

WORTH COUNTY
Northwood, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2005

WORTH COUNTY, IOWA
Northwood, Iowa

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**WORTH COUNTY
Northwood, Iowa**

Board of Supervisors

(Before January 2005)

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Dennis May	January 2007	First District
Darrell Bang	January 2005	Second District
Ken Abrams	January 2007	Third District

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kay Clark	January 2005	County Auditor
Helen Senne	January 2007	County Treasurer
Elizabeth Kenison	January 2007	County Recorder
David Gentz	January 2005	County Sheriff
Jeff Greve.....	January 2007	County Attorney
Daniel Reeder.....	January 2007	County Assessor

(After January 2005)

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Dennis May	January 2007	First District
Darrell Bang	January 2009	Second District
Ken Abrams	January 2007	Third District

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kay Clark	January 2009	County Auditor
Helen Senne	January 2007	County Treasurer
Elizabeth Kenison	January 2007	County Recorder
David Gentz	January 2009	County Sheriff
Jeff Greve.....	January 2007	County Attorney
Daniel Reeder.....	January 2007	County Assessor

Independent Auditors' Report

To the Officials of Worth County
Northwood, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Worth County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Worth 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 that 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 Worth County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2006, on our consideration of Worth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

Independent Auditors' Report (Continued)

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 9 and 35 – 38 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Worth 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 year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (which are not presented herein) and expressed qualified opinions on those financial statements for lack of fixed asset records, materials and supplies inventory records pertaining to Special Revenue Funds. 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.

April 25, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Worth County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 25%, or approximately \$1,622,910 from fiscal 2004 to fiscal 2005. Property tax increased approximately \$604,605, operating grants and contributions increased approximately \$267,855, and capital grants and contributions increased approximately \$122,255.
- Program expenses were \$6,984,751, or approximately \$744,196, less in fiscal 2005 than in fiscal 2004. Roads and transportation expense increased approximately \$453,385.
- The County's net assets increased 30%, or approximately \$1,236,713 from June 30, 2004 to June 30, 2005.

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

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

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

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

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 helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. 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 E911 services, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include 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. Worth County's combined net assets increased from a year ago, increasing from \$4.214 million to \$5.450 million. The analysis that follows focuses of changes in the net assets for governmental activities.

Net Assets of Governmental Activities

	(Expressed in Thousands)	
	June 30,	
	2005	2004
Current and Other Assets	\$8,434	\$7,821
Capital Assets	3,375	2,824
Total Assets	11,809	10,645
Long-Term Debt Outstanding	2,303	2,570
Other Liabilities	4,056	3,941
Total Liabilities	6,359	6,511
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,578	2,176
Restricted	3,690	1,755
Unrestricted	(818)	283
Total Net Assets	\$5,450	\$4,214

Net assets of the Worth County's governmental activities increased by 30% (\$4.214 million compared to \$5.450 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are 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 \$283,000 at June 30, 2004 to approximately \$ (818,000) at the end of this year, a decrease of 300%.

This reduction of approximately \$1.1 million in unrestricted net assets was a result of increased expenditures for roadway maintenance, capital projects, and daily expenses. The County increased its investment in roadway equipment and road construction by approximately \$923,521 over the prior year.

Changes in Net Assets of Governmental Activities

	(Expressed in Thousands)	
	June 30,	
	2005	2004
Revenues:		
Program Revenues:		
Charges for Service	\$1,383	\$812
Operating Grants, Contributions and Restricted Interest	2,567	2,300
Capital Grants, Contributions and Restricted Interest	470	347
General Revenues:		
Property Tax	3,016	2,343
Penalty and Interest on Property Tax	25	23
State Tax Credits	210	163
Local Option Sales Tax	222	195
Franchise Tax	4	9
Unrestricted Investment Earning	101	93
Other General Revenues	223	312
Total Revenues	8,221	6,597
Program Expenses:		
Public Safety and Legal Services	1,129	1,209
Physical Health and Social Services	882	881
Mental Health	769	824
County Environment and Education	589	1,622
Roads and Transportation	2,442	1,988
Governmental Services to Residents	256	231
Administration	598	617
Nonprogram	228	296
Interest on Long-term Debt	91	60
Total Expenses	6,984	7,728
Increase (Decrease) in Net Assets	1,237	(1,131)
Net Assets Beginning of Year	4,214	3,083
Net Assets End of Year	\$5,451	\$4,214

The results of governmental activities for the year resulted in Worth County's net assets increasing by approximately \$1.237 million. Revenues for governmental activities increased by approximately \$1.624 million over the prior year, with property tax revenue up from the prior year by approximately \$673,000 or 29% percent.

The County increased property tax rates for 2005 by an average of 44%. This increase raised the County's property tax revenue by approximately \$700,910 in 2005. Property tax revenue is budgeted to increase by an additional \$522,465 next year.

The cost of all governmental activities this year was \$6.984 million compared to \$7.729 million last year. However, as shown in the Statement of Activities on page 11, the amount taxpayers ultimately financed for these activities was only \$3.8 million because some of the cost was paid by those directly benefited from the programs (\$1.382 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3.036 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2005 from approximately \$3.219 million to \$3.771 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3.016 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS ANALYSIS

As Worth County completed the year, its governmental funds reported a combined fund balance of \$4.487 million, an increase of more than \$611,469 below last year’s total of \$3.875 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase of \$318,122 from the prior year to \$957,192.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$769,579, a decrease of 7% from the prior year. The Mental Health Fund balance at year end increased by approximately \$82,572 over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$8,295 over the prior year, due principally to an effort to remain consistent. The Secondary Roads Fund ending balance increased approximately by \$318,990, or 75%.
- The Debt Service Fund ending balance increased by approximately \$57,115.
- During the year ended June 30, 2005 the County issued \$330,000 of general obligation bonds to help finance an elevator in the County. The proceeds from the bond issue were placed in a Capital Projects Fund set up to account for this major project. Approximately \$65 remained in the Capital Projects Fund at the end of the year due to completion of the elevator.

BUDGETARY HIGHLIGHTS

Over the course of the year, Worth County amended its budget three times. The first amendment was made in August 2004, and resulted in an increase in budgeted disbursements related to a DOT grant and long-term debt proceeds and disbursements related to a DOT grant, debt service, and construction of an elevator in the courthouse. The second amendment was made in September 2004. This amendment was made to provide for a budget transfer for a County Disposal Closure Fund, health insurance, I35/105 Welcome Center water, & sewer study, comprehensive plan, salary, fence, and Recorder’s electronic website. The third amendment was made in March 2005. This amendment was made for chemical dependency court orders, land for county convenience center, fuel, truck purchase, seed, roads/bridges, GASB 34 reporting, mileage, interest on computer loan, and construction of bridge.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Worth County had approximately \$3.37 million 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 approximately \$470,459 or 17% over last year.

Capital Assets of Governmental Activities at Year End

	(Expressed in Thousands)	
	June 30,	
	2005	2004
Land	\$82	\$82
Buildings and Improvements	1,243	1,468
Equipment and Vehicles	2,217	2,183
Infrastructure	1,183	416
Total	\$4,725	\$4,149
This year’s major additions include (expressed in thousands)		
Capital assets contributed by the IA Department of Transportation	\$470	\$348
Roads and Bridges	766	417
Courthouse Improvement Project	332	163
Total	\$1,568	\$928

The County had depreciation expense of \$160,225 for the year ended June 30, 2005 and total accumulated depreciation of \$1,350,126 at June 30, 2005.

The County's fiscal year 2005 capital budget included \$1,063,000 for capital projects, principally for the addition of an elevator in the County courthouse, purchase of computers and software, and for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2005 Worth County has approximately \$2,571,385 in general obligation bonds and other debt outstanding compared to approximately \$2,570,082 at June 30, 2004, as shown below.

Outstanding Debt at Year-End of Governmental Activities

	(Expressed in Thousands)	
	June 30,	
	2005	2004
General Obligation Notes, Revenue Notes	\$2,303	\$2,188
Drainage Warrant and Improvement Certificates	170	190
Compensated Absences	98	192
Total	2,571	\$2,570

Debt increased as a result of issuing general obligation bonds for the courthouse elevator and computers and software.

The County continues to carry a general obligation bond rating as Aa3 assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Worth County's outstanding general obligation debt is significantly below its constitutional debt limit of \$21.337 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Worth County's elected and appointed official and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County's non-agricultural employment growth has mirrored its population loss during 2000-2005, averaging per year losses of 4.1%. Unemployment in the County now stands at 4.8% versus 4.4% a year ago. This compares with the State's unemployment rate of 4.5% and the national rate of 5.0%.

Inflation in the State continues to be somewhat higher than the national Consumer Price Index increase. The State's CPI increase was 4.7% for fiscal year 2005 compared with national rate of 2.5%. Inflation has been higher here due in part to the increase of the residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$7,495,186, a decrease of 7% over the final 2005 budget. The County has added no major programs or initiatives to the 2006 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Worth 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 Worth County Auditors' Office, 1000 Central Avenue, Northwood, Iowa.

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF NET ASSETS
June 30, 2005**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$4,250,567
Receivables	
Property Tax	
Delinquent	5,479
Succeeding Year	3,483,840
Interest & Penalty On Property Tax	856
Accounts	141,060
Accrued Interest	12,174
Drainage Assessments	173,187
Due From Other Governments	187,598
Inventories	179,981
Capital Assets (Net of Accumulated Depreciation)	3,375,104
TOTAL ASSETS	11,809,846
LIABILITIES	
Accounts Payable	241,221
Accrued Interest Payable	20,465
Salaries & Benefits Payable	12,564
Due To Other Governments	29,440
Deferred Revenue	
Succeeding Year Property Tax	3,483,840
Long Term Liabilities	
Portion Due Or Payable Within One Year	
General Obligation Notes	215,651
Compensated Absences	98,286
Improvement Certificates	18,272
Portion Due Or Payable After One Year	
General Obligation Bonds	1,385,700
General Obligation Notes	701,311
Improvement Certificates	152,160
TOTAL LIABILITIES	6,358,910
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,578,142
Restricted For:	
Mental Health Purposes	196,394
Secondary Roads Purposes	822,326
Other Purposes	2,672,281
Unrestricted	(818,207)
TOTAL NET ASSETS	\$5,450,936

See Notes To Financial Statements

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest	
GOVERNMENTAL ACTIVITIES:					
Public Safety & Legal Services	\$1,129,236	\$46,507	\$2,646	\$ 0	\$ (1,080,083)
Physical Health & Social Services	881,689	461,159	383,553	0	(36,977)
Mental Health	769,579	77,217	397,819	0	(294,543)
County Environment & Education	589,295	29,687	109,662	0	(449,946)
Roads & Transportation	2,441,557	407,995	1,673,279	469,900	109,617
Governmental Services to Residents	256,124	134,083	0	0	(122,041)
Administrative Services	598,153	18,102	0	0	(580,051)
Nonprogram	227,731	208,113	0	0	(19,618)
Interest on Long-Term Debt	91,387	0	0	0	(91,387)
TOTAL	\$6,984,751	\$1,382,863	\$2,566,959	\$469,900	(2,565,029)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					2,920,899
Debt Service					95,601
Penalties & Interest on Property Tax					24,938
State Tax Credits					210,005
Local Option Sales Tax					221,763
Unrestricted Investment Earnings					101,183
Miscellaneous					228,753
Loss on Disposal of Capital Assets					(1,400)
TOTAL GENERAL REVENUES					3,801,742
CHANGE IN NET ASSETS					1,236,713
NET ASSETS, BEGINNING OF YEAR (AS RESTATED, Note 13)					4,214,223
NET ASSETS END OF YEAR					\$5,450,936

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments			
County Treasurer	\$871,350	\$202,155	\$443,453
Receivables			
Property Tax			
Delinquent	4,291	748	191
Succeeding Year	2,095,608	365,536	809,289
Interest & Penalty on Property Tax	856	0	0
Accounts	112,911	371	0
Accrued Interest	4,015	0	0
Assessments	0	0	0
Due From Other Funds	4,650	0	0
Due From Other Governments	26,689	0	20,934
Inventories	0	0	0
TOTAL ASSETS	\$3,120,370	\$568,810	\$1,273,867
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$40,171	\$4,476	\$8,710
Salaries & Benefits Payable	12,564	0	0
Due to Other Funds	0	0	0
Due To Other Governments	10,988	2,404	0
Deferred Revenue			
Succeeding Year Property Tax	2,095,608	365,536	809,289
Other	3,847	671	155
Total Liabilities	2,163,178	373,087	818,154
Fund Balances			
Reserved For:			
Closure	0	0	0
Inventories	0	0	0
Debt Service	0	0	0
Unreserved			
General Fund	957,192	0	0
Special Revenue Fund	0	195,723	455,713
Capital Project Fund	0	0	0
Total Fund Balances	957,192	195,723	455,713
TOTAL LIABILITIES AND FUND BALANCES	\$3,120,370	\$568,810	\$1,273,867

See Notes To Financial Statements

Exhibit C

Special Revenue		Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Secondary Roads	Highway 105 Trust				
\$708,755	\$1,377,228	\$94,217	\$65	\$536,260	\$4,233,483
0	0	249	0	0	5,479
0	0	118,569	0	94,838	3,483,840
0	0	0	0	0	856
25,335	0	0	0	2,443	141,060
0	8,159	0	0	0	12,174
0	0	0	0	173,187	173,187
0	0	0	0	0	4,650
139,975	0	0	0	0	187,598
179,981	0	0	0	0	179,981
<u>\$1,054,046</u>	<u>\$1,385,387</u>	<u>\$213,035</u>	<u>\$65</u>	<u>\$806,728</u>	<u>\$8,422,308</u>
\$180,900	\$ 0	\$ 0	\$ 0	\$ 0	\$234,257
0	0	0	0	0	12,564
0	0	0	0	0	0
16,048	0	0	0	0	29,440
0	0	118,569	0	94,838	3,483,840
0	0	219	0	170,432	175,324
<u>196,948</u>	<u>0</u>	<u>118,788</u>	<u>0</u>	<u>265,270</u>	<u>3,935,425</u>
0	0	0	0	4,850	4,850
179,981	0	0	0	0	179,981
0	0	94,247	0	0	94,247
0	0	0	0	0	957,192
677,117	1,385,387	0	0	536,608	3,250,548
0	0	0	65	0	65
<u>857,098</u>	<u>1,385,387</u>	<u>94,247</u>	<u>65</u>	<u>541,458</u>	<u>4,486,883</u>
<u>\$1,054,046</u>	<u>\$1,385,387</u>	<u>\$213,035</u>	<u>\$65</u>	<u>\$806,728</u>	<u>\$8,422,308</u>

**WORTH COUNTY
Northwood, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005**

Total Governmental Fund Balances (page 12-13) \$4,486,883

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$4,725,230 and the accumulated depreciation is \$1,350,126. 3,375,104

Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 175,324

The Internal Service Fund is used by management to charge the costs of 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. 5,470

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds. (2,591,845)

Net Assets of Governmental Activities (page 10) \$5,450,936

See Notes to Financial Statements.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES			
Property & Other County Tax	\$2,018,070	\$351,746	\$786,071
Interest & Penalty on Property Tax	24,938	0	0
Intergovernmental	914,523	499,809	42,352
Licenses & Permits	2,743	0	0
Charges for Services	263,553	0	0
Use of Money & Property	66,638	0	5,354
Miscellaneous	90,758	596	0
Total Revenues	3,381,223	852,151	833,777
EXPENDITURES			
Operating:			
Public Safety & Legal Services	995,918	0	148,363
Physical Health & Social Services	886,674	0	0
Mental Health	0	769,579	0
County Environment & Education	328,482	0	165,357
Roads & Transportation	0	0	0
Governmental Services to Residents	232,765	0	322
Administrative Services	594,755	0	0
Nonprogram	0	0	0
Debt Service	0	0	0
Capital Projects	109,507	0	0
Total Expenditures	3,148,101	769,579	314,042
Excess (Deficiency) of Revenues Over (Under) Expenditures	233,122	82,572	519,735
Other Financing Sources (Uses)			
Sale of Capital Assets	5,000	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	(683,850)
General Obligation Bond Issued	80,000	0	0
Total Other Financing Sources (Uses)	85,000	0	(683,850)
Net Change in Fund Balances	318,122	82,572	(164,115)
Fund Balances – Beginning of Year	639,070	113,151	619,828
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$957,192	\$195,723	\$455,713

See Notes To Financial Statements

Exhibit E

Special Revenue		Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Secondary Roads	Highway 105 Trust				
\$ 0	\$ 0	\$95,382	\$ 0	\$ 0	\$3,251,269
0	0	0	0	0	24,938
2,199,737	0	6,759	0	108,671	3,771,851
1,275	0	0	0	0	4,018
0	0	0	0	28,569	292,122
0	33,646	0	0	2,549	108,187
382,311	0	0	0	101,689	575,354
2,583,323	33,646	102,141	0	241,478	8,027,739
0	0	0	0	0	1,144,281
0	0	0	0	0	886,674
0	0	0	0	0	769,579
0	0	0	0	100,000	593,839
2,651,749	0	0	0	0	2,651,749
0	0	0	0	24,559	257,646
829	0	0	0	0	595,584
0	0	0	0	124,566	124,566
0	0	45,026	0	79,678	124,704
290,755	0	0	495,405	0	895,667
2,943,333	0	45,026	495,405	328,803	8,044,289
(360,010)	33,646	57,115	(495,405)	(87,325)	(16,550)
0	0	0	0	0	5,000
679,000	0	0	0	4,850	683,850
0	0	0	0	0	(683,850)
0	0	0	497,000	0	577,000
679,000	0	0	497,000	4,850	582,000
318,990	33,646	57,115	1,595	(82,475)	565,450
492,089	1,351,741	37,132	(1,530)	623,933	3,875,414
46,019	0	0	0	0	46,019
\$857,098	\$1,385,387	\$94,247	\$65	\$541,458	\$4,486,883

**WORTH COUNTY
Northwood, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds (page 15-16) **\$565,450**

*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	\$637,085	
Depreciation Expense	<u>(160,225)</u>	476,860

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report, the proceeds from the sale as an increase in financial resources. (6,400)

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	(13,006)	
Other	<u>170,431</u>	157,425

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

Issued	(577,000)	
Repaid	<u>482,136</u>	(94,864)

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

Compensated Absences	93,563	
Interest on Long-Term Debt	<u>160</u>	93,723

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 46,019

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (1,500)

Change in Net Assets of Governmental Activities (page 11) **\$1,236,713**

See Notes to Financial Statements

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$12,434
<hr/>	
LIABILITIES	
Accounts Payable	6,964
<hr/>	
NET ASSETS	
Unrestricted	\$5,470
<hr/>	

See Notes To Financial Statements

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005**

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$376,374
Reimbursements from Employees	28,483
Insurance Reimbursements	21,145
<hr/> Total Operating Revenue	<hr/> 426,002
Operating Expenses	
Medical Claims	28,814
Insurance Premiums	389,002
Administrative Fees	9,704
<hr/> Total Operating Expenses	<hr/> 427,520
Operating Loss	(1,518)
Non-Operating Revenues:	
Interest on Investments	18
<hr/>	
Net Loss	(1,500)
Net Assets Beginning of Year	6,970
<hr/>	
Net Assets End of Year	<hr/> \$5,470

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities	
Cash Received From Operating Fund Reimbursements	\$376,374
Cash Received From Employees and Others	49,628
Cash Payments to Supplies for Services	(420,556)
<hr/> Net Cash Provided by Activities	<hr/> 5,446
Cash Flows From Investing Activities	
Interest on Investments	18
<hr/> Net Increase and Cash Equivalent	<hr/> 5,464
<hr/> Cash and Cash Equivalents at Beginning of Year	<hr/> 6,970
<hr/> Cash and Cash Equivalents at End of Year	<hr/> \$12,434
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (1,518)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Increase in Accounts Payable	6,964
<hr/> Net Cash Provided by Operating Activities	<hr/> \$5,446

See Notes To Financial Statements

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005**

ASSETS

Cash and Pooled Investments	
County Treasurer	\$679,032
Other County Officials	51,470
Receivables	
Property Tax	
Delinquent	2,521
Succeeding Year	6,376,956
Accounts	11,562
Due from Other Governments	3,634
Total Assets	7,125,175

LIABILITIES

Accounts Payable	3,992
Due to Other Governments	7,052,096
Trusts Payable	62,132
Compensated Absences	6,955
Total Liabilities	7,125,175

NET ASSETS	\$ 0
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See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Worth 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 presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Worth 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 Worth County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

Seventy-nine 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 Worth 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 Worth County Auditors' office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods and 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: Worth County Assessor's Conference Board, Worth County Emergency Management Commission, and Worth County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

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

The Statement of Net Assets presents the County's non-fiduciary 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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are 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 other non major 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 that are not paid from other funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue Funds

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 the secondary road construction and maintenance.

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

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

Additionally, the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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 the 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 Procedures.

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 Funds is charges to customers for sales and services. Operating expenses for internal services funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a 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 combined balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposits 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit 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. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of inter-fund 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. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated 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.

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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Infrastructure	30-50
Equipment and Vehicles	2-20

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 that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded amounts budgeted in the Capital Projects function.

Note 2: Cash and Pooled Investments

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

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

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

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency	
	Auto License and Use Tax	\$4,650

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

Notes to Financial Statements (Continued)

Note 4: Inter-fund Transfers

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

Transfer To	Transfer From	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$679,000
Disposal Closure	Rural Services	4,850
Agency	Agency	
County Assessor	Special Appraisal	50,000
Total		<u>\$733,850</u>

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

Note 5: Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Land	\$82,714	\$ 0	\$ 0	\$82,714
Capital Assets Not Being Depreciated:				
Construction In Progress	716,654	541,985	1,258,639	0
Total Capital Assets Not being Depreciated	<u>799,368</u>	<u>541,985</u>	<u>1,258,639</u>	<u>82,714</u>
Capital Assets Being Depreciated:				
Buildings	751,399	161,576	0	912,975
Improvements to Buildings	0	330,291	0	330,291
Machinery and Equipment	1,801,004	16,500	0	1,817,504
Vehicles	381,898	78,600	61,172	399,326
Infrastructure	415,648	766,771	0	1,182,419
Total Capital Assets Being Depreciated	<u>3,349,949</u>	<u>1,353,738</u>	<u>61,172</u>	<u>4,642,515</u>
Less Accumulated Depreciation For:				
Buildings	149,158	21,534	0	170,692
Improvements to Buildings	0	3,303	0	3,303
Machinery and Equipment	803,290	77,450	0	880,740
Vehicles	283,912	34,436	54,772	263,576
Infrastructure	8,313	23,502	0	31,815
Total Accumulated Depreciation	<u>1,244,673</u>	<u>160,225</u>	<u>54,772</u>	<u>1,350,126</u>
Total Capital Assets Being Depreciated, Net	<u>2,104,276</u>	<u>1,193,513</u>	<u>6,400</u>	<u>3,292,389</u>
Governmental Activities Capital Assets, Net	<u>\$2,904,644</u>	<u>\$1,735,498</u>	<u>\$1,265,039</u>	<u>\$3,375,103</u>

Notes to Financial Statements (Continued)

Note 5: Capital Assets (Continued)

Depreciation was charged to functions of the primary government as follows:

Governmental Activities:	
Public Safety and Legal Services	\$28,786
Physical Health and Social Services	1,962
County Environment and Education	18,152
Roads and Transportation	106,797
Governmental Services to Residents	1,225
Administration	3,303
Total Depreciation Expense – Governmental Activities	<u>\$160,225</u>

Note 6: Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$10,988</u>
Special Revenue		
Mental Health	Services	2,404
Secondary Roads		<u>16,048</u>
		<u>18,452</u>
Total For Governmental Funds		<u>\$29,440</u>
County Officials	Collections	\$609
Agency:		
Agricultural Extension	Collections	95,888
Assessor		194,636
Schools		4,707,800
Community Colleges		197,632
Corporations		1,234,925
Auto Licenses & Use Tax		167,245
All Other		453,361
Total For Agency Funds		<u>\$7,052,096</u>

Note 7: Changes in Long-Term Debt

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

	Notes Payable	Compensated Absences	Drainage Improvement Certificates	Revenue Bond	Total
Balance Beginning of Year	\$802,810	\$191,849	\$189,723	\$1,385,700	\$2,570,082
Additions	577,000	0	0	0	577,000
Reductions	462,846	93,561	19,290	0	575,697
Balance End of Year	<u>\$916,964</u>	<u>\$98,288</u>	<u>\$170,433</u>	<u>\$1,385,700</u>	<u>\$2,571,385</u>
Due Within One Year	<u>\$215,651</u>	<u>\$92,288</u>	<u>\$18,272</u>	<u>\$ 0</u>	<u>\$332,211</u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Debt (Continued)

Notes Payable

In November 2002, Worth County entered into a purchase agreement with Spreitzer, Inc. for four road graders. The loan for the full purchase amount of \$697,688 was secured through Northwoods State Bank. Principal payments under this loan agreement totaled \$78,288 during the year ended June 30, 2005.

A summary of the County's indebtedness is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2006	4.23%	\$81,600	\$18,777	\$100,377
2007	4.23	85,052	15,325	100,377
2008	4.23	88,649	11,728	100,377
2009	4.23	92,399	7,978	100,377
2010	4.23	96,211	4,070	100,281
		<u>\$443,911</u>	<u>\$57,878</u>	<u>\$501,789</u>

In January 2003, Worth County purchased farmland for \$82,714 and financed the purchase with a loan through Northwoods State Bank. Irregular payments were made on the note during the year ended June 30, 2005, principal totaled \$19,558, interest totaled \$1,842.

Year Ending June 30	Interest Rate	Principal	Interest	Total
2006	5.48%	\$23,051	\$59	\$23,110

During the year ended June 30, 2004, the County issued \$75,000 of General Obligation Urban Renewal Notes for the purpose of a grant to the Top of Iowa Welcome Center to construct a new well.

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

Year Ending June 30	Interest Rate	Principal	Interest	Total
2006	3.75%	\$25,000	\$1,512	\$26,512
2007	3.75	15,000	562	15,562
		<u>\$40,000</u>	<u>\$2,074</u>	<u>\$42,074</u>

Principal payments during fiscal 2005 amounted to \$35,000, interest was \$2,041.

During the year ended June 30, 2004, the County issued, not to exceed \$400,000, General Obligation Courthouse Improvement Loan Anticipation Notes for the purpose of constructing an elevator in the courthouse. The County received advances totaling \$167,000 during the year. Interest on the notes were 2.75%. The notes matured on May 1, 2005. The total warrants outstanding were \$330,000. The County issued General Obligation Courthouse Improvements Notes on May 2, 2005, which paid the Anticipatory Warrants in full.

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

Year Ending June 30	Interest Rate	Principal	Interest	Total
2006	3.50%	\$66,000	\$12,480	\$78,480
2007	3.50	66,000	9,240	75,240
2008	3.50	66,000	6,930	72,930
2009	3.50	66,000	4,620	70,620
2010	3.50	66,000	2,310	68,310
		<u>\$330,000</u>	<u>\$35,580</u>	<u>\$365,580</u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Debt (Continued)

On September 22, 2003, the County issued \$1,385,700 of Urban Renewal Tax Increment Revenue Bond Series 2003. The bond was issued for the purpose of defraying a portion of the costs of an urban renewal project in the Iowa Ethanol Urban Renewal Area. The bond is not a general obligation of the County, and is payable solely from the revenue of the Urban Renewal Tax Revenue Fund. Interest on the bond is 5.75%, payable June 1 and December 1, commencing December 1, 2003 through June 1, 2006. Principal payments begin December 1, 2006 through December 1, 2013.

A summary of payments is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2006	5.75%	\$ 0	\$79,678	\$79,678
2007	5.75	154,097	77,503	231,600
2008	5.75	162,904	68,696	231,600
2009	5.75	172,587	59,013	231,600
2010	5.75	182,653	48,947	231,600
2011	5.75	193,306	38,294	231,600
2012	5.75	204,515	27,085	231,600
2013	5.75	216,510	15,090	231,600
2014	5.75	99,128	2,858	101,986
		<u>\$1,385,700</u>	<u>\$417,164</u>	<u>\$1,802,864</u>

On January 14, 2005, the County issued \$80,000 of General Obligation Computer Equipment Notes. The purpose of the notes was to provide funds to pay a portion of the cost of acquiring computers and software for use in County Offices. The notes are obligations of the County and will be paid with a levy of sufficient continuing annual tax on all the taxable property within the County. Interest on the notes is 4.673%, is payable semi-annually commencing on June 1, 2005 until December 1, 2008. Annual principal payments of \$20,000 are payable on December 1 each year until 2008.

A summary of the County's indebtedness is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2006	4.673%	\$20,000	\$3,318	\$23,318
2007	4.673	20,000	2,370	22,370
2008	4.673	20,000	1,425	21,425
2009	4.673	20,000	475	20,475
		<u>\$80,000</u>	<u>\$7,588</u>	<u>\$87,588</u>

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants, which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Debt (Continued)

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowners are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessments against benefited properties.

Note 8: Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement and conservation employees, in which case the percentages for the year ended June 30, 2005 are 8.535% and 8.535%, respectively, for law enforcement and 6.16% and 9.23%, respectively, for conservation. For the year ended June 30, 2004 the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcements employees and the County were 5.37% and 8.05% respectively. For the year ended June 30, 2004, the contribution rates for conservation employees and the County were 5.93% and 8.90% respectively, and for the year ended June 30, 2003, the contribution rates for conservation employees and the County were 6.04% and 9.07% respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$156,849, \$153,185, and \$150,807, respectively, equal to the required contributions for the year.

Note 9: Risk Management

The County carries commercial insurance which provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reduction in insurance coverage from prior years.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for workers compensation and employee blanket bond claims in excess of \$500,000 and \$100,000 per employee, with an additional \$50,000 coverage on the Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to Financial Statements (Continued)

Note 10: Employee Health Insurance Plan

The Worth County 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 Wellmark, Blue Cross, Blue Shield.

Monthly payments of service fees and plan contributions to the Worth County 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 Blue Cross and Blue Shield of Iowa from the Worth County Health Fund. The County records the plan assets and related liabilities of the Worth County Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was \$376,374.

Note 11: Business Transactions

Business transactions between the County and County officials or employees were noted. Certain transactions may be conflicts of interest as they were more than \$1,500.

Note 12: Deficit Balance

The Agency SCS Payroll fund had a deficit fund balance of \$608 at June 30, 2005.

Note 13: Restatement of Beginning Net Assets

The Net Assets, beginning of the year, were restated to show capital assets not previously recorded and to remove a vehicle that was reported in the fiscal 2004 that was below the County's threshold for vehicles. The net effect of the restatement increased capital assets by \$80,214 and reduced accumulated depreciation by \$500.

WORTH COUNTY
Northwood, Iowa

**BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS**

Required Supplementary Information
Year Ended June 30, 2005

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS		
Property and Other County Tax	\$3,250,704	\$ 0
Interest and Penalty on Property Tax	24,133	0
Intergovernmental	3,661,235	0
Licenses and Permits	3,868	0
Charges for Services	278,784	0
Use of Money and Property	113,782	0
Miscellaneous	557,022	96,786
Total Receipts	7,889,528	96,786
DISBURSEMENTS		
Public Safety and Legal Services	1,143,035	0
Physical Health and Social Services	878,915	0
Mental Health	851,922	0
County Environment and Education	582,935	0
Roads and Transportation	2,497,912	0
Governmental Services to Residents	257,984	0
Administrative Services	649,302	0
Nonprogram	124,566	124,566
Debt Services	124,704	0
Capital Projects	1,373,871	0
Total Disbursements	8,485,146	124,566
Excess (Deficiency) of Receipts Over (Under) Disbursements	(595,618)	(27,780)
Other Financing Sources, Net	582,000	0
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	(13,618)	(27,780)
Fund Balances – Beginning of Year	4,247,101	324,023
Fund Balances – End of Year	\$4,223,483	\$296,243

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Variance	
\$3,250,704	\$3,261,028	\$3,261,028	\$ (10,324)
24,133	26,222	26,222	(2,089)
3,661,235	3,193,331	3,293,331	367,904
3,868	1,820	1,820	2,048
278,784	246,969	246,969	31,815
113,782	154,316	154,316	(40,534)
460,236	123,588	123,588	336,648
<u>7,792,742</u>	<u>7,007,274</u>	<u>7,017,274</u>	<u>685,468</u>
1,143,035	1,202,467	1,213,075	70,040
878,915	1,182,307	1,186,307	307,392
851,922	884,880	884,880	32,958
582,935	471,295	679,661	96,726
2,497,912	2,270,000	2,520,000	22,088
257,984	254,047	296,291	38,307
649,302	732,890	743,415	94,113
0	0	0	0
124,704	182,056	194,056	69,352
1,378,871	831,000	1,063,000	(310,871)
<u>8,360,580</u>	<u>8,010,942</u>	<u>8,780,685</u>	<u>420,105</u>
(567,838)	(1,003,668)	(1,673,411)	1,105,573
<u>582,000</u>	<u>11,218</u>	<u>151,218</u>	<u>430,782</u>
14,162	(992,450)	(1,522,193)	1,536,355
<u>3,923,078</u>	<u>3,452,314</u>	<u>3,452,314</u>	<u>470,764</u>
<u>\$3,937,240</u>	<u>\$2,459,864</u>	<u>\$1,930,121</u>	<u>\$2,007,119</u>

WORTH COUNTY
Northwood, Iowa

BUDGETARY COMPARISON SCHEDULE –
 BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$7,889,528	\$138,211	\$8,027,739
Expenditures	8,485,146	(440,857)	8,044,289
Net	(596,618)	579,068	(16,550)
Other Financing Sources	582,000	0	582,000
Beginning Fund Balances	4,247,101	(371,687)	3,875,414
Increase in Reserve for: Inventories	0	46,019	46,019
Ending Fund Balances	\$4,233,483	\$253,400	\$4,486,883

See Accompanying Independent Auditors' Report

WORTH COUNTY
Northwood, Iowa

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING**

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 Funds.

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 and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. 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, three budget amendments increased budgeted disbursements by \$769,743. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Capital Projects function.

WORTH COUNTY
Northwood, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2005

	REAP	Recorder Records Management	Emergency Medical Services
ASSETS			
Cash and Pooled Investments			
County Treasurer	\$32,030	\$11,746	\$471
Receivables			
Property Tax			
Succeeding Year	0	0	0
Accounts	0	481	0
Assessments	0	0	0
TOTAL ASSETS	\$32,030	\$12,227	\$471
LIABILITIES AND FUND EQUITY			
Liabilities			
Deferred Revenue			
Succeeding Year Property Tax	\$ 0	\$ 0	\$ 0
Other	0	0	0
Total Liabilities	0	0	0
Fund Balances			
Reserved for Closure	0	0	0
Unreserved	32,030	12,227	471
Total Fund Equity and Other Credits	32,030	12,227	471
TOTAL LIABILITIES AND FUND EQUITY	\$32,030	\$12,227	\$471

See Accompanying Independent Auditors' Report

Schedule 1

Recorders Electronic Transaction	County Disposal Closure	Ethanol Bond	Board and Room	Probation Fees	Drainage	Conservation Reserve	Total
\$12,589	\$4,850	\$113,051	\$32,911	\$18,939	\$296,243	\$13,430	\$536,260
0	0	94,838	0	0	0	0	94,838
0	0	757	705	500	0	0	2,443
0	0	0	0	0	173,187	0	173,187
\$12,589	\$4,850	\$208,646	\$33,616	\$19,439	\$469,430	\$13,430	\$806,728
\$ 0	\$ 0	\$94,838	\$ 0	\$ 0	\$ 0	\$ 0	\$94,838
0	0	0	0	0	170,432	0	170,432
0	0	94,838	0	0	170,432	0	265,270
0	4,850	0	0	0	0	0	4,850
12,589	0	113,808	33,616	19,439	298,998	13,430	536,608
12,589	4,850	113,808	33,616	19,439	298,998	13,430	541,458
\$12,589	\$4,850	\$208,646	\$33,616	\$19,439	\$469,430	\$13,430	\$806,728

WORTH COUNTY
Northwood, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
NON MAJOR SPECIAL REVENUE FUNDS**

Year Ended June 30, 2005

	REAP	Recorder Records Management	Emergency Medical Services
REVENUES			
Intergovernmental	\$8,671	\$ 0	\$ 0
Charges for Services	0	2,131	0
Use of Money and Property	441	184	0
Miscellaneous	0	0	4,745
Total Revenues	9,112	2,315	4,745
EXPENDITURES			
Operating			
County Environment and Education	0	0	0
Governmental Services to Residents	0	0	0
Nonprogram	0	0	0
Debt Service	0	0	0
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,112	2,315	4,745
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources			
Over (Under) Expenditures and Other Financing Uses	9,112	2,315	4,745
Fund Balances – Beginning of Year	22,918	9,912	(4,274)
Fund Balances – End of Year	\$32,030	\$12,227	\$471

See Accompanying Independent Auditors' Report

Schedule 2

Recorders Electronic Transaction	County Disposal Closure	Ethanol Board	Board and Room	Probation Fees	Drainage	Conservation Reserve	Total
\$ 0	\$ 0	\$100,000	\$ 0	\$ 0	\$ 0	\$ 0	\$108,671
14,196	0	0	6,028	6,214	0	0	28,569
208	0	1,716	0	0	0	0	2,549
0	0	0	0	0	96,944	0	101,689
14,404	0	101,716	6,028	6,214	96,944	0	241,478
0	0	100,000	0	0	0	0	100,000
24,559	0	0	0	0	0	0	24,559
0	0	0	0	0	124,566	0	124,566
0	0	79,678	0	0	0	0	79,678
24,559	0	179,678	0	0	124,566	0	328,803
(10,155)	0	(77,962)	6,028	6,214	(27,622)	0	(87,325)
0	4,850	0	0	0	0	0	4,850
0	4,850	0	0	0	0	0	4,850
(10,155)	4,850	(77,962)	6,028	6,214	(27,622)	0	(82,475)
22,744	0	191,770	27,588	13,225	326,620	13,430	623,933
\$12,589	\$4,850	\$113,808	\$33,616	\$19,439	\$298,998	\$13,430	\$541,458

WORTH COUNTY
Northwood, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments				
County Treasurer	\$ 0	\$1,972	\$105,194	\$96,250
Other County Officials	51,470	0	0	0
Receivables				
Property Tax				
Delinquent	0	20	20	1,067
Succeeding Year	0	93,896	96,500	4,610,483
Accounts	409	0	0	0
Due From Other Governments	0	0	0	0
TOTAL ASSETS	\$51,879	\$95,888	\$201,714	\$4,707,800
LIABILITIES				
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$123	\$ 0
Due to Other Governments	609	95,888	194,636	4,707,800
Trusts Payable	51,270	0	0	0
Compensated Absences	0	0	6,955	0
TOTAL LIABILITIES	\$51,879	\$95,888	\$201,714	\$4,707,800

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporation	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$4,081	\$22,611	\$1,845	\$260	\$167,245	\$279,574	\$679,032
0	0	0	0	0	0	51,470
41	1,358	3	0	0	12	2,521
193,510	1,210,956	113,620	0	0	57,991	6,376,956
0	0	0	0	0	11,153	11,562
0	0	0	0	0	3,634	3,634
<u>\$197,632</u>	<u>\$1,234,925</u>	<u>\$115,468</u>	<u>\$260</u>	<u>\$167,245</u>	<u>\$352,364</u>	<u>\$7,125,175</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$3,869	\$3,992
197,632	1,234,925	115,468	260	167,245	337,633	7,052,096
0	0	0	0	0	10,862	62,132
0	0	0	0	0	0	6,955
<u>\$197,632</u>	<u>\$1,234,925</u>	<u>\$115,468</u>	<u>\$260</u>	<u>\$167,245</u>	<u>\$352,364</u>	<u>\$7,125,175</u>

WORTH COUNTY
Northwood, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS

Year Ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$42,484	\$93,442	\$192,681	\$4,542,343
Additions				
Property & Other County Tax	0	93,429	96,026	4,590,142
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,364	6,533	310,062
Office Fees & Collections	237,899	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	175,020	0	0	0
Miscellaneous	0	0	0	0
Total Additions	412,919	99,793	102,559	4,900,204
Deductions				
Agency Remittances				
To Other Funds	116,482	0	0	0
To Other Governments	67,647	97,347	143,526	4,734,747
Trusts Paid Out	219,395	0	0	0
Total Deductions	403,524	97,347	143,526	4,734,747
Other Financing Sources				
Operating Transfers In	0	0	50,000	0
Balances – End of Year	\$51,879	\$95,888	\$201,714	\$4,707,800

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$193,324	\$1,212,809	\$110,702	\$124	\$158,307	\$309,218	\$6,855,434
192,563	1,160,355	115,465	0	0	57,812	6,305,792
0	0	0	0	0	60,730	60,730
13,172	101,492	5,431	0	0	4,023	447,077
0	0	0	0	0	0	237,899
0	0	0	0	0	2,971	2,971
0	0	0	0	1,789,201	0	1,789,201
0	0	0	5,777	0	0	5,777
0	0	0	0	0	124,441	299,461
0	0	0	0	0	80,213	80,213
205,735	1,261,847	120,896	5,777	1,789,201	330,190	9,229,121
0	0	0	0	56,738	0	173,220
201,427	1,239,731	116,130	5,641	1,723,525	107,108	8,436,829
0	0	0	0	0	129,936	349,331
201,427	1,239,731	116,130	5,641	1,780,263	237,044	8,959,380
0	0	0	0	0	(50,000)	0
\$197,632	\$1,234,925	\$115,468	\$260	\$167,245	\$352,364	\$7,125,175

Schedule 5**WORTH COUNTY
Northwood, Iowa****SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Property & Other County Tax	\$3,251,269	\$2,533,936	\$2,385,163
Interest & Penalty On Property Tax	24,938	23,346	26,524
Intergovernmental	3,771,851	3,219,773	2,869,101
Licenses & Permits	4,018	3,909	4,580
Charges For Service	292,122	261,798	236,295
Use of Money & Property	108,187	99,672	135,986
Miscellaneous	575,354	414,027	467,116
Total	<u>\$8,027,739</u>	<u>\$6,556,461</u>	<u>\$6,124,765</u>
Expenditures:			
Current:			
Public Safety & Legal Services	\$1,144,281	\$1,159,239	\$1,038,546
Physical Health & Social Services	886,674	879,418	921,995
Mental Health	769,579	824,134	818,414
County Environment & Education Services	593,839	1,595,051	433,269
Roads & Transportation	2,651,749	2,042,794	2,038,864
Governmental Services To Residents	257,646	229,174	210,873
Administration Services	595,584	602,439	594,167
Nonprogram	124,566	195,186	599,834
Debt Services	124,704	57,041	0
Capital Projects	895,667	1,184,583	124,512
Total	<u>\$8,044,289</u>	<u>\$8,769,059</u>	<u>\$6,780,474</u>

See Accompanying Independent Auditors' Report

Independent Auditors' 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 Worth County:
Northwood, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Worth County, Northwood, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated April 25, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item A is a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Worth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 test 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 that are described in the accompanying Schedule of Findings.

**Independent Auditors' 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 (Continued)**

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

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

April 25, 2006

WORTH COUNTY

**Schedule of Findings
Year Ended June 30, 2005**

Findings Related to the Financial Statements.

INSTANCE OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

- A **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted not all the collection, deposit preparation and reconciliation functions are segregated from recording and accounting of cash receipts in the Treasurer's and Recorder's office.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by each office will be separated and spread among the County Treasurer, Deputy and Clerk, and the County Recorder, Deputy and Clerk.

Conclusion – Response accepted.

- B **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Password privacy and confidentiality.

Also, the County does not have a written disaster recovery plan.

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

Response – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed.

Conclusion – Response accepted.

WORTH COUNTY

**Schedule of Findings
Year Ended June 30, 2005**

Other Findings Related to Required Statutory Reporting

1. **Official Depositories** – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.
2. **Certified Budget** – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the Capital Projects function. Appropriations were not made by resolution.

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolutions, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. The Budget amendment did not include the refunding of Anticipatory Warrants nor issuance of General Obligation Courthouse Improvement notes for the Elevator Project.

Response – We will amend the budgets when required. The appropriations will be watched more closely by the departments and will be adopted by resolution.

Conclusion – Response accepted.

3. **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979. It was noted, however, that some claims were remitted for payment without supporting documentation such as receipts or invoices.

Recommendation – Per the Code of Iowa, Chapter 331.504(8), claims should not be paid without the proper documentation.

Response – We will require the proper documentation in the future.

Conclusion – Response accepted.

4. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

WORTH COUNTY

**Schedule of Findings
Year Ended June 30, 2005**

5. **Business Transactions** – The following business transactions between the County and County officials or employees were noted:

<u>Name and Title</u>	<u>Description</u>	<u>Amount</u>
Ken Abrams, Supervisor Owner of Abram’s Drainage Service	Drainage Work and Railroad Crossing Maintenance	\$20,850
Barb Berge – Deputy Auditor Brother in Law owns Berge Oil Company	Fuel	173,457
Deb Rohne – Treasurer’s Office Employee Husband owns Computer Assistants	Computer Services	15,471

The transactions with Abrams Drainage Service (\$19,350) may represent conflicts of interest since the total transactions were in excess of \$1,500 during the fiscal year.

It appears that the transactions with Berge Oil Company and Computer Assistants are in accordance with Chapter 331.342 of the Code of Iowa and Attorney General’s Opinions dated April 17, 1979 as the goods and services were obtained through a bid that was obtained competitively in writing, and publicly invited and opened.

Recommendation – The County should refrain from business transactions with County officials, employees or their immediate relatives whenever possible. If the County wishes to do business with officials, employees or their immediate relatives, bids should be taken for the work to be done.

Response – Abram’s Drainage Service is the only Company that is immediately available to do this type of work for the County.

Conclusion – Response accepted.

6. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
7. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
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 additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

WORTH COUNTY

Schedule of Findings Year Ended June 30, 2005

10. **County Extension Office** –The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements for the County Extension Office during the year ended June 30, 2005, exceeded the amount budgeted.

Recommendation – The budget should have been amended before the disbursements exceeded amounts budgeted.

Response – We will amend the budget when required in the future.

Conclusion – Response accepted.

11. **Economic Development** – During the year ended June 30, 2005, the County expended \$32,937 for economic development purposes, which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

12. **Deficit Fund Balance** – The Agency NRCS Payroll Fund has a deficit fund balance of \$608 at June 30, 2005.

Recommendation – The County should take measures to correct this deficit fund balance.

Response – The County processes payroll for the NRCS. After the payroll is processed, the County is reimbursed for payroll and related payroll tax amounts. The reimbursement was not received until July of 2005.

Conclusion – Response accepted.

13. **Separately Maintained Accounts** – We noted a number of Sheriff's accounts that were not included in the County budget process, accounting system and financial reporting. There appears to be no legal reason for these accounts to be separately maintained.

Recommendation – These accounts should be turned over to the Treasurer and Special Revenue Funds should be established for these accounts. These funds should be included in the County's budget process, accounting system and financial reporting. All disbursements should be included in the claims process.

Response – I will consider turning these accounts over to the Treasurer and establishing Special Revenue Funds.

Conclusion – Response accepted.

WORTH COUNTY

**Schedule of Findings
Year Ended June 30, 2005**

14. **Credit or Debit Card Policy** – Several departments have credit or debit cards for use by various employees while on County business. The County does not have a written policy to regulate the use of credit and debit cards and to establish procedures for the proper accounting of credit and debit card charges. In addition, supporting documentation was not always available to support credit/debit card charges. It was also noted, meals for day trips were purchased with a debit card without being processed with payroll as a taxable benefit.

Recommendation – The County should adopt a formal written policy regulating the use of credit/debit cards. The policy, at a minimum, should address who controls the cards, who is authorized to use the cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We are in the process of adopting a written policy. County officials agree this is necessary.

Conclusion – Response accepted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Worth County, Iowa.

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$9,992,380 for the year ended June 30, 2005, which included \$657,082 in tax credits from the State. The County then forwarded \$6,752,869 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,251,269 of the local tax revenue to finance County operations, a 34% increase from the prior year. Other revenues included charges for service of \$1,382,863 operating grants, contributions and restricted interest of \$3,036,859, unrestricted investment earnings of \$101,183 and other general revenues of \$252,291.

Expenses for the County operations totaled \$6,984,751, a 10% decrease from the prior year. Expenditures included \$2,441,557 for Roads and Transportation, \$1,129,236 for Public Safety and Legal Services, and \$881,689 for Physical Health and Social Services.

The significant increase/decrease in revenues and expenses is due to increased tax revenues and credits and decreased expenditures for County projects completed during the year.

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

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