

**BUCHANAN COUNTY**  
**Independence, Iowa**

INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2007

**BUCHANAN COUNTY**  
**Independence, Iowa**

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**BUCHANAN COUNTY**  
**Independence, Iowa**

**OFFICIALS**

**(Before January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leo Donnelly .....	Board of Supervisors .....	January 2007
Ellen Gaffney .....	Board of Supervisors .....	January 2009
Ralph Kremer .....	Board of Supervisors .....	January 2007
Cindy Witt .....	County Auditor.....	January 2009
Judy Harland .....	County Treasurer .....	January 2007
Diane Curry.....	County Recorder .....	January 2007
Bill Wolfgram .....	County Sheriff .....	January 2009
Allan Vander Hart.....	County Attorney.....	January 2007
Brad Harms .....	County Assessor.....	Appointed

**(After January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Ferreter .....	Board of Supervisors .....	January 2011
Ellen Gaffney .....	Board of Supervisors .....	January 2009
Ralph Kremer .....	Board of Supervisors .....	January 2011
Cindy Witt .....	County Auditor.....	January 2009
Judy Harland .....	County Treasurer .....	January 2011
Diane Curry.....	County Recorder .....	January 2011
Bill Wolfgram .....	County Sheriff .....	January 2009
Allan Vander Hart.....	County Attorney.....	January 2011
Brad Harms .....	County Assessor.....	Appointed



**Gardiner Thomsen**  
Certified Public Accountants

## **Independent Auditors' Report**

To the Officials of Buchanan County  
Independence, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Buchanan County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County at June 30, 2007, 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, 2008 on our consideration of Buchanan County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 9 and 34 - 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Buchanan County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on the financial statements for 2004 through 2006. The year ended June 30, 2003 was given a qualified opinion due to the lack of material and supplies inventory pertaining to Secondary Roads. The 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, 2008

*Gardiner Thomsen, P.C.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Buchanan 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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 11%, or approximately \$1,836,214, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$275,810, operating grants, and capital grants and contributions decreased approximately \$1,274,630.
- Program expenses were 4% or approximately \$551,741, less in fiscal 2007 than in fiscal 2006. Roads and transportation expense decreased approximately \$632,121.
- The County's net assets increased 10% or approximately \$2,281,285, from June 30, 2006 to June 30, 2007.

### 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 Buchanan 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 Buchanan 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 funds 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, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

- 2) Proprietary funds account for the County's Internal Service 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 and emergency management services and the County Assessor, to name a few.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (CONTINUED)

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. Buchanan County's combined net assets were increased from a year ago, increasing from \$22.9 million to \$24.8 million. The net assets at the beginning of the year were restated to include a net \$370,137 in capital assets and infrastructure that were not included in the prior year balance. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2007	2006
Current and Other Assets	\$11,783	\$10,481
Capital Assets (Net of Depreciation)	21,411	20,390
<b>Total Assets</b>	<b>33,194</b>	<b>30,871</b>
Long-Term Debt Outstanding	488	475
Other Liabilities	7,901	7,502
<b>Total Liabilities</b>	<b>8,389</b>	<b>7,977</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	21,202	20,117
Restricted	2,015	2,056
Unrestricted	1,588	721
<b>Total Net Assets</b>	<b>\$24,805</b>	<b>\$22,894</b>

Net assets of Buchanan County's governmental activities increased 10% (\$22.9 million compared to \$24.8 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. 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—increased from approximately \$720,877 at June 30, 2006 to \$1,335,149 at the end of this year, a substantial increase.

This increase of approximately \$614,272 in unrestricted net assets was a result of decreased expenditures in some areas, also due to an increase in property tax. The County increased its investment in roadway equipment and road construction by approximately \$2,053,599 over the prior year.

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

	Year ended June 30, 2007	Year ended June 30, 2006
Revenues:		
Program Revenues:		
Charges for Service	\$1,348	\$1,722
Operating Grants, Contributions and Restricted Interest	4,441	4,228
Capital Grants, Contributions and Restricted Interest	1,650	3,138
General Revenues:		
Property Tax	6,098	5,823
Penalty and Interest on Property Tax	61	60
State Tax Credits	329	347
Local Option Sales Tax	880	642
Unrestricted Investment Earning	243	172
Other General Revenues	64	146
<b>Total Revenues</b>	<b>15,115</b>	<b>16,278</b>
Program Expenses:		
Public Safety and Legal Services	1,932	2,468
Physical Health and Social Services	283	159
Mental Health	2,822	2,492
County Environment and Education	787	823
Roads and Transportation	4,499	5,132
Governmental Services to Residents	383	494
Administration	2,082	1,618
Nonprogram	34	182
Interest on Long-term Debt	12	17
<b>Total Expenses</b>	<b>12,834</b>	<b>13,385</b>
Increase in Net Assets	2,281	2,893
Net Assets Beginning of Year (restated)	22,524	20,001
<b>Net Assets End of Year</b>	<b>\$24,805</b>	<b>\$22,894</b>

The results of governmental activities for the year resulted in Buchanan County's net assets increasing by approximately \$2,281,285. Revenues for governmental activities decreased by approximately \$1.8 million from the prior year, with property tax revenue up from the prior year by approximately \$275,810 or 4%.

The County increased property tax rates for 2007 by an average of 1.5%. This increase raised the County's property tax revenue by approximately \$244,661 in 2007.

The cost of all governmental activities this year was \$12.8 million compared to \$13.3 million last year. However, as shown in the Statement of Activities the amount taxpayers ultimately financed for these activities was only \$5.3 million because some of the cost was paid by those directly benefiting from the programs (\$1.34 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6.09 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2007 from approximately \$9.08 million to \$7.4 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$6.1 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 FUND ANALYSIS

As Buchanan County completed the year, its governmental funds reported a combined fund balance of \$3.99 million, an increase of more than \$1.16 million above last year's total of \$2.83 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 decreased when compared to the prior year. The ending fund balance showed an increase of \$582,194 from the prior year to \$1,732,922.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$2.8 million. The Mental Health Fund balance at year end decreased by approximately \$426,052 from the prior year.
- The Rural Services Fund revenues and expenditures increased slightly over the prior year. The ending fund balance showed a decrease of \$14,688 from the prior year to \$580,886.
- Secondary Roads Fund expenditures decreased by approximately \$1,114,923 over the prior year. The Secondary Roads Fund ending balance increased approximately by \$1,145,498.
- The Debt Service Fund ending balance increased by approximately \$12,684.

## BUDGETARY HIGHLIGHTS

During the year, Buchanan County amended its budget two times. The amendments were made in September 2006 and May 2007. These amendments were made for net decreases in revenues and in operational expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, Buchanan County had approximately \$29.8 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 \$2,254,196 or 8% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30, 2007	June 30, 2006
Land	\$1,398	\$935
Buildings and Improvements	3,388	967
Equipment and Vehicles	6,799	6,667
Infrastructure	18,197	17,815
Construction in Process	0	14
<b>Total</b>	<b>\$29,782</b>	<b>\$26,398</b>
This year's major additions include (expressed in thousands)		
Capital Assets Contributed by the IA Department of Transportation	\$1,650	
Roads & Bridges	945	
Replacement Secondary Road Equipment	214	
County Sheriff/Vehicles	70	
<b>Total</b>	<b>\$2,879</b>	

The County had depreciation expense of \$1,026,445 in fiscal year 2007 and total accumulated depreciation of \$8.4 million at June 30, 2007.

The County's fiscal year 2007 capital budget included \$954,800 for capital projects, principally for the upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2007 Buchanan County has approximately \$488,302 in general obligation notes and other debt outstanding compared to approximately \$695,324 at June 30, 2006, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2007	2006
General Obligation Notes	\$303	\$475
Compensated Absences	185	220
Total	\$488	\$695

Debt decreased as a result of payments made as required by lenders.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Buchanan County's outstanding general obligation debt is significantly below its constitutional debt limit of \$56.3 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Buchanan County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and the fees that will be charged for various County services. One of those factors is the economy. Unemployment in the County now stands at 5.5% versus 4.3% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 4.6%

These indicators were taken into account when adopting the budget for fiscal year 2008. With the increase in valuation, due to new construction the rates stayed the same or slightly decreased. Increased cost due to cost-of-living adjustments, law communications, reorganization and rural road projects represent the largest increases.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Buchanan 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 Buchanan County Auditor's Office, 210 - 5<sup>th</sup> Avenue NE, City of Independence, Iowa.

**BUCHANAN COUNTY  
Independence, Iowa**

**STATEMENT OF NET ASSETS  
June 30, 2007**

	Governmental Activities
<b>ASSETS</b>	
Cash & Pooled Investments	\$4,701,335
Receivables:	
Property Tax:	
Delinquent	8,452
Succeeding Year	6,188,409
Interest & Penalty On Property Tax	120
Accounts	9,532
Accrued Interest	20,008
Due From Other Governments	509,555
Inventories	282,266
Prepaid Insurance	62,899
Capital Assets (Net of Accumulated Depreciation)	21,411,588
<b>TOTAL ASSETS</b>	<b>33,194,164</b>
<b>LIABILITIES</b>	
Accounts Payable	994,793
Accrued Interest Payable	781
Salaries & Benefits Payable	119,072
Due To Other Governments	597,617
Deferred Revenue:	
Succeeding Year Property Tax	6,188,409
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Notes	94,335
Compensated Absences	185,963
Portion Due Or Payable After One Year:	
General Obligation Notes	208,004
<b>TOTAL LIABILITIES</b>	<b>8,388,974</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	21,202,238
Restricted For:	
Secondary Roads Purposes	1,207,090
Debt Service	15,199
Other Purposes	1,045,514
Unrestricted	1,335,149
<b>TOTAL NET ASSETS</b>	<b>\$24,805,190</b>

See Notes To Financial Statements

**BUCHANAN COUNTY  
Independence, Iowa**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007**

	Program Revenues				Net (Expense) Revenue & Changes In Net Assets
	Expenses	Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest	
<b>FUNCTIONS/PROGRAMS:</b>					
<b>GOVERNMENTAL ACTIVITIES:</b>					
Public Safety and Legal Services	\$1,931,882	\$257,027	\$79,538	\$0	\$(1,595,317)
Physical Health and Social Services	283,013	9,320	189,291	0	(84,402)
Mental Health	2,821,646	355,490	835,527	0	(1,630,629)
County Environment and Education	787,044	33,758	157,131	0	(596,155)
Roads and Transportation	4,499,405	75,971	3,179,657	1,650,331	406,554
Governmental Services to Residents	382,656	331,011	142	0	(51,503)
Administration	2,081,925	49,095	0	0	(2,032,830)
Non-program	33,522	236,039	0	0	202,517
Interest on Long-Term Debt	12,475	0	0	0	(12,475)
<b>TOTAL</b>	<b>\$12,833,568</b>	<b>\$1,347,711</b>	<b>\$4,441,286</b>	<b>\$1,650,331</b>	<b>(5,394,240)</b>
<b>GENERAL REVENUES:</b>					
Property and Other County Tax Levied For:					
General Purposes					5,918,214
Debt Service					179,885
Penalty and Interest on Property Tax					61,382
State Tax Credits					329,318
Local Option Sales Tax					880,041
Unrestricted Investment Earnings					242,711
Miscellaneous					57,516
Gain on Disposal of Capital Assets					6,458
<b>TOTAL GENERAL REVENUES</b>					<b>7,675,525</b>
<b>CHANGE IN NET ASSETS</b>					<b>2,281,285</b>
<b>NET ASSETS, BEGINNING OF YEAR (as restated Note 14)</b>					<b>22,523,905</b>
<b>NET ASSETS END OF YEAR</b>					<b>\$24,805,190</b>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2007

	General	Special Revenue Mental Health
<b>ASSETS</b>		
Cash and Pooled Investments: County Treasurer	\$1,762,710	\$539,430
Receivables:		
Property Tax:		
Delinquent	5,039	1,745
Succeeding Year	3,548,758	1,228,539
Interest and Penalty on Property Taxes	120	0
Accounts	1,762	2,798
Accrued Interest	19,892	0
Due From Other Governments	74,462	53,253
Prepaid Insurance	42,810	0
Inventories	0	0
<b>TOTAL ASSETS</b>	<b>\$5,455,553</b>	<b>\$1,825,765</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$74,126	\$118,181
Salaries and Benefits Payable	32,435	8,560
Due To Other Governments	48,394	549,223
Deferred Revenue:		
Succeeding Year Property Tax	3,548,758	1,228,539
Other	18,918	9,492
<b>Total Liabilities</b>	<b>3,722,631</b>	<b>1,913,995</b>
Fund Balances:		
Reserved For:		
Inventories	0	0
Unreserved, reported in:		
General	1,732,922	0
Special Revenue	0	(88,230)
Debt Service	0	0
<b>Total Fund Balances</b>	<b>1,732,922</b>	<b>(88,230)</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$5,455,553</b>	<b>\$1,825,765</b>

See Notes To Financial Statements

Special Revenue Funds				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$546,094	\$1,167,272	\$15,841	\$460,291	\$4,491,638
1,529	0	139	0	8,452
1,321,100	0	90,012	0	6,188,409
0	0	0	0	120
0	3,722	0	1,250	9,532
0	0	0	116	20,008
71,040	307,400	0	3,400	509,555
660	19,429	0	0	62,899
0	282,266	0	0	282,266
<u>\$1,940,423</u>	<u>\$1,780,089</u>	<u>\$105,992</u>	<u>\$465,057</u>	<u>\$11,572,879</u>
\$16,523	\$402,844	\$0	\$429	\$612,103
20,425	57,652	0	0	119,072
0	0	0	0	597,617
1,321,100	0	90,012	0	6,188,409
1,489	26,221	133	0	56,253
<u>1,359,537</u>	<u>486,717</u>	<u>90,145</u>	<u>429</u>	<u>7,573,454</u>
0	282,266	0	0	282,266
0	0	0	0	1,732,922
580,886	1,011,106	0	464,628	1,968,390
0	0	15,847	0	15,847
<u>580,886</u>	<u>1,293,372</u>	<u>15,847</u>	<u>464,628</u>	<u>3,999,425</u>
<u>\$1,940,423</u>	<u>\$1,780,089</u>	<u>\$105,992</u>	<u>\$465,057</u>	<u>\$11,572,879</u>

**BUCHANAN COUNTY**  
**Independence, Iowa**

**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
June 30, 2007

**Total Governmental Fund Balances (Pages 12-13)** \$3,999,425

*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 \$29,782,040 and the accumulated depreciation is \$8,370,452. 21,411,588

Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds. 56,254

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. (172,994)

Long-term liabilities, including bonds payable, compensated absences payable, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds. (489,083)

**Net Assets of Governmental Activities (Page 10)** \$24,805,190

See Notes To Financial Statements.

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2007

	General	Special Revenue Mental Health
<b>REVENUES:</b>		
Property and Other County Tax	\$3,462,896	\$1,138,486
Interest and Penalty on Property Tax	61,435	0
Intergovernmental	729,279	1,247,111
Licenses and Permits	530	0
Charges for Services	453,183	315
Use of Money and Property	325,357	0
Miscellaneous	22,983	3,849
Total Revenues	5,055,663	2,389,761
<b>EXPENDITURES:</b>		
Operating:		
Public Safety and Legal Services	1,335,528	0
Physical Health and Social Services	250,524	0
Mental Health	0	2,815,813
County Environment and Education	463,144	0
Roads and Transportation	0	0
Governmental Services to Residents	372,033	0
Administration	1,890,240	0
Non-program	33,522	0
Debt Service	9,335	0
Capital Projects	130,064	0
Total Expenditures	4,484,390	2,815,813
Excess (Deficiency) of Revenues Over (Under) Expenditures	571,273	(426,052)
Other Financing Sources (Uses):		
Sale of Capital Assets	3,175	0
Operating Transfers In	128,746	0
Operating Transfers Out	(121,000)	0
Total Other Financing Sources (Uses)	10,921	0
Net Change in Fund Balances	582,194	(426,052)
Fund Balances – Beginning of Year	1,150,728	337,822
Decrease in Reserve For Inventories	0	0
Fund Balances – End of Year	\$1,732,922	\$(88,230)

See Notes To Financial Statements

Special Revenue Funds				
Rural Services	Secondary Roads	Debt Service	Nonmajor	Total
\$2,196,857	\$0	\$180,046	\$0	\$6,978,285
0	0	0	0	61,435
90,027	3,884,896	9,646	11,906	5,972,865
9,450	4,026	0	0	14,006
1,910	125	0	47,937	503,470
194	0	0	2,454	328,005
86	87,452	0	11,014	125,384
2,298,524	3,976,499	189,692	73,311	13,983,450
611,808	0	0	9,266	1,956,602
32,026	0	0	0	282,550
0	0	0	0	2,815,813
414,403	0	0	4,449	881,996
0	3,626,634	0	0	3,626,634
0	0	0	0	372,033
3,498	0	0	0	1,893,738
0	0	0	0	33,522
0	0	177,008	0	186,343
0	583,244	0	0	713,308
1,061,735	4,209,878	177,008	13,715	12,762,539
1,236,789	(233,379)	12,684	59,596	1,220,911
0	6,400	0	0	9,575
0	1,372,477	0	0	1,501,223
(1,251,477)	0	0	(128,746)	(1,501,223)
(1,251,477)	1,378,877	0	(128,746)	9,575
(14,688)	1,145,498	12,684	(69,150)	1,230,486
595,574	202,863	3,163	533,778	2,823,928
0	(54,989)	0	0	(54,989)
\$580,886	\$1,293,372	\$15,847	\$464,628	\$3,999,425

**BUCHANAN COUNTY  
Independence, Iowa**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007**

**Net Change in Fund Balances - Total Governmental Funds (Pages 15-16)** **\$1,230,486**

*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	\$1,005,407	
Capital Assets Contributed by the Iowa Department of Transportation	1,419,645	
Depreciation Expense	(1,026,445)	1,398,607

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. (3,117)

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	(198)	
Other	(453,543)	(453,741)

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 are as follows:

Repaid		172,668
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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	32,625	
Interest on Long-Term Debt	1,200	33,825

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. (54,989)

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. (42,454)

**Change in Net Assets of Governmental Activities (Page 11)** **\$2,281,285**

See Notes to Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2007

	Internal Service Employee Group Health
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$209,697
<hr/>	
<b>LIABILITIES</b>	
Accounts Payable	382,691
<hr/>	
<b>NET ASSETS</b>	
Deficit	\$(172,994)
<hr/>	

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2007

	Internal Service Employee Group Health
<b>OPERATING REVENUES:</b>	
Reimbursements From Operating Funds	\$1,290,572
Reimbursements From Employees	66,310
Miscellaneous	80,841
Total Operating Revenues	<u>1,437,723</u>
<b>OPERATING EXPENSES:</b>	
Medical Claims	1,259,793
Insurance Premiums	211,681
Administrative Fees	9,169
Total Operating Expenses	<u>1,480,643</u>
Operating Loss	(42,920)
<b>NON-OPERATING REVENUES:</b>	
Interest on Investments	<u>466</u>
Net Loss	(42,454)
Net Assets Beginning of Year	<u>(130,540)</u>
Net Assets End of Year	<u><u>\$(172,994)</u></u>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2007

	Internal Service Employee Group Health
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received From Operating Fund Reimbursements	\$1,290,572
Cash Received From Employees and Others	147,151
Cash Payments To Suppliers For Services	<u>(1,243,063)</u>
Net Cash Provided By Operating Activities	<u>194,660</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest on Investments	<u>466</u>
Net Increase in Cash and Cash Equivalents	195,126
Cash & Cash Equivalents at Beginning of Year	<u>14,570</u>
Cash & Cash Equivalents at End of Year	<u><u>\$209,696</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Loss	\$(42,920)
Adjustments to Reconcile Operating Loss to Net Cash Provided By Operating Activities:	
Increase In Accounts Payable	<u>237,580</u>
Net Cash Provided By Operating Activities	<u><u>\$194,660</u></u>

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2007

**ASSETS**

Cash & Pooled Investments:	
County Treasurer	\$803,161
Other County Officials	49,740
Receivables:	
Property Tax:	
Delinquent	1,402
Succeeding Year	15,973,362
Accounts	15,635
Accrued Interest	321
Due from Other Governments	1,858
<b>TOTAL ASSETS</b>	<b>16,845,479</b>

**LIABILITIES**

Accounts Payable	1,262
Salaries and Benefits Payable	455
Due To Other Governments	16,810,689
Trusts Payable	26,587
Compensated Absences	6,486
<b>TOTAL LIABILITIES</b>	<b>16,845,479</b>

**NET ASSETS** **\$0**

See Notes To Financial Statements

**BUCHANAN COUNTY**  
**Independence, Iowa**

**Notes to Financial Statements**

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**Note 1: Summary of Significant Accounting Policies**

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

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

**A. REPORTING ENTITY**

For financial reporting purposes, Buchanan 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 Buchanan 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.

Two 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 Buchanan 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 Buchanan County Auditor's office.

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

## Notes to Financial Statements (Continued)

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

#### Special Revenue

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

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

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

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### B. BASIS OF PRESENTATION (CONTINUED)

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

Additionally the County reports the following funds:

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

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

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However principal and interest on long term debt, claims, 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 funds 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 or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

#### D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds becomes 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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

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.

**Notes to Financial Statements (Continued)**

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**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)**

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.

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 repairs 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.

<u>Asset Class</u>	<u>Amount</u>
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	40-65
Building Improvements	20-50
Infrastructure	10-65
Equipment	2-20
Vehicles	3-10

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.

## Notes to Financial Statements (Continued)

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Deferred revenue on 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 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, 2007. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts 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, 2007, disbursements did not exceed amounts budgeted in any function.

### Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at amortized cost of \$2,707,960, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

*Interest rate risk.* The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) 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 need and use of the County.

*Credit Risk.* The investment in Iowa Public Agency Investment Trust is unrated.

## Notes to Financial Statements (Continued)

### Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2007, is as follows:

Transfer To	Transfer From	Amount
General Basic	Special Revenue:	
	Jail Room and Board	\$85,000
	Conservation Reserve	23,746
	Nature Center	10,000
	REAP	10,000
Special Revenue: Secondary Roads	General	
	Special Revenue:	121,000
	Rural Services	1,251,477
Total		<u>\$1,501,223</u>

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

### Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$1,337,607	\$60,700	\$0	\$1,398,307
Construction in Progress	14,617	155,744	170,361	0
Total Capital Assets Not Being Depreciated	<u>1,352,224</u>	<u>216,444</u>	<u>170,361</u>	<u>1,398,307</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	3,166,925	221,297	0	3,388,222
Machinery and Equipment	5,647,625	248,165	88,372	5,807,418
Vehicles	979,273	93,902	82,485	990,690
Infrastructure, Road Network	16,381,797	1,815,605	0	18,197,402
Total Capital Assets Being Depreciated	<u>26,175,620</u>	<u>2,378,969</u>	<u>170,857</u>	<u>28,383,732</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,871,753	48,775	0	1,920,528
Machinery and Equipment	2,748,179	386,533	85,255	3,049,457
Vehicles	607,177	94,660	82,485	619,352
Infrastructure, Road Network	2,284,637	496,477	0	2,781,114
Total Accumulated Depreciation	<u>7,511,746</u>	<u>1,026,445</u>	<u>167,740</u>	<u>8,370,451</u>
Total Capital Assets Being Depreciated, Net	<u>18,663,874</u>	<u>1,352,524</u>	<u>3,117</u>	<u>20,013,281</u>
Governmental Activities Capital Assets, Net	<u>\$20,016,098</u>	<u>\$1,568,968</u>	<u>\$173,478</u>	<u>\$21,411,588</u>

## Notes to Financial Statements (Continued)

### Note 4: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:		
Public Safety and Legal Services		\$59,017
Mental Health		4,078
County Environment and Education		50,886
Roads and Transportation		856,132
Governmental Services to Residents		9,925
Administration		46,407
Total Depreciation Expense – Governmental Activities		<u>\$1,026,445</u>

### Note 5: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$48,394
Special Revenue:		
Mental Health	Services	549,223
Total for Governmental Funds		<u>\$597,617</u>
Agency:		
Agricultural Extension	Collections	\$170,627
Assessor & Special Appraisal		407,942
Schools		9,731,169
Community Colleges		570,354
Corporations		4,460,330
Auto License & Use Tax		398,299
All Others		1,074,861
Total for Agency Funds		<u>\$16,813,582</u>

### Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007, is as follows:

	General Obligation Notes	Conservation Note	Compensated Absences	Total
Balance Beginning of Year	\$428,333	\$46,673	\$225,356	\$700,362
Decreases	163,333	9,335	32,908	205,576
Balance End of Year	<u>\$265,000</u>	<u>\$37,338</u>	<u>\$192,448</u>	<u>\$494,786</u>
Due Within One Year	<u>\$85,000</u>	<u>\$9,335</u>	<u>\$192,448</u>	<u>\$206,783</u>

## Notes to Financial Statements (Continued)

### Note 6: Changes in Long-Term Liabilities (Continued)

#### Notes Payable

During the year ended June 30, 2005, the County issued \$420,000 of General Obligation County Purpose Notes for the purpose of providing funds to pay the cost of acquiring voting and computer equipment and improving the parking lot at the Courthouse. The notes are general obligations of the County and will be paid with taxes levied on all taxable property in the County. Interest is payable semiannually commencing on December 1, 2005, principal is due annually commencing June 1, 2006. The note is to be paid in full on June 1, 2010. The County was in compliance in the issuance of the notes. A summary of the General Obligation Note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2008	4.50%	\$85,000	\$9,370	\$94,370
2009	4.50%	90,000	6,480	96,480
2010	4.50%	90,000	3,285	93,285
		<u>\$265,000</u>	<u>\$19,135</u>	<u>\$284,135</u>

During the year ended June 30, 2004, the County issued a \$250,000 General Obligation Health Insurance Note. The note bears interest of 2.1%, payable May 1 and November 1, commencing on November 1, 2004. Principal is also due semi-annually, due on November 1, 2004 through November 1, 2006 with a final amount on May 1, 2007. The note was issued for the purpose of providing funds to pay a portion of the cost of providing health insurance coverage for County employees. Payments totaling \$83,333 during the year, paid the note in full.

During the year ended June 30, 2001, the Executive Council of Iowa approved a loan from the Contingency Fund for the Fontana Dam Restoration Project to the Buchanan County Conservation Board. The loan is free of interest and is due in 10 annual installments of \$9,335, the first payment due on December 4, 2001.

A summary of debt is as follows:

Year Ending June 30,	Principal
2008	\$9,335
2009	9,335
2010	9,335
2011	9,333
	<u>\$37,338</u>

## Notes to Financial Statements (Continued)

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### Note 7: Pension and Retirement Benefits

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

Most 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 salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate.. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 \$222,614, \$232,756, and \$221,869, respectively, equal to the required contributions for each year.

### Note 8: Risk Management

Buchanan County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 556 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007 were \$130,108.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

## Notes to Financial Statements (Continued)

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### Note 8: Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond in excess of \$500,000 and \$20,000 per employee, with additional \$80,000 coverage on the Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 9: Health Insurance Plan

The County is self-insured for health insurance coverage of its employees. Claims of the employees are submitted to a third-party administrator who, in turn, bills the plan funds for the necessary amount. The plan is covered by reinsurance to protect the stop-loss of 125% of expected claims.

The County's contribution for the year ended June 30, 2007 was \$1,290,572.

As of June 30, 2007, the plan assets had a deficit of \$172,994.

### Note 10: Commitments and Contingencies

The County participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, County officials do not believe that such amounts would be significant.

### Note 11: Related Party Transactions

The County had no business transactions between the County and County officials during the year ended June 30, 2007.

## **Notes to Financial Statements (Continued)**

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### **Note 12: Budget Over-expenditure**

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2007, disbursements in certain departments exceeded the amounts appropriated.

### **Note 13: Deficit Balance**

A deficit fund balance of \$88,230 was noted in the Special Revenue, Mental Health Fund at June 30, 2007.

The Internal Service Fund, Health Insurance had a deficit balance in Net Assets at June 30, 2007 of \$173,994.

A deficit balance of \$4,588 was noted in the Emergency Management Fund (Agency) at June 30, 2007 as well as deficit monthly fund balances during the year ended June 30, 2007.

A deficit balance of \$1,913 was noted in the Special Revenue, Commissary Profit Fund at June 30, 2007.

A deficit balance of \$29,553 was noted in the Tax Redemption Fund (Agency) at June 30, 2007.

### **Note 14: Beginning Balance Restatement**

The net assets, beginning of year, have been restated due to the inclusion of land, buildings and equipment and the removal of infrastructure to/from fiscal 2007 and other capital assets that were previously not reported or incorrectly reported. The accumulated depreciation has also been restated for these capital assets. The effect of the restatement on the capital assets was an net increase of \$1,128,212, an increase in accumulated depreciation of \$1,501,911, for a net decrease in net assets beginning of year of \$370,137.

The governmental fund financials were also restated to include the Special Revenue Fund Conservation Fiduciary, previously reported as an Agency Fund. The beginning fund balance was increased by \$3,682.

### **Note 15: 28E Agreement**

Buchanan County participates in an agreement with the Buchanan County Landfill Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the County and member municipalities.

The County has provided a local government guarantee for a portion of the postclosure costs of the Commission in accordance with Chapter 111.6(8) of the Iowa Administrative Code. Total costs of postclosure of the landfill as of June 30, 2007 are equal to the postclosure estimated amounts and the County's financial assurance obligation of that amount is assured.

In the event the Commission fails to perform postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance with 90 days of intent to cancel, the County will perform, or pay a third party to perform, postclosure care or establish a standby trust fund in the name of the Commission or obtain alternate financial assurance in the amount of the assured amount.

**BUCHANAN COUNTY**  
**Independence, 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, 2007

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance Positive (Negative)
				Original	Final	
<b>RECEIPTS:</b>						
Property & Other County Tax	\$6,906,899	\$0	\$6,906,899	\$6,625,817	\$6,625,817	\$281,082
Interest & Penalty on Property Tax	61,368	0	61,368	51,200	51,200	10,168
Intergovernmental	6,014,697	0	6,014,697	5,721,319	5,420,998	593,699
Licenses & Permits	14,166	0	14,166	12,950	12,950	1,216
Charges for Services	506,594	0	506,594	549,500	552,000	(45,406)
Use of Money & Property	324,870	0	324,870	170,605	170,605	154,265
Miscellaneous	121,724	0	121,724	38,000	38,000	83,724
<b>Total Receipts</b>	<b>13,950,318</b>	<b>0</b>	<b>13,950,318</b>	<b>13,169,391</b>	<b>12,871,570</b>	<b>1,078,748</b>
<b>DISBURSEMENTS:</b>						
Public Safety & Legal Services	2,015,258	0	2,015,258	2,598,669	2,236,986	221,728
Physical Health & Social Services	255,825	0	255,825	247,375	329,460	73,635
Mental Health	2,484,949	0	2,484,949	2,688,088	2,688,088	203,139
County Environment & Education	877,810	0	877,810	872,665	890,736	12,926
Roads & Transportation	3,562,013	0	3,562,013	4,551,000	4,551,000	988,987
Governmental Services to Residents	388,330	0	388,330	460,435	470,635	82,305
Administrative Services	1,889,754	0	1,889,754	1,922,126	1,977,126	87,372
Non-program	33,740	0	33,740	37,306	37,306	3,566
Debt Service	186,343	0	186,343	195,251	195,251	8,908
Capital Projects	787,581	0	787,581	932,000	954,800	167,219
<b>Total Disbursements</b>	<b>12,481,603</b>	<b>0</b>	<b>12,481,603</b>	<b>14,504,915</b>	<b>14,331,388</b>	<b>1,849,785</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,468,715	0	1,468,715	(1,335,524)	(1,459,818)	2,928,533
Other Financing Sources, Net	9,575	0	9,575	4,000	4,000	5,575
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	1,478,290	0	1,478,290	(1,331,524)	(1,455,818)	2,934,108
Balance Beginning of Year	3,350,603	476	3,350,127	3,339,554	6,348,496	(2,998,369)
Balance End of Year	\$4,828,893	\$476	\$4,828,417	\$2,008,030	\$4,892,678	\$(64,261)

See Accompanying Independent Auditors' Report

**BUCHANAN COUNTY**  
**Independence, Iowa**

**BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$13,950,318	\$33,132	\$13,983,450
Expenditures	12,481,603	280,936	12,762,539
Net	1,468,715	(247,804)	1,220,911
Other Financing Sources, Net	9,575	0	9,575
Beginning Fund Balances	3,350,603	(526,675)	2,823,928
Decrease in Reserve For: Inventories	0	(54,989)	(54,989)
<b>Ending Fund Balances</b>	<b>\$4,828,893</b>	<b>\$(829,468)</b>	<b>\$3,999,425</b>

See Accompanying Independent Auditors' Report

**Buchanan County**  
Independence, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds and Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$173,527. 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, 2007, disbursements did not exceed the amounts budgeted in any functions, however, disbursements in certain departments exceeded the amounts appropriated.

**BUCHANAN COUNTY**  
**Independence, Iowa**

COMBINING BALANCE SHEET  
**NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2007

	Jail Room and Board	Commissary Profit	Sheriff's Canine	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
<b>ASSETS</b>					
Cash & Pooled Investments: County Treasurer	\$101,834	\$(1,913)	\$5,120	\$223	\$41
Receivables:					
Accounts	0	0	0	0	0
Accrued Interest	0	0	0	0	0
Due from Other Governments	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$101,834</b>	<b>\$(1,913)</b>	<b>\$5,120</b>	<b>\$223</b>	<b>\$41</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$0	\$429	\$0	\$0	\$0
Fund Balances					
Unreserved	101,834	(2,342)	5,120	223	41
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$101,834</b>	<b>\$(1,913)</b>	<b>\$5,120</b>	<b>\$223</b>	<b>\$41</b>

See Accompanying Independent Auditors' Report

**Schedule 1**

REAP	Recorded Records Management	Recorders Electronic Transaction	Nature Center	Drainage	Conservation Fiduciary	Conservation Reserve	Total
\$47,084	\$27,969	\$259	\$27,290	\$476	\$1,049	\$250,859	\$460,291
0	0	0	0	0	0	1,250	1,250
47	36	0	33	0	0	0	116
3,400	0	0	0	0	0	0	3,400
<b>\$50,531</b>	<b>\$28,005</b>	<b>\$259</b>	<b>\$27,323</b>	<b>\$476</b>	<b>\$1,049</b>	<b>\$252,109</b>	<b>\$465,057</b>
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$429
50,531	28,005	0	27,323	476	1,049	252,109	464,628
<b>\$50,531</b>	<b>\$28,005</b>	<b>\$259</b>	<b>\$27,323</b>	<b>\$476</b>	<b>\$1,049</b>	<b>\$252,109</b>	<b>\$465,057</b>

**BUCHANAN COUNTY**  
**Independence, Iowa**

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
**NONMAJOR GOVERNMENTAL FUNDS**  
Year Ended June 30, 2007

	Jail Room and Board	Commissary Profit	Sheriff's Canine	Sheriff's Forfeiture	Sheriff's Federal Forfeiture
<b>REVENUES:</b>					
Intergovernmental	\$0	\$0	\$0	\$0	\$0
Charges for Services	36,113	6,924	0	0	0
Use of Money and Property	0	0	0	0	0
Miscellaneous	0	0	5,120	223	41
<b>Total Revenues</b>	<b>36,113</b>	<b>6,924</b>	<b>5,120</b>	<b>223</b>	<b>41</b>
<b>EXPENDITURES:</b>					
Operating:					
Public Safety and Legal Services	0	9,266	0	0	0
County Environment and Education	0	0	0	0	0
<b>Total Expenditures</b>	<b>0</b>	<b>9,266</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	36,113	(2,342)	5,120	223	41
Other Financing Sources (Uses):					
Operating Transfers Out	(85,000)	0	0	0	0
<b>Net Change in Fund Balances</b>	<b>(48,887)</b>	<b>(2,342)</b>	<b>5,120</b>	<b>223</b>	<b>41</b>
<b>Fund Balances Beginning of Year</b>	<b>150,721</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>\$101,834</b>	<b>\$(2,342)</b>	<b>\$5,120</b>	<b>\$223</b>	<b>\$41</b>

See Accompanying Independent Auditors' Report

Schedule 2

REAP	Recorder's Records Management	Recorder's Electronic Transaction	Nature Center	Drainage	Conservation Fiduciary	Conservation Reserve	Total
\$11,906	\$0	\$0	\$0	\$0	\$0	\$0	\$11,906
0	4,900	0	0	0	0	0	47,937
529	131	11	395	0	0	1,388	2,454
0	0	0	868	0	1,816	2,946	11,014
12,435	5,031	11	1,263	0	1,816	4,334	73,311
0	0	0	0	0	0	0	9,266
0	0	0	0	0	4,449	0	4,449
0	0	0	0	0	4,449	0	13,715
12,435	5,031	11	1,263	0	(2,633)	4,334	59,596
(10,000)	0	0	(10,000)	0	0	(23,746)	(128,746)
2,435	5,031	11	(8,737)	0	(2,633)	(19,412)	(69,150)
48,096	22,974	248	36,060	476	3,682	271,521	533,778
\$50,531	\$28,005	\$259	\$27,323	\$476	\$1,049	\$252,109	\$464,628

**BUCHANAN COUNTY**  
**Independence, Iowa**

COMBINING SCHEDULE OF FIDUCIARY  
 ASSETS AND LIABILITIES  
**AGENCY FUNDS**  
 June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>ASSETS</b>				
Cash and Pooled Investments:				
County Treasurer	\$0	\$2,329	\$67,779	\$133,170
Other County Officials	49,740	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	12	15	725
Succeeding Year	0	168,286	196,147	9,597,274
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
Due From Other Governments	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$49,740</b>	<b>\$170,627</b>	<b>\$263,941</b>	<b>\$9,731,169</b>
<b>LIABILITIES</b>				
Accounts Payable	\$0	\$0	\$0	\$0
Salaries and Benefits Payable	0	0	0	0
Due to Other Governments	0	170,627	259,210	9,731,169
Trusts Payable	49,740	0	0	0
Compensated Absences	0	0	4,731	0
<b>TOTAL LIABILITIES</b>	<b>\$49,740</b>	<b>\$170,627</b>	<b>\$263,941</b>	<b>\$9,731,169</b>

See Accompanying Independent Auditors' Report

**Schedule 3**

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Total
\$9,527	\$63,696	\$2,926	\$398,299	\$125,435	\$803,161
0	0	0	0	0	49,740
42	536	9	0	63	1,402
560,785	4,396,098	194,309	0	860,463	15,973,362
0	0	0	0	15,635	15,635
0	0	0	0	321	321
0	0	0	0	1,858	1,858
<u>\$570,354</u>	<u>\$4,460,330</u>	<u>\$197,244</u>	<u>\$398,299</u>	<u>\$1,003,775</u>	<u>\$16,845,479</u>
\$0	\$0	\$0	\$0	\$1,262	\$1,262
0	0	0	0	455	455
570,354	4,460,330	197,244	398,299	1,023,456	16,810,689
0	0	0	0	(23,153)	26,587
0	0	0	0	1,755	6,486
<u>\$570,354</u>	<u>\$4,460,330</u>	<u>\$197,244</u>	<u>\$398,299</u>	<u>\$1,003,775</u>	<u>\$16,845,479</u>

**BUCHANAN COUNTY**  
**Independence, Iowa**

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY**  
**ASSETS AND LIABILITIES – AGENCY FUNDS**  
Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances Beginning of Year	\$49,159	\$163,751	\$228,883	\$9,160,853
<b>Additions:</b>				
Property and Other County Tax	0	168,290	196,151	9,596,871
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,825	10,122	497,019
Office Fees and Collections	433,746	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	216,823	0	0	0
Miscellaneous	31,017	0	2,126	0
<b>Total Additions</b>	<b>681,586</b>	<b>177,115</b>	<b>208,399</b>	<b>10,093,890</b>
<b>Deductions:</b>				
<b>Agency Remittances:</b>				
To Other Funds	216,517	0	0	0
To Other Governments	250,525	170,239	173,341	9,523,574
Trusts Paid Out	213,963	0	0	0
<b>Total Deductions</b>	<b>681,005</b>	<b>170,239</b>	<b>173,341</b>	<b>9,523,574</b>
Balances End of Year	\$49,740	\$170,627	\$263,941	\$9,731,169

See Accompanying Independent Auditors' Report

**Schedule 4**

Community Colleges	Corporations	Townships	Auto License & Use Tax	Other	Totals
\$688,021	\$4,355,109	\$193,021	\$345,594	\$1,107,559	\$16,291,950
560,118	4,345,167	196,009	0	860,478	15,923,084
0	0	0	0	136,266	136,266
36,416	219,773	10,060	0	44,635	826,850
0	0	0	0	0	433,746
0	0	0	4,492,058	0	4,492,058
0	0	0	0	92,485	92,485
0	0	0	0	1,073	217,896
0	0	0	0	329,733	362,876
596,534	4,564,940	206,069	4,492,058	1,464,670	22,485,261
0	0	0	174,517	78	391,112
714,201	4,459,719	201,846	4,264,836	1,556,460	21,314,741
0	0	0	0	11,916	225,879
714,201	4,459,719	201,846	4,439,353	1,568,454	21,931,732
\$570,354	\$4,460,330	\$197,244	\$398,299	\$1,003,775	\$16,845,479

**BUCHANAN COUNTY**  
**Independence, Iowa**

**SCHEDULE OF REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS**

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
<b>Revenues:</b>					
Property & Other County Tax	\$6,978,285	\$6,468,892	\$6,390,781	\$5,776,781	\$5,200,535
Interest & Penalty On Property Tax	61,435	60,696	65,401	57,370	52,977
Intergovernmental	5,972,865	5,662,227	5,896,416	5,284,982	4,742,734
Licenses & Permits	14,006	16,631	13,907	14,475	12,182
Charges For Service	503,470	515,110	591,508	553,649	537,460
Use of Money & Property	328,005	258,912	150,031	115,019	125,301
Miscellaneous	125,384	215,443	155,551	126,927	158,158
<b>Total</b>	<b>\$13,983,450</b>	<b>\$13,197,911</b>	<b>\$13,263,595</b>	<b>\$11,929,203</b>	<b>\$10,829,347</b>
<b>Expenditures:</b>					
Operating:					
Public Safety & Legal Services	\$1,956,602	\$2,493,081	\$2,397,070	\$2,218,273	\$2,233,465
Physical Health & Social Services	282,550	159,317	169,989	156,274	183,352
Mental Health	2,815,813	2,504,044	2,505,863	2,371,445	2,248,634
County Environment & Education	881,996	830,266	623,719	593,717	617,592
Roads and Transportation	3,626,634	4,434,783	4,398,858	3,212,903	3,441,287
Governmental Services To Residents	372,033	573,061	386,754	334,368	337,830
Administration	1,893,738	1,809,031	1,422,123	1,351,040	1,227,014
Non-program	33,522	32,282	29,224	101,051	35,563
Debt Services	186,343	182,283	106,441	239,299	252,078
Capital Projects	713,308	905,675	934,422	338,056	241,242
<b>Total</b>	<b>\$12,762,539</b>	<b>\$13,923,823</b>	<b>\$12,974,463</b>	<b>\$10,916,426</b>	<b>\$10,818,057</b>

See Accompanying Independent Auditors' Report



**Gardiner Thomsen**  
Certified Public Accountants

## **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***

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To the Officials of Buchanan County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buchanan County, Iowa, as of and for the years ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 25, 2008. We conducted our audit in accordance with the 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 Buchanan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Buchanan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Buchanan County's internal control over financial reporting.

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

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buchanan 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 tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Buchanan County and other parties to whom Buchanan 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 the personnel of Buchanan 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, 2008

*Gardiner Thomsen, P.C.*

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS  
Year Ended June 30, 2007

**Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES**

- A **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine 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. Responsibility for the custody of receipts and for the record keeping and reconciling functions for the County Treasurer’s office are not segregated due to small office size. Also, an independent person does not approve bank wire transfers for investments.

*Recommendation* – We realize that with a limited number of office employees, segregation of duties is difficult. However, the 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.

*Conclusion* – Response accepted.

- B **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, and capital assets not recorded or incorrectly recorded in the County’s financial statements. Material amounts of infrastructure were removed due to duplicate entries and the historic cost on material amounts of infrastructure were incorrect. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

*Recommendation* – The County should implement procedures to ensure all receivables, payables and capital assets are identified and included in the County’s financial statements.

*Response* – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

*Conclusion* – Response accepted.

- C **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Buchanan County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

*Recommendation* – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2007

**Findings Related to the Financial Statements (Continued)**

*Response* – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

*Conclusion* – Response acknowledged.

**INSTANCES OF NON-COMPLAINE:**

No matters were reported.

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

- 1 **Certified Budget** – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in any function. Disbursements exceeded amounts appropriated in several departments during the year ended June 30, 2007.

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

*Response* – We appropriated by department, for example, Sheriff, Treasurer, Mental Health. There are several line items in each department. For example, Task Force and Fusion are included with the Sheriff's appropriation.

*Conclusion* – Response acknowledged.

- 2 **Questionable Expenditures** – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows :

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Old Mill Pizza	Haz Mat Training	\$75

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

*Recommendation* – The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

*Response* – We will document this in the future.

*Conclusion* – Response accepted.

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2007

**Other Findings Related to Required Statutory Reporting: (Continued)**

- 3     **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 4     **Business Transaction** – We noted no business transactions between the County and County officials or employees.
- 5     **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.
- 6     **Board Minutes** – We noted no resolution to approve the closure of the Agency Fund, Advance Auto, documented in the minutes. In addition, not all the minutes were provided to the publisher within one week of a meeting, as required by Chapter 349.18 of the Code of Iowa. The schedule of bills allowed is only published monthly, rather than with the Board Minutes publication.

*Recommendation* – The closure of any fund should be approved by a Board Resolution. Minutes should be provided to the newspaper within a week of a meeting of the Supervisors. Chapter 349.18 of the Code of Iowa requires the schedule of bills allowed to be published after each board proceeding.

*Response* – Treasurer : I wasn't aware that a resolution was required to close a Treasurer's fund. Auditor : The minutes not being published timely was on one occasion and was an oversight on my part. When it was discovered, the minutes were provided to the publisher. We only publish the schedule of bills allowed once a month due to high publication costs.

*Conclusion* – Response acknowledged.

- 7     **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa were noted. Several instances of non-compliance with the County's investment policy were noted.

*Recommendation* – The County should review the current investment policy and make the change necessary to ensure compliance.

*Response* – It appears that the current Investment Policy does need some editing and follow up's on County insurance.

- 8     **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- 9     **Economic Development** – During the year ended June 30, 2007, the County spent \$173,234 for economic development which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

**BUCHANAN COUNTY**  
**Independence, Iowa**

SCHEDULE OF FINDINGS (CONTINUED)  
Year Ended June 30, 2007

**Other Findings Related to Required Statutory Reporting: (Continued)**

- 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 during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

- 11     **Financial Condition** – The Special Revenue Funds, Mental Health and Commissary Profit, had deficit balances of \$88,230 and \$2,342 respectively at June 30, 2007. The Internal Service Fund, Health Insurance had a deficit balance in Net Assets of \$172,994 at June 30, 2007.

The Agency Funds, Emergency Management and Tax Redemption, had deficit balances of \$2,711 and \$29,553 respectively at June 30, 2007.

Monthly deficit balances were also noted during the year ended June 30, 2007.

*Recommendation* – The County should determine a method to eliminate the deficit balances.

*Response* – We will watch these funds more closely and work with the departments to monitor them more closely. Health insurance contributions were increased 8% for fiscal year 2008, to eliminate that deficit.

*Conclusion* – Response accepted.

- 12     **Separately Maintained Accounts** – We noted several 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* – We turned over most of the accounts to the Treasurer in fiscal 2007. We still have several accounts and need to determine whether they should be turned over to the Treasurer.

*Conclusion* – Response acknowledged.

## News Release

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

The County had local tax revenue of \$22,848,178 for the year ended June 30, 2007, which included \$1,156,168 in tax credits from the State. The County then forwarded \$16,261,530 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$6,586,948 of the local tax revenue to finance County operations, a 13% increase from the prior year. Other revenues included charges for service of \$1,347,711, operating grants, contributions and restricted interest of \$4,441,286, unrestricted investment earnings of \$242,711 and other general revenues of \$944,015.

Expenses for the County operations totaled \$12,833,568, a 4% decrease from the prior year. Expenses included \$4,499,405 for Roads and Transportation, \$2,821,646 for Mental Health, and \$2,081,925 for Administration.

The significant increase/decrease in revenues and expenses is due primarily to increased Intergovernmental revenues and decreased Roads and Transportation expenses, respectively.

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

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