, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grundy County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Grundy County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Grundy County's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

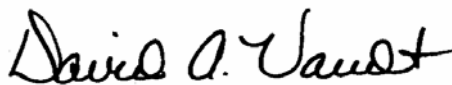
As part of obtaining reasonable assurance about whether Grundy County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

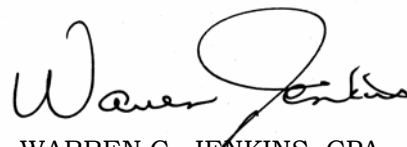
Grundy County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Grundy County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 10, 2010

Schedule of Findings

Grundy County

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

	Applicable Offices
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Recorder
(2) Receipt collecting, depositing, posting and daily reconciling is performed by the same employee.	Recorder and Sheriff
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks, approve disbursements or record disbursements. After signing, the checks are not mailed without allowing them to return to individuals who prepare the checks or approve payment.	Sheriff

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

Responses:

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

County Sheriff – Due to limited administrative staff, we will monitor activity to comply best as possible. The County Sheriff or Chief Deputy will sign checks.

Conclusion – Responses accepted.

Grundy County

Schedule of Findings

Year ended June 30, 2009

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

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

Response – The Board of Supervisors will work more closely with effected department heads at year end to correct these issues.

Conclusion – Response accepted.

- (C) County Sheriff – Certain items, including a washing machine and a freezer, were paid from the County Sheriff’s commissary account and have not been included in the County’s budget or annual financial reports.

Recommendation – All disbursements for the County Sheriff’s office, other than items purchased for resale to prisoners, should be paid by claims approved by the Board of Supervisors and reflected in the County’s accounting system, County budget and annual financial statements.

Response – Funds have been deposited into a Special Revenue Fund (Sheriff’s Commissary Fund) and future purchases will be paid by claims approved by the Board of Supervisors.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Grundy County

Schedule of Findings

Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

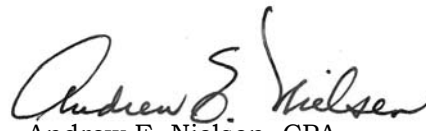
- (10) Financial Assurance – Grundy County has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code. Total estimated costs for closure and postclosure care are \$751,400. The balance at June 30, 2009 reserved for landfill closure and postclosure care is \$1,020,231. Therefore, the closure and postclosure care costs are fully funded at June 30, 2009.

Grundy County

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Aaron P. Wagner, CPA, Staff Auditor
Kurt D. Goldsmith, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State