

GUTHRIE COUNTY

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

JUNE 30, 2007

TABLE OF CONTENTS

| | Page |
|--|-------|
| OFFICIALS | 3 |
| INDEPENDENT AUDITOR’S REPORT | 4-5 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) | 6-12 |
| BASIC FINANCIAL STATEMENTS | |
| Exhibit | |
| Government-Wide Financial Statements: | |
| A Statement of Net Assets | 14-15 |
| B Statement of Activities | 16 |
| Governmental Fund Financial Statements: | |
| C Balance Sheet | 18-21 |
| D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets | 22 |
| E Statement of Revenues, Expenditures and Changes in Fund Balances | 24-25 |
| F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities | 26 |
| Proprietary Fund Financial Statements: | |
| G Statement of Net Assets | 27 |
| H Statement of Revenues, Expenses, and Changes in Net Assets | 28 |
| I Statement of Cash Flows | 29 |
| Fiduciary Fund Financial Statements: | |
| J Statement of Fiduciary Assets and Liabilities – Agency Funds | 30 |
| Notes to Financial Statements | 31-47 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds | 50-51 |
| Budget to GAAP Reconciliation | 52 |
| Notes to Required Supplementary Information – Budgetary Reporting | 53 |
| OTHER SUPPLEMENTARY INFORMATION: | |
| Schedule | |
| Nonmajor Governmental Funds: | |
| 1 Combining Balance Sheet | 56-59 |
| 2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 60-63 |
| Agency Funds: | |
| 3 Combining Schedule of Fiduciary Assets and Liabilities | 64-67 |
| 4 Combining Schedule of Changes in Fiduciary Assets and Liabilities | 68-71 |
| 5 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds | 72 |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 73-74 |
| SCHEDULE OF FINDINGS | 75-80 |

GUTHRIE COUNTY

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------|----------------------|--------------------------------|
| (Before January 2007) | | |
| Larry Laughery | Board of Supervisors | Jan. 2007 |
| Jim Peterson | Board of Supervisors | Jan. 2007 |
| Kevin Wirt | Board of Supervisors | Jan. 2007 |
| Jerome Caraher | Board of Supervisors | Jan. 2009 |
| Lonnie Bench | Board of Supervisors | Jan. 2009 |
| John Rutledge | County Auditor | Jan. 2009 |
| Marcia Kindred | County Treasurer | Jan. 2007 |
| Jacki Sloss | County Recorder | Jan. 2007 |
| Roger Baird | County Sheriff | Jan. 2009 |
| Mary Benton | County Attorney | Jan. 2007 |
| Barry Stetzel | County Assessor | Jan. 2010 |
| (After January 2007) | | |
| Larry Laughery | Board of Supervisors | Jan. 2011 |
| Jim Peterson | Board of Supervisors | Jan. 2011 |
| Kevin Wirt | Board of Supervisors | Jan. 2011 |
| Jerome Caraher | Board of Supervisors | Jan. 2009 |
| Lonnie Bench | Board of Supervisors | Jan. 2009 |
| John Rutledge | County Auditor | (Resigned April 2007) |
| Jerri Christman | County Auditor | (Appointed May 2007) Jan. 2009 |
| Marcia Kindred | County Treasurer | Jan. 2011 |
| Jacki Sloss | County Recorder | Jan. 2011 |
| Roger Baird | County Sheriff | Jan. 2009 |
| Mary Benton | County Attorney | Jan. 2011 |
| Barry Stetzel | County Assessor | Jan. 2010 |

INDEPENDENT AUDITOR'S REPORT

To the Officials of Guthrie County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Guthrie 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 Guthrie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Guthrie County as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2008 on our consideration of Guthrie County's internal control over financial reporting and on 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 6 through 12 and 50 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Guthrie County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

Oskaloosa, Iowa
February 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Guthrie County provides this Management's Discussion and Analysis of our June 30, 2007 fiscal year end financial statements. This analysis is to be read in conjunction with the County's audited financial statements.

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.

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

Governmental Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the county's operations in more detail than the Government-Wide Financial Statements by showing more detailed information by fund. There are also financial statements relating to the County's Proprietary Fund which is an internal service fund for the employee group health insurance.

Notes to Financial Statements provide additional information essential to fully understand the data provided in the Basic Financial Statements.

Required Supplementary Information includes Budgetary Comparison Schedules and Notes to Required Supplementary Information. This information supports the basic financial statements and gives comparative information between actual and budgeted amounts.

Other Supplementary Information provides detailed information about Nonmajor Governmental Funds and Agency Funds.

The annual financial report ends with the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters and the Schedule of Findings.

DESCRIPTION OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements:

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this

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

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

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

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, and interest on long-term debt. General revenues are also shown with property taxes making up 70.76% of the total general revenues.

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, and 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads, the Urban Renewal Fund and other non-major Special Revenue Funds. 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. A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Agency Funds that account for townships, schools or the County Assessor, for example. The required financial statements for fiduciary funds are a statement of fiduciary assets and liabilities and a schedule of changes in fiduciary assets and liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets can serve over time as a useful indicator of the financial position of the county. See Net Assets for Guthrie County in Table 1 below:

Table 1: Net Assets of Governmental Activities

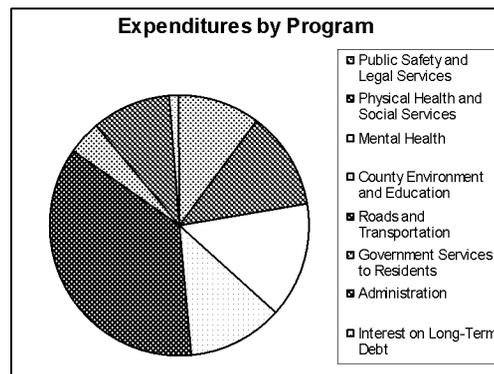
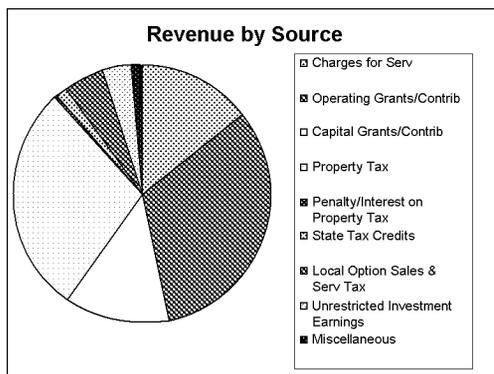
| | June 30, | |
|---|--------------|--------------|
| | 2007 | 2006 |
| Current and Other Assets | \$11,944,725 | \$11,437,372 |
| Capital Assets, Net of Accumulated Depreciation | 8,347,466 | 6,791,425 |
| Total Assets | 20,292,191 | 18,228,797 |
| Long-Term Liabilities | 2,313,701 | 3,703,647 |
| Other Liabilities | 3,946,808 | 2,585,561 |
| Total Liabilities | 6,260,509 | 6,289,208 |
| Net Assets: | | |
| Invested in Capital Assets, Net of Related Debt | 6,514,966 | 4,702,425 |
| Restricted | 4,806,755 | 4,398,495 |
| Unrestricted | 2,709,961 | 2,838,669 |
| Total Net Assets | \$14,031,682 | \$11,939,589 |

Total Net Assets increased 17.52% or \$2,092,093 from 2006 to 2007. The largest portion of the County’s Net Assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less related debt. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased \$128,708 from 2006 to 2007, a decrease of 4.53%. For a summary of capital assets activity for 2007 please see Note 4 in the Notes to Financial Statements.

Table 2 shows the changes (revenues and expenses) in Net Assets. The two pie graphs following the table depict the revenues and expenses for 2007 by category.

Table 2: Changes in Net Assets of Governmental Activities

| | June 30, | |
|--|---------------------|---------------------|
| | 2007 | 2006 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$1,597,742 | \$1,428,561 |
| Operating Grants, Contributions, and Restricted Interest | 3,601,701 | 3,770,110 |
| Capital Grants, Contributions, and Restricted Interest | 1,449,642 | 256,313 |
| General Revenues: | | |
| Property Tax | 3,180,827 | 3,747,888 |
| Penalty and Interest on Property Tax | 41,124 | 45,264 |
| State Tax Credits | 151,010 | 188,011 |
| Local Option Sales and Service Tax | 606,514 | 656,937 |
| Unrestricted Investment Earnings | 348,853 | 216,978 |
| Miscellaneous | 166,837 | 354,317 |
| Total Revenues | 11,144,250 | 10,664,379 |
| Program Expenses: | | |
| Public Safety and Legal Services | 941,862 | 899,171 |
| Physical Health and Social Services | 1,085,149 | 948,552 |
| Mental Health | 1,280,659 | 1,153,323 |
| County Environment and Education | 1,077,058 | 952,675 |
| Roads and Transportation | 3,275,414 | 3,689,781 |
| Government Services to Residents | 396,165 | 471,876 |
| Administration | 887,519 | 751,691 |
| Interest on Long-Term Debt | 108,331 | 116,598 |
| Total Expenses | 9,052,157 | 8,983,667 |
| Change in Net Assets | 2,092,093 | 1,680,712 |
| Net Assets Beginning of Year | 11,939,589 | 10,258,877 |
| Net Assets End of Year | \$14,031,682 | \$11,939,589 |



Guthrie County's Governmental Activities Net Assets increased 17.52% during the year. Total revenue increased \$479,871 from 2006, or 4.50%, with operating grants, contributions and restricted interest making up 32.32% of total revenue in 2007. Total expenditures increased by .76%, or \$68,490, over 2006 with roads and transportation making up the largest percentage of total expenditures at 36.18%, which can also be seen in the Expenditures by Program pie chart.

INDIVIDUAL MAJOR FUND ANALYSIS

As Guthrie County completed the year, its governmental funds reported a combined fund balance of \$7,630,024, an increase of \$255,674 from last year's \$7,374,350. The following are the major reasons for changes in the fund balances of the major funds from the prior year:

- General Fund revenues decreased \$269,774 or 6.99% from 2006. The ending fund balance decreased \$316,038 to \$2,832,852.
- Mental Health Fund balance at the end of the year was (\$137,804) a decrease of \$230,932. Total expenditures were \$1,280,659, up 11.04% from 2006. Revenues for the same period were down \$357,384, or 25.40%
- Revenue for Rural Services increased \$48,196 and expenditures increased \$105,090. Interfund transfers out to Secondary Roads totaled \$827,392, resulting in an ending fund balance of \$1,427,783.
- Secondary Roads expenditures decreased \$492,288 or 12.65%. Revenues also decreased. They decreased 8.77%, or \$265,505. Secondary Roads also showed other financing sources from the sale of capital assets and transfers in. The ending fund balance was \$2,896,076, an increase of \$666,912.

BUDGETARY HIGHLIGHTS

Over the course of the year, Guthrie County amended its budget one time. The amendment was made in May 2007 and resulted in an increase in expenditures of \$350,119 relating to Secondary Roads, District Court, Mental Health, Airport, County Environment and Education, and Administration. Revenues were increased \$38,004 relating to the Use of Money & Property and Miscellaneous Revenues.

The County's total receipts were \$947,351 more than the final budget amount. Actual receipts for Use of Money and Property was \$220,855 more than the final budgeted amount. Actual receipts for Miscellaneous Revenues were \$294,531 more than budgeted.

Total disbursements were \$1,278,946 less than the amended budget. Actual disbursements for Roads and Transportation were \$508,635 less than budgeted.

The total fund balance as of year end was \$2,765,234 greater than what had been budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At June 30, 2007 Guthrie County had \$8,347,466 (net of accumulated depreciation of \$4,519,718) invested in a broad range of capital assets, including land, buildings, machinery and equipment, and infrastructure, including roads and bridges. The increase in net capital assets as of June 30, 2007 was \$1,556,041. Please refer to Table 3 below:

Table 3: Net Capital Assets of Governmental Activities at Year End

| | June 30, | |
|-----------------------------------|--------------------|--------------------|
| | 2007 | 2006 |
| Land | \$1,300,196 | \$1,300,196 |
| Construction in Progress | 48,000 | 0 |
| Buildings | 1,023,084 | 1,070,685 |
| Improvements other than Buildings | 22,777 | 23,887 |
| Machinery and Equipment | 2,838,870 | 2,742,162 |
| Infrastructure | 3,114,539 | 1,654,495 |
| | <u>\$8,347,466</u> | <u>\$6,791,425</u> |

The county had depreciation expense of \$560,393 in fiscal year 2007 and total accumulated depreciation of \$4,519,718 at June 30, 2007. Please see Note 4 to the financial statements for additional information.

Long-Term Liabilities:

At June 30, 2007 Guthrie County had long-term liabilities of \$2,313,701 compared to \$2,585,561 at June 30, 2006. Please see Note 6 in the financial statements for more detailed information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Guthrie County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various County activities. One of those factors in the economy is the unemployment rate. Guthrie County's unemployment rate in June 2007 was 3.6%, one tenth of a percentage point higher than June 2006's 3.5%. In June 2007 Iowa's unemployment rate was 3.8%

Postage rates were increased in May 2007 with another one cent increase expected in May 2008. This will affect offices doing high volumes of mail. With 2008 being a general election year these increases will have a major effect.

Continual rising fuel costs will affect budgets, in particular Secondary Roads Department and the Sheriff Department.

A new three year union contract with Teamsters Local Union No. 238, Secondary Roads Department takes effect July 1, 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Guthrie County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Guthrie County Auditor's Office, 200 North 5th Street, Guthrie Center, IA 50115.

Basic Financial Statements

GUTHRIE COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Cash and pooled investments: | |
| County Treasurer | \$ 6,949,127 |
| Held by component unit treasurers | 344,335 |
| Other County officials | 50 |
| Receivables: | |
| Property tax: | |
| Delinquent | 22,530 |
| Succeeding year | 3,264,000 |
| Interest and penalty on property tax | 85,372 |
| Accounts | 92,471 |
| Accrued interest | 82,085 |
| Due from other governments | 374,319 |
| Inventories | 641,106 |
| Prepaid expenses | 89,330 |
| Capital assets, net of accumulated depreciation (note 4) | <u>8,347,466</u> |
| Total assets | <u>20,292,191</u> |
| Liabilities | |
| Accounts payable | 295,074 |
| Salaries and benefits payable | 60,736 |
| Due to other governments (note 5) | 214,121 |
| Accrued interest payable | 7,877 |
| Claims incurred but not reported | 105,000 |
| Deferred revenue: | |
| Succeeding year property tax | 3,264,000 |
| Long-term liabilities (note 6): | |
| Portion due or payable within one year: | |
| Tax increment urban renewal bonds | 250,000 |
| Compensated absences | 137,869 |
| Portion due or payable after one year: | |
| Tax increment urban renewal bonds | 1,582,500 |
| Estimated liability for landfill closure and postclosure care | 294,925 |
| Compensated absences | <u>48,407</u> |
| Total liabilities | <u>6,260,509</u> |

GUTHRIE COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net Assets | |
| Invested in capital assets, net of related debt | \$ 6,514,966 |
| Restricted for: | |
| Supplemental levy purposes | 212,891 |
| Rural services | 1,130,791 |
| Secondary roads | 2,801,392 |
| Other special revenue purposes | 611,656 |
| Unrestricted | <u>2,759,986</u> |
| Total net assets | <u>\$ 14,031,682</u> |

See notes to financial statements.

GUTHRIE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and and Changes in Net Assets |
|---|---------------------|-------------------------|---|--|---|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Governmental Activities: | | | | | |
| Public safety and legal services | \$ 941,862 | \$ 66,591 | \$ 6,241 | \$ - | (869,030) |
| Physical health and social services | 1,085,149 | 551,489 | 291,611 | - | (242,049) |
| Mental health | 1,280,659 | 22,106 | 594,047 | - | (664,506) |
| County environment and education | 1,077,058 | 533,383 | 17,269 | - | (526,406) |
| Roads and transportation | 3,275,414 | 72,679 | 2,686,782 | 1,449,642 | 933,689 |
| Government services to residents | 396,165 | 282,849 | 3,296 | - | (110,020) |
| Administration | 887,519 | 68,645 | - | - | (818,874) |
| Interest on long-term debt | 108,331 | - | 2,455 | - | (105,876) |
| Total | <u>\$ 9,052,157</u> | <u>\$ 1,597,742</u> | <u>\$ 3,601,701</u> | <u>\$ 1,449,642</u> | <u>(2,403,072)</u> |
| General Revenues: | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 3,180,827 |
| Penalty and interest on property tax | | | | | 41,124 |
| State tax credits | | | | | 151,010 |
| Local option sales and services tax | | | | | 606,514 |
| Unrestricted investment earnings | | | | | 348,853 |
| Miscellaneous | | | | | <u>166,837</u> |
| Total general revenues | | | | | <u>4,495,165</u> |
| Change in net assets | | | | | 2,092,093 |
| Net assets beginning of year | | | | | <u>11,939,589</u> |
| Net assets end of year | | | | | <u>\$ 14,031,682</u> |

See notes to financial statements.

This page intentionally left blank

GUTHRIE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

| | Special Revenue | | | |
|--------------------------------------|---------------------|-------------------|---------------------|---------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ 2,624,573 | \$ 181,243 | \$ 1,309,203 | \$ 2,094,940 |
| Held by component unit treasurers | - | - | - | - |
| Other County officials | - | - | - | 50 |
| Advances to other funds (note 7) | 42,277 | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 15,218 | 3,500 | 3,812 | - |
| Succeeding year | 1,739,000 | 580,000 | 566,000 | - |
| Interest and penalty on property tax | 85,372 | - | - | - |
| Accounts | 16,484 | 22 | 72,688 | 3,277 |
| Accrued interest | 79,489 | - | - | - |
| Due from other governments | 67,582 | 1,393 | 87,744 | 217,600 |
| Inventories | - | - | - | 641,106 |
| Prepaid expenses | 46,073 | - | 2,952 | 40,305 |
| Total assets | <u>\$ 4,716,068</u> | <u>\$ 766,158</u> | <u>\$ 2,042,399</u> | <u>\$ 2,997,278</u> |

| <u>Urban Renewal</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------|--|---|
| \$ 41,581 | \$ 268,814 | \$ 6,520,354 |
| - | 344,335 | 344,335 |
| - | - | 50 |
| - | - | 42,277 |
| - | - | 22,530 |
| 379,000 | - | 3,264,000 |
| - | - | 85,372 |
| - | - | 92,471 |
| 157 | 822 | 80,468 |
| - | - | 374,319 |
| - | - | 641,106 |
| - | - | 89,330 |
| \$ 420,738 | \$ 613,971 | \$ 11,556,612 |

GUTHRIE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

| | Special Revenue | | | |
|---|---------------------|-------------------|---------------------|---------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Advances from other funds (note 7) | \$ - | \$ - | \$ - | - |
| Accounts payable | 25,223 | 106,341 | 43,268 | 60,405 |
| Salaries and benefits payable | 18,403 | - | 1,536 | 40,797 |
| Due to other governments (note 5) | - | 214,121 | - | - |
| Deferred revenue: | | | | |
| Succeeding year property tax | 1,739,000 | 580,000 | 566,000 | - |
| Other | 100,590 | 3,500 | 3,812 | - |
| Total liabilities | 1,883,216 | 903,962 | 614,616 | 101,202 |
| Fund balance: | | | | |
| Reserved for: | | | | |
| Inventories | - | - | - | 641,106 |
| Prepaid expenses | 46,073 | - | 2,952 | 40,305 |
| Supplemental levy purposes | 221,309 | - | - | - |
| Conservation purposes | - | - | - | - |
| Advances to other funds | 42,277 | - | - | - |
| Unreserved: | | | | |
| Designated for closure and postclosure care | - | - | - | - |
| Undesignated, reported in: | | | | |
| General fund | 2,523,193 | - | - | - |
| Special revenue funds | - | (137,804) | 1,424,831 | 2,214,665 |
| Total fund balances | 2,832,852 | (137,804) | 1,427,783 | 2,896,076 |
| Total liabilities and fund balances | \$ 4,716,068 | \$ 766,158 | \$ 2,042,399 | \$ 2,997,278 |

See notes to financial statements.

| <u>Urban Renewal</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------|--|---|
| \$ 42,277 | \$ - | \$ 42,277 |
| - | 2,315 | 237,552 |
| - | - | 60,736 |
| - | - | 214,121 |
| 379,000 | - | 3,264,000 |
| - | - | 107,902 |
| <u>421,277</u> | <u>2,315</u> | <u>3,926,588</u> |
| - | - | 641,106 |
| - | - | 89,330 |
| - | - | 221,309 |
| - | 440,878 | 440,878 |
| - | - | 42,277 |
| - | 10,000 | 10,000 |
| - | - | 2,523,193 |
| <u>(539)</u> | <u>160,778</u> | <u>3,661,931</u> |
| <u>(539)</u> | <u>611,656</u> | <u>7,630,024</u> |
| <u>\$ 420,738</u> | <u>\$ 613,971</u> | <u>\$ 11,556,612</u> |

GUTHRIE COUNTY

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

| | | |
|--|----|--------------------------|
| Total fund balances of governmental funds | \$ | 7,630,024 |
| 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 as assets in the governmental funds. The cost of assets is \$12,867,184 and the accumulated depreciation is \$4,519,718. | | 8,347,466 |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | | 107,902 |
| The Internal Service Fund is used by management to charge the costs of the 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. | | 267,868 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | | (7,877) |
| Long-term liabilities, including bonds payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | <u>(2,313,701)</u> |
| Net assets of governmental activities | \$ | <u><u>14,031,682</u></u> |
| See notes to financial statements. | | |

This page intentionally left blank

GUTHRIE COUNTY

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

| | General | Special Revenue | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other County tax | \$ 1,784,376 | \$ 410,407 | \$ 1,166,774 | \$ - |
| Interest and penalty on property tax | 36,024 | - | - | - |
| Intergovernmental | 858,638 | 638,594 | 99,046 | 2,710,672 |
| Licenses and permits | 33,093 | - | - | 1,570 |
| Charges for service | 413,292 | - | 37,244 | 71 |
| Use of money and property | 379,031 | 150 | 641 | 2,535 |
| Miscellaneous | 87,858 | 576 | 350,395 | 47,148 |
| Total revenues | <u>3,592,312</u> | <u>1,049,727</u> | <u>1,654,100</u> | <u>2,761,996</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 938,446 | - | - | - |
| Physical health and social services | 1,047,736 | - | - | - |
| Mental health | - | 1,280,659 | - | - |
| County environment and education | 298,230 | - | 655,431 | - |
| Roads and transportation | - | - | 34,737 | 3,296,071 |
| Government services to residents | 388,663 | - | - | - |
| Administration | 862,627 | - | - | 45,062 |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | 58,503 |
| Total expenditures | <u>3,535,702</u> | <u>1,280,659</u> | <u>690,168</u> | <u>3,399,636</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>56,610</u> | <u>(230,932)</u> | <u>963,932</u> | <u>(637,640)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 2,794 | - | - | 116,666 |
| Interfund transfers in (note 3) | - | - | - | 1,187,886 |
| Interfund transfers out (note 3) | (375,442) | - | (827,392) | - |
| Total other financing sources (uses) | <u>(372,648)</u> | <u>-</u> | <u>(827,392)</u> | <u>1,304,552</u> |
| Net change in fund balances | (316,038) | (230,932) | 136,540 | 666,912 |
| Fund balances beginning of year | <u>3,148,890</u> | <u>93,128</u> | <u>1,291,243</u> | <u>2,229,164</u> |
| Fund balances end of year | <u>\$ 2,832,852</u> | <u>\$ (137,804)</u> | <u>\$ 1,427,783</u> | <u>\$ 2,896,076</u> |

See notes to financial statements.

| Urban Renewal | Nonmajor Governmental Funds | Total |
|------------------|-----------------------------------|--------------|
| \$ 440,502 | \$ - | \$ 3,802,059 |
| - | - | 36,024 |
| 237 | 14,551 | 4,321,738 |
| - | - | 34,663 |
| - | 3,729 | 454,336 |
| 2,547 | 17,874 | 402,778 |
| - | 33,412 | 519,389 |
| 443,286 | 69,566 | 9,570,987 |
| - | 5,491 | 943,937 |
| - | - | 1,047,736 |
| - | - | 1,280,659 |
| - | 157,681 | 1,111,342 |
| - | - | 3,330,808 |
| - | 232 | 388,895 |
| - | - | 907,689 |
| 365,204 | - | 365,204 |
| - | - | 58,503 |
| 365,204 | 163,404 | 9,434,773 |
| 78,082 | (93,838) | 136,214 |
| - | - | 119,460 |
| - | 14,962 | 1,202,848 |
| - | (14) | (1,202,848) |
| - | 14,948 | 119,460 |
| 78,082 | (78,890) | 255,674 |
| (78,621) | 690,546 | 7,374,350 |
| \$ (539) | \$ 611,656 | \$ 7,630,024 |

GUTHRIE COUNTY

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 \$ 255,674

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. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

| | | | |
|---|-----------------|------------|-----------|
| | Capital outlays | \$ 666,792 | |
| Capital assets contributed by the Iowa Department of Transportation | | 1,449,642 | |
| Depreciation expense | | (560,393) | 1,556,041 |

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

| | | | |
|--------------------------------------|--------------|----------|---------|
| | Property tax | (14,716) | |
| Penalty and interest on property tax | | 5,100 | (9,616) |

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net
Assets. 256,500

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

| | | | |
|----------------------------|--|----------|--------|
| | Adjustment to estimated costs for closure and postclosure care | 76,657 | |
| Compensated absences | | (61,297) | |
| Interest on long-term debt | | 373 | 15,733 |

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. 17,761

Change in net assets of governmental activities \$ 2,092,093

See notes to financial statements.

GUTHRIE COUNTY
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2007

| | <u>Internal Service - Employee Group Health</u> |
|----------------------------------|---|
| Assets | |
| Cash and cash equivalents | \$ 428,773 |
| Accrued interest | <u>1,617</u> |
| Total assets | <u>430,390</u> |
| Liabilities | |
| Accounts payable | 57,522 |
| Claims incurred but not reported | <u>105,000</u> |
| Total liabilities | <u>162,522</u> |
| Net Assets | |
| Unrestricted | <u><u>\$ 267,868</u></u> |

See notes to financial statements.

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

| | <u>Internal Service - Employee Group Health</u> |
|--|---|
| Operating revenues: | |
| Reimbursements from operating funds | \$ 858,908 |
| Reimbursements from employees | 9,660 |
| Insurance reimbursements | <u>71,642</u> |
| Total operating revenues | <u>940,210</u> |
| Operating expenses: | |
| Medical and health services | 779,081 |
| Health plan administration and stop loss insurance | <u>157,145</u> |
| Total operating expenses | <u>936,226</u> |
| Operating income | 3,984 |
| Non-operating revenues: | |
| Interest income | <u>13,777</u> |
| Net income | 17,761 |
| Net assets beginning of year | <u>250,107</u> |
| Net assets end of year | <u>\$ 267,868</u> |

See notes to financial statements.

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

| | <u>Internal Service - Employee Group Health</u> |
|---|---|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 858,908 |
| Cash received from employees and others | 81,302 |
| Cash paid for health claims | (798,968) |
| Cash paid for administrative services and stop loss insurance | <u>(157,145)</u> |
| Net cash used in operating activities | <u>(15,903)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>15,566</u> |
| Net decrease in cash and cash equivalents | (337) |
| Cash and cash equivalents at beginning of year | <u>429,110</u> |
| Cash and cash equivalents at end of year | <u>\$ 428,773</u> |
| Reconciliation of operating income to net cash used in operating activities: | |
| Operating income | \$ 3,984 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| (Decrease) in accounts payable | (4,887) |
| (Decrease) in claims incurred but not reported | <u>(15,000)</u> |
| Net cash used in operating activities | <u>\$ (15,903)</u> |

See notes to financial statements.

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

| | |
|-----------------------------------|----------------------|
| Assets | |
| Cash and pooled investments: | |
| County Treasurer | \$ 695,814 |
| Other County officials | 21,721 |
| Receivables: | |
| Property tax: | |
| Delinquent | 92,891 |
| Succeeding year | 12,053,000 |
| Accrued interest | 1 |
| Special Assessments: | |
| Delinquent | 17,827 |
| Current year | 65,124 |
| Drainage assessments | 11,116 |
| Prepaid expenses | <u>2,684</u> |
| Total assets | <u>\$ 12,960,178</u> |
| Liabilities | |
| Accounts payable | 27,283 |
| Due to other governments (note 7) | 12,912,737 |
| Trusts payable | 7,797 |
| Compensated absences | <u>12,361</u> |
| Total liabilities | <u>\$ 12,960,178</u> |

See notes to financial statements.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies

Guthrie 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 accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Guthrie 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 Guthrie 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.

Ten 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 Guthrie County Board of Supervisors. These drainage districts are reported as a Special Revenue Fund. The County has other drainage districts that are managed and supervised by elected trustees. The financial transactions of these districts are reported as an Agency Fund. Financial information of the drainage districts can be obtained from the Guthrie County Auditor's office.

The Prairie Woodland Conservation Foundation (formerly the Guthrie County Conservation Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of environmental education and conservation projects which are not included in the County's budget.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

The Guthrie County Historical Village Foundation (formerly the Turn of the Century Museum Foundation) is an entity which is legally separate from the County, but is so intertwined with the County that it is, in substance, part of the County. It is reported as a Special Revenue Fund. This Foundation has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Guthrie County Conservation Board. These donations are to be used for development and enhancement of museum projects and activities which are not included in the County's budget.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Guthrie County Assessor's Conference Board and Guthrie County Joint E-911 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.

The County also participates in several jointly governed organizations for which the County is not financially accountable or the nature and significance of the relationship with the County are such that exclusion does not cause the County's financial statements to be misleading or incomplete. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Area XII Alcoholism and Drug Treatment Unit, Community Opportunities, Inc., South Central Youth and Family Services Commission, Area XII Council of Governments, Western Iowa Tourism, South Central Iowa Regional E-911 Service Board and the Guthrie County Regional Airport Authority.

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 that are imposed by management, which can be removed or modified.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 secondary road construction and maintenance.

The Urban Renewal Revenue Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal districts and used to pay the principal and interest on the tax increment urban renewal revenue bonds and other indebtedness incurred for urban renewal projects.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are 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.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for 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, they 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% 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.

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

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings | 40-50 |
| Improvements other than buildings | 20-50 |
| Infrastructure | 30-50 |
| Equipment | 2-20 |
| Vehicles | 3-10 |

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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.

Advances to/from Other Funds – Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

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, the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the 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 absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the 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 Balances – 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.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Mental Health function prior to amendment and at year end and disbursements in certain departments exceeded the amounts appropriated prior to amending the appropriations and at year end.

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. The 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's funds are all deposited in financial institution depository accounts.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 3. Interfund Transfers

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---|---|---------------------|
| Special Revenue: Secondary Roads | General | \$ 360,494 |
| | Special Revenue: Rural Services | 827,392 |
| County Recorder's Records Management | County Recorder's Electronic Transaction Fee | 14 |
| Conservation Land Acquisition | General | <u>14,948</u> |
| | | <u>\$ 1,202,848</u> |

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

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|---------------------------------|---------------------|----------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,300,196 | \$ - | - | \$ 1,300,196 |
| Construction in progress | - | 48,000 | - | 48,000 |
| Total capital assets not being depreciated | <u>1,300,196</u> | <u>48,000</u> | <u>-</u> | <u>1,348,196</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 2,112,746 | - | - | 2,112,746 |
| Improvements other than buildings | 26,702 | - | - | 26,702 |
| Machinery and equipment | 6,105,473 | 540,332 | 498,439 | 6,147,366 |
| Infrastructure | 1,704,072 | 1,528,102 | - | 3,232,174 |
| Total capital assets being depreciated | <u>9,948,993</u> | <u>2,068,434</u> | <u>498,439</u> | <u>11,518,988</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,042,061 | 47,601 | - | 1,089,662 |
| Improvements other than buildings | 2,815 | 1,110 | - | 3,925 |
| Machinery and equipment | 3,363,311 | 443,624 | 498,439 | 3,308,496 |
| Infrastructure | 49,577 | 68,058 | - | 117,635 |
| Total accumulated depreciation | <u>4,457,764</u> | <u>560,393</u> | <u>498,439</u> | <u>4,519,718</u> |
| Total capital assets being depreciated, net | <u>5,491,229</u> | <u>1,508,041</u> | <u>-</u> | <u>6,999,270</u> |
| Governmental activities capital assets, net | <u>\$ 6,791,425</u> | <u>\$ 1,556,041</u> | <u>\$ -</u> | <u>\$ 8,347,466</u> |

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

| | |
|-------------------------------------|---------------|
| Public safety and legal services | \$ 68,106 |
| Physical health and social services | 25,515 |
| County environment and education | 37,375 |
| Roads and transportation | 396,511 |
| Government services to residents | 2,519 |
| Administration | <u>30,367</u> |

| | |
|--|--------------------------|
| Total depreciation expense - governmental activities | <u><u>\$ 560,393</u></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:

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|--------------------------|--------------------|-----------------------------|
| Governmental: | | |
| Special Revenue: | | |
| Mental Health | Services | \$ <u>214,121</u> |
| Agency: | | |
| County Assessor | Collections | \$ 456,639 |
| Townships | | 1,801,718 |
| Schools | | 6,596,731 |
| Corporations | | 2,046,452 |
| Area Schools | | 280,311 |
| Auto License and Use Tax | | 262,418 |
| County Hospital | | 1,160,953 |
| All Other | | <u>307,515</u> |
| Total for agency funds | | <u><u>\$ 12,912,737</u></u> |

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 6. Long-Term Liabilities

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

| | Tax Increment Urban Renewal Bonds | Estimated Liability for Landfill Closure and Postclosure Care | Compensated Absences | Total |
|---------------------------|---|--|-------------------------|---------------------|
| Balance beginning of year | \$ 2,089,000 | \$ 371,582 | \$ 124,979 | \$ 2,585,561 |
| Increases | - | - | 186,276 | 186,276 |
| Decreases | 256,500 | 76,657 | 124,979 | 458,136 |
| Balance end of year | <u>\$ 1,832,500</u> | <u>\$ 294,925</u> | <u>\$ 186,276</u> | <u>\$ 2,313,701</u> |
| Due within one year | <u>\$ 250,000</u> | <u>\$ -</u> | <u>\$ 137,869</u> | <u>\$ 387,869</u> |

Tax Increment Urban Renewal Revenue Bonds

The County sold \$1,735,000 of tax increment urban renewal revenue bonds dated November 27, 2001 to provide an economic development incentive to the Tall Corn Ethanol cooperative and for capital improvements in the Tall Corn Ethanol Urban Renewal Area. The County sold an additional \$900,000 of tax increment urban renewal revenue bonds dated June 12, 2003 to provide capital improvements in the Tall Corn Ethanol Urban Renewal Area. The bonds are payable from the income and proceeds from a separate account within the Special Revenue, Urban Renewal Revenue Fund, and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds shall be expended only for the purposes which are consistent with the plans of the County's urban renewal area. The bonds are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

Interest on the bonds shall be adjusted to a rate per annum equal to the yield at "constant maturity" of the five-year U.S. Treasury Notes, plus 90 basis points, on December 1, 2011, December 1, 2016 and December 1, 2021. However, the interest rate may not be more than 2% higher or lower than the preceding rate and the adjusted rate may not exceed 8% per annum or be less than 4% per annum. On December 1, 2005, and on each June 1 and December 1 as long as any of the principal of the bonds remain outstanding, to the extent there are proceeds remaining in the separate account within the Special Revenue, Urban Renewal Revenue Fund following each required payment of interest, such proceeds shall be applied to the payment of principal on the bonds. Since the interest rate and annual collections are variable, an amortization schedule is not included. Principal repayments of \$256,500 were made during the year.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Advances To/From Other Funds

During the year ended June 30, 2002, the County authorized a \$417,301 advance from the General Fund to the Special Revenue, Urban Renewal Revenue Fund to reimburse the Special Revenue, Secondary Roads Fund for expenses incurred on behalf of the urban renewal area. The advance will be repaid from tax increment financing revenues collected in the Special Revenue, Urban Renewal Revenue Fund and will include interest at 6% per annum. Repayments of \$87,091, including principal and interest, were made during the year ended June 30, 2007. Details of advances to/from other funds are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------------|------------------|
| General | Special Revenue, Urban Renewal | \$ <u>42,277</u> |

Note 8. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$181,683, \$178,559 and \$160,439, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Guthrie 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 whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 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.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 9. Risk Management (continued)

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007 were \$149,509.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$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.

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 claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$30,000 (\$50,000 for certain employees), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 10. Employee Health Insurance Plan

The Guthrie County Employee Group Health and Prescription Fund was established to account for the partial self funding of the County's health insurance and prescription benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Guthrie County Employee Group Health and Prescription Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant, Inc. from the Guthrie County Employee Group Health and Prescription Fund. The County records the plan assets and related liabilities of the Guthrie County Health and Prescription Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$710,167.

Amounts payable from the Employee Group Health and Prescription Fund at June 30, 2007 total \$162,522 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$267,868 at June 30, 2007 and is reported as net assets of the Employee Group Health and Prescription Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

| | |
|--|--------------------------|
| Unpaid claims at July 1, 2006 | \$ <u>182,409</u> |
| Incurred claims (including claims incurred but not reported at June 30, 2007): | |
| Current year events | 707,376 |
| Prior year events | <u>71,705</u> |
| Total incurred claims | <u>779,081</u> |
| Payments: | |
| Current year events | 727,263 |
| Prior year events | <u>71,705</u> |
| Total payments | <u>798,968</u> |
| Unpaid claims at June 30, 2007 | \$ <u><u>162,522</u></u> |

Note 11. Construction Commitment

The County has entered into a contract totaling \$178,500 for a new GIS software system. As of June 30, 2007, costs of \$48,000 have been incurred against the contract. The balance remaining at June 30, 2007 of \$130,500 will be paid as work on the project progresses.

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 12. Contingent Liabilities

South Central Iowa Regional E-911 Service Board General Obligation E-911 Notes

On April 15, 1999, the County entered into an agreement with the South Central Iowa Regional E-911 Service Board to assist in financing the repayment of debt and specific improvements and upgrades of the E-911 service system. The agreement provided for Guthrie County to sell general obligation E-911 notes on behalf of the Service Board for the purpose outlined above. The notes are to be repaid exclusively from E-911 service surcharge revenue.

The County is contingently liable on \$430,000 of the general obligation E-911 note indebtedness outstanding at June 30, 2007. Since the interest and note principal is currently paid out of South Central Iowa Regional E-911 Service Board revenues, this liability has not been recorded in the Statement of Net Assets. However, since the notes are a general obligation of the County, if the revenues of the Service Board are not adequate, a tax may be levied on all taxable property in the County.

The Service Board is required to make semi-annual payments on each June 1 and December 1 through June 1, 2012. The transactions for this E-911 note issue are accounted for in an Agency Fund.

Details of this note indebtedness at June 30, 2007 are as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|-------------------|-------------------|------------------|-------------------|
| 2008 | 4.45 % | \$ 80,000 | \$ 19,853 | \$ 99,853 |
| 2009 | 4.55 | 80,000 | 16,293 | 96,293 |
| 2010 | 4.60 | 85,000 | 12,653 | 97,653 |
| 2011 | 4.70 | 90,000 | 8,742 | 98,742 |
| 2012 | 4.75 | 95,000 | 4,513 | 99,513 |
| | | <u>\$ 430,000</u> | <u>\$ 62,054</u> | <u>\$ 492,054</u> |

Note 13. Landfill Closure and Postclosure Care

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

GUTHRIE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 13. Landfill Closure and Postclosure Care (continued)

Governmental Accounting Standards Board Statement No. 18, effective for periods beginning after June 15, 1993, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for charges due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for Guthrie County have been estimated at \$288,652 as of June 30, 2007, and that liability has been recognized. The liability represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the landfill. The County has reserved \$460,428 of its debt capacity to cover these costs.

Guthrie County operates a transfer station where the waste is transferred for disposal under a 28E agreement to a local area landfill. The total costs for Guthrie County have been estimated at \$6,273 as of June 30, 2007, and that liability has been recognized. The County has dedicated \$10,000 in a closure account to cover these costs.

Note 14. County Care Facility

On July 1, 1999, the County entered into a lease agreement with County View Estates, Inc. for the management and operation of the Guthrie County Care Facility and farm. The renewable lease, through June 30, 2008, is cancelable upon notice by either party. Annually, the County will provide certain financial support for the operation of the care facility.

This page intentionally left blank

Required Supplementary Information

GUTHRIE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2007

| | Actual | Less Funds not Required to be Budgeted | Net |
|--|---------------------|---|---------------------|
| RECEIPTS: | | | |
| Property and other County tax | \$ 3,798,355 | \$ - | \$ 3,798,355 |
| Interest and penalty on property tax | 36,024 | - | 36,024 |
| Intergovernmental | 4,436,649 | 7,696 | 4,428,953 |
| Licenses and permits | 37,093 | - | 37,093 |
| Charges for service | 464,632 | - | 464,632 |
| Use of money and property | 375,401 | 15,117 | 360,284 |
| Miscellaneous | 639,471 | 26,530 | 612,941 |
| Total receipts | <u>9,787,625</u> | <u>49,343</u> | <u>9,738,282</u> |
| DISBURSEMENTS: | | | |
| Public safety and legal services | 949,544 | - | 949,544 |
| Physical health and social services | 1,038,492 | - | 1,038,492 |
| Mental health | 1,218,739 | - | 1,218,739 |
| County environment and education | 1,082,956 | 155,366 | 927,590 |
| Roads and transportation | 3,175,222 | - | 3,175,222 |
| Government services to residents | 389,148 | - | 389,148 |
| Administration | 906,455 | - | 906,455 |
| Debt service | 446,101 | - | 446,101 |
| Capital projects | 58,503 | - | 58,503 |
| Total disbursements | <u>9,265,160</u> | <u>155,366</u> | <u>9,109,794</u> |
| Excess (deficiency) of receipts over (under) disbursements | 522,465 | (106,023) | 628,488 |
| Other financing sources, net | <u>284,607</u> | - | <u>284,607</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 807,072 | (106,023) | 913,095 |
| Balance beginning of year | <u>6,057,667</u> | <u>459,272</u> | <u>5,598,395</u> |
| Balance end of year | <u>\$ 6,864,739</u> | <u>\$ 353,249</u> | <u>\$ 6,511,490</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to Net Variance |
|---------------------|---------------------|-----------------------------|
| Original | Final | |
| \$ 3,749,070 | \$ 3,749,070 | \$ 49,285 |
| 24,000 | 24,000 | 12,024 |
| 4,200,772 | 4,200,772 | 228,181 |
| 22,200 | 22,200 | 14,893 |
| 337,050 | 337,050 | 127,582 |
| 132,004 | 139,429 | 220,855 |
| 287,831 | 318,410 | 294,531 |
| <u>8,752,927</u> | <u>8,790,931</u> | <u>947,351</u> |
| 1,012,785 | 1,012,785 | 63,241 |
| 1,153,046 | 1,188,046 | 149,554 |
| 1,078,000 | 1,218,000 | (739) |
| 1,060,199 | 1,135,624 | 208,034 |
| 3,672,278 | 3,683,857 | 508,635 |
| 411,325 | 411,325 | 22,177 |
| 1,073,988 | 1,087,103 | 180,648 |
| 450,000 | 450,000 | 3,899 |
| 127,000 | 202,000 | 143,497 |
| <u>10,038,621</u> | <u>10,388,740</u> | <u>1,278,946</u> |
| (1,285,694) | (1,597,809) | 2,226,297 |
| <u>95,110</u> | <u>95,110</u> | <u>189,497</u> |
| (1,190,584) | (1,502,699) | 2,415,794 |
| <u>5,248,955</u> | <u>5,248,955</u> | <u>349,440</u> |
| <u>\$ 4,058,371</u> | <u>\$ 3,746,256</u> | <u>\$ 2,765,234</u> |

GUTHRIE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2007

| | Governmental Funds | | |
|-------------------------|---------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 9,787,625 | \$ (216,638) | \$ 9,570,987 |
| Expenditures | 9,265,160 | 169,613 | 9,434,773 |
| Net | 522,465 | (386,251) | 136,214 |
| Other financing sources | 284,607 | (165,147) | 119,460 |
| Beginning fund balances | 6,057,667 | 1,316,683 | 7,374,350 |
| Ending fund balances | <u>\$ 6,864,739</u> | <u>\$ 765,285</u> | <u>\$ 7,630,024</u> |

See accompanying independent auditor's report.

GUTHRIE COUNTY

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 comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government 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, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$350,119. This budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the mental health function prior to amendment and at year end and disbursements in certain departments exceeded the amounts appropriated prior to amending the appropriations and at year end.

This page intentionally left blank

Other Supplementary Information

GUTHRIE COUNTY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

| | <u>Flood and Erosion</u> | <u>County Recorder's Records Management</u> | <u>Drainage Districts</u> | <u>Conservation Land Acquisition</u> |
|---|----------------------------------|---|-------------------------------|--|
| Assets | | | | |
| Cash and pooled investments | | | | |
| County Treasurer | \$ 30,588 | \$ 17,266 | \$ 8,914 | \$ 35,717 |
| Held by component unit treasurer | - | - | - | - |
| Receivables: | | | | |
| Accrued interest | - | 31 | - | - |
| Total assets | <u>\$ 30,588</u> | <u>\$ 17,297</u> | <u>\$ 8,914</u> | <u>\$ 35,717</u> |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | <u>\$ 2,315</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Conservation purposes | - | - | - | - |
| Unreserved: | | | | |
| Designated for closure and postclosure care | - | - | - | - |
| Undesignated | 28,273 | 17,297 | 8,914 | 35,717 |
| Total fund equity | <u>28,273</u> | <u>17,297</u> | <u>8,914</u> | <u>35,717</u> |
| Total liabilities and fund equity | <u>\$ 30,588</u> | <u>\$ 17,297</u> | <u>\$ 8,914</u> | <u>\$ 35,717</u> |

| <u>Landfill Transfer Station Closure</u> | <u>Resource Enhancement and Protection</u> | <u>Canine</u> | <u>Attorney Seized Property</u> | <u>Sheriff Investigations</u> | <u>Fairgrounds Amphitheater</u> | <u>Work Release Program</u> |
|--|--|-----------------|---|-----------------------------------|-------------------------------------|-------------------------------------|
| \$ 10,000 | \$ 95,885 | \$ 3,476 | \$ 851 | \$ 3,896 | \$ 58,249 | \$ 1,681 |
| - | - | - | - | - | - | - |
| - | 658 | 124 | - | 7 | - | - |
| <u>\$ 10,000</u> | <u>\$ 96,543</u> | <u>\$ 3,600</u> | <u>\$ 851</u> | <u>\$ 3,903</u> | <u>\$ 58,249</u> | <u>\$ 1,681</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 96,543 | - | - | - | - | - |
| 10,000 | - | - | - | - | - | - |
| - | - | 3,600 | 851 | 3,903 | 58,249 | 1,681 |
| <u>10,000</u> | <u>96,543</u> | <u>3,600</u> | <u>851</u> | <u>3,903</u> | <u>58,249</u> | <u>1,681</u> |
| <u>\$ 10,000</u> | <u>\$ 96,543</u> | <u>\$ 3,600</u> | <u>\$ 851</u> | <u>\$ 3,903</u> | <u>\$ 58,249</u> | <u>\$ 1,681</u> |

GUTHRIE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

| | Healthy Activities/ Wellness | Prairie Woodland Conservation Foundation | Guthrie County Historical Village Foundation | Total |
|---|------------------------------------|---|---|------------|
| Assets | | | | |
| Cash and pooled investments | | | | |
| County Treasurer | \$ 2,291 | \$ - | \$ - | \$ 268,814 |
| Held by component unit treasurer | - | 306,809 | 37,526 | 344,335 |
| Receivables: | | | | |
| Accrued interest | 2 | - | - | 822 |
| Total assets | \$ 2,293 | \$ 306,809 | \$ 37,526 | \$ 613,971 |
| Liabilities and Fund Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 2,315 |
| Fund equity: | | | | |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Conservation purposes | - | 306,809 | 37,526 | 440,878 |
| Unreserved: | | | | |
| Designated for closure and postclosure care | - | - | - | 10,000 |
| Undesignated | 2,293 | - | - | 160,778 |
| Total fund equity | 2,293 | 306,809 | 37,526 | 611,656 |
| Total liabilities and fund equity | \$ 2,293 | \$ 306,809 | \$ 37,526 | \$ 613,971 |

See accompanying independent auditor's report.

This page intentionally left blank

GUTHRIE COUNTY

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

| | <u>Flood and Erosion</u> | <u>County Recorder's Records Management</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Drainage Districts</u> |
|--|----------------------------------|---|---|-------------------------------|
| Revenues: | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | - |
| Charges for service | - | 3,729 | - | - |
| Use of money and property | - | 116 | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>-</u> | <u>3,845</u> | <u>-</u> | <u>-</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | - | - | - | - |
| County environment and education | 2,315 | - | - | - |
| Government services to residents | - | 232 | - | - |
| Total expenditures | <u>2,315</u> | <u>232</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,315)</u> | <u>3,613</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | 14 | - | - |
| Interfund transfers out | - | - | (14) | - |
| Total other financing sources (uses) | <u>-</u> | <u>14</u> | <u>(14)</u> | <u>-</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>(2,315)</u> | <u>3,627</u> | <u>(14)</u> | <u>-</u> |
| Fund balances beginning of year | <u>30,588</u> | <u>13,670</u> | <u>14</u> | <u>8,914</u> |
| Fund balances end of year | <u>\$ 28,273</u> | <u>\$ 17,297</u> | <u>\$ -</u> | <u>\$ 8,914</u> |

| <u>Conservation Land Acquisition</u> | <u>Landfill Transfer Station Closure</u> | <u>Resource Enhancement and Protection</u> | <u>Canine</u> | <u>Attorney Seized Property</u> | <u>Sheriff Investigations</u> |
|--|--|--|-----------------|---|-----------------------------------|
| \$ - | \$ - | \$ 6,855 | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | 2,503 | 123 | - | 11 |
| - | - | - | 1,360 | 418 | 4,714 |
| - | - | 9,358 | 1,483 | 418 | 4,725 |
| - | - | - | 2,475 | - | 3,016 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 2,475 | - | 3,016 |
| - | - | 9,358 | (992) | 418 | 1,709 |
| 14,948 | - | - | - | - | - |
| - | - | - | - | - | - |
| 14,948 | - | - | - | - | - |
| 14,948 | - | 9,358 | (992) | 418 | 1,709 |
| 20,769 | 10,000 | 87,185 | 4,592 | 433 | 2,194 |
| \$ <u>35,717</u> | \$ <u>10,000</u> | \$ <u>96,543</u> | \$ <u>3,600</u> | \$ <u>851</u> | \$ <u>3,903</u> |

GUTHRIE COUNTY

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

| | <u>Fairgrounds Amphitheater</u> | <u>Work Release Program</u> | <u>Healthy Activities/ Wellness</u> | <u>Prairie Woodland Conservation Foundation</u> |
|--|-------------------------------------|-------------------------------------|---|---|
| Revenues: | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ 7,696 |
| Charges for service | - | - | - | - |
| Use of money and property | - | - | 4 | 14,650 |
| Miscellaneous | - | - | 390 | 23,103 |
| Total revenues | <u>-</u> | <u>-</u> | <u>394</u> | <u>45,449</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | - | - | - | - |
| County environment and education | - | - | - | 144,026 |
| Government services to residents | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>144,026</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>394</u> | <u>(98,577)</u> |
| Other financing sources (uses): | | | | |
| Interfund transfers in | - | - | - | - |
| Interfund transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | <u>-</u> | <u>-</u> | <u>394</u> | <u>(98,577)</u> |
| Fund balances beginning of year | <u>58,249</u> | <u>1,681</u> | <u>1,899</u> | <u>405,386</u> |
| Fund balances end of year | <u>\$ 58,249</u> | <u>\$ 1,681</u> | <u>\$ 2,293</u> | <u>\$ 306,809</u> |

See accompanying independent auditor's report.

| Guthrie County | |
|-------------------|-------------------|
| Historical | |
| Village | |
| <u>Foundation</u> | <u>Total</u> |
| \$ - | \$ 14,551 |
| - | 3,729 |
| 467 | 17,874 |
| <u>3,427</u> | <u>33,412</u> |
| <u>3,894</u> | <u>69,566</u> |
| - | 5,491 |
| 11,340 | 157,681 |
| - | 232 |
| <u>11,340</u> | <u>163,404</u> |
| <u>(7,446)</u> | <u>(93,838)</u> |
| - | 14,962 |
| - | (14) |
| <u>-</u> | <u>14,948</u> |
| (7,446) | (78,890) |
| <u>44,972</u> | <u>690,546</u> |
| <u>\$ 37,526</u> | <u>\$ 611,656</u> |

GUTHRIE COUNTY

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

| | County Offices | | Agricultural | Drainage |
|------------------------------|------------------|-----------------|-------------------|------------------|
| | County | County | Extension | Districts |
| | Recorder | Sheriff | Education | |
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ - | \$ - | 2,489 | \$ 11,136 |
| Other County officials | 20,466 | 1,255 | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | - | 1,141 | - |
| Succeeding year | - | - | 135,000 | - |
| Accrued interest | - | - | - | - |
| Special assessments: | | | | |
| Delinquent | - | - | - | - |
| Succeeding year | - | - | - | - |
| Drainage assessments | - | - | - | 11,116 |
| Prepaid expense | - | - | - | - |
| Total assets | <u>\$ 20,466</u> | <u>\$ 1,255</u> | <u>\$ 138,630</u> | <u>\$ 22,252</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 10,123 | \$ - | \$ - | - |
| Due to other governments | 10,343 | - | 138,630 | 22,252 |
| Trusts payable | - | 1,255 | - | - |
| Compensated absences | - | - | - | - |
| Total liabilities | <u>\$ 20,466</u> | <u>\$ 1,255</u> | <u>\$ 138,630</u> | <u>\$ 22,252</u> |

| <u>Sanitary Districts</u> | <u>Sanitary Districts - Bonds and Interest</u> | <u>County Assessor</u> | <u>Special Assessments</u> | <u>Schools</u> | <u>Area Schools</u> | <u>Corporations</u> |
|-------------------------------|--|----------------------------|--------------------------------|---------------------|-------------------------|---------------------|
| \$ 2,426 | \$ 9,841 | \$ 176,640 | \$ 3,137 | \$ 116,872 | \$ 5,698 | \$ 36,469 |
| - | - | - | - | - | - | - |
| - | - | 2,744 | - | 53,859 | 2,613 | 19,983 |
| 8,000 | - | 305,000 | - | 6,426,000 | 272,000 | 1,990,000 |
| - | - | - | - | - | - | - |
| - | - | - | 17,827 | - | - | - |
| - | - | - | 65,124 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 1,236 | - | - | - | - |
| <u>\$ 10,426</u> | <u>\$ 9,841</u> | <u>\$ 485,620</u> | <u>\$ 86,088</u> | <u>\$ 6,596,731</u> | <u>\$ 280,311</u> | <u>\$ 2,046,452</u> |
| \$ - | \$ - | \$ 16,620 | \$ - | \$ - | \$ - | \$ - |
| 10,426 | 9,841 | 456,639 | 86,088 | 6,596,731 | 280,311 | 2,046,452 |
| - | - | - | - | - | - | - |
| - | - | 12,361 | - | - | - | - |
| <u>\$ 10,426</u> | <u>\$ 9,841</u> | <u>\$ 485,620</u> | <u>\$ 86,088</u> | <u>\$ 6,596,731</u> | <u>\$ 280,311</u> | <u>\$ 2,046,452</u> |

GUTHRIE COUNTY

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

| | <u>Townships</u> | <u>Brucellosis and Tuberculosis Eradication</u> | <u>Auto License and Use Tax</u> | <u>Anatomical Gift, Public Awareness and Transportation</u> |
|------------------------------|---------------------|---|---|---|
| ASSETS | | | | |
| Cash and pooled investments: | | | | |
| County Treasurer | \$ 12,544 | \$ 93 | \$ 262,418 | \$ 11 |
| Other County officials | - | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 2,174 | 15 | - | - |
| Succeeding year | 1,787,000 | 2,000 | - | - |
| Accrued interest | - | - | - | - |
| Special assessments: | | | | |
| Delinquent | - | - | - | - |
| Succeeding year | - | - | - | - |
| Drainage assessments | - | - | - | - |
| Prepaid expense | - | - | - | - |
| | | | | |
| Total assets | <u>\$ 1,801,718</u> | <u>\$ 2,108</u> | <u>\$ 262,418</u> | <u>\$ 11</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | - |
| Due to other governments | 1,801,718 | 2,108 | 262,418 | 11 |
| Trusts payable | - | - | - | - |
| Compensated absences | - | - | - | - |
| | | | | |
| Total liabilities | <u>\$ 1,801,718</u> | <u>\$ 2,108</u> | <u>\$ 262,418</u> | <u>\$ 11</u> |

| <u>Advance Tax</u> | <u>County Hospital</u> | <u>Emergency Management</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Tax Sale Redemption</u> | <u>Total</u> |
|------------------------|----------------------------|---------------------------------|---|------------------------------------|----------------------|
| \$ 6,335 | \$ 22,591 | \$ 26,591 | \$ 316 | \$ 207 | \$ 695,814 |
| - | - | - | - | - | 21,721 |
| - | 10,362 | - | - | - | 92,891 |
| - | 1,128,000 | - | - | - | 12,053,000 |
| - | - | - | 1 | - | 1 |
| - | - | - | - | - | 17,827 |
| - | - | - | - | - | 65,124 |
| - | - | - | - | - | 11,116 |
| - | - | 1,448 | - | - | 2,684 |
| <u>\$ 6,335</u> | <u>\$ 1,160,953</u> | <u>\$ 28,039</u> | <u>\$ 317</u> | <u>\$ 207</u> | <u>\$ 12,960,178</u> |
| \$ - | \$ - | \$ 540 | \$ - | \$ - | \$ 27,283 |
| - | 1,160,953 | 27,499 | 317 | - | 12,912,737 |
| 6,335 | - | - | - | 207 | 7,797 |
| - | - | - | - | - | 12,361 |
| <u>\$ 6,335</u> | <u>\$ 1,160,953</u> | <u>\$ 28,039</u> | <u>\$ 317</u> | <u>\$ 207</u> | <u>\$ 12,960,178</u> |

GUTHRIE COUNTY

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

| | County Offices | | Agricultural | Drainage |
|---|--------------------|-------------------|------------------------|------------------|
| | County Recorder | County Sheriff | Extension Education | Districts |
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year | \$ 22,529 | \$ 3,799 | \$ 136,830 | \$ 18,406 |
| Additions: | | | | |
| Property and other County tax | - | - | 135,525 | - |
| Payments in lieu of taxes | - | - | 23 | - |
| State tax credits | - | - | 7,483 | - |
| Office fees and collections | 310,307 | 40,653 | - | - |
| Assessments | - | - | - | 4,206 |
| Auto license, use tax, drivers license and postage | - | - | - | - |
| Trusts | - | 115,975 | - | - |
| Miscellaneous | - | - | - | - |
| Total additions | <u>310,307</u> | <u>156,628</u> | <u>143,031</u> | <u>4,206</u> |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 131,999 | 42,745 | - | - |
| To other governments | 180,371 | 943 | 141,231 | 360 |
| Trusts paid out | - | 115,484 | - | - |
| Total deductions | <u>312,370</u> | <u>159,172</u> | <u>141,231</u> | <u>360</u> |
| Balances end of year | \$ <u>20,466</u> | \$ <u>1,255</u> | \$ <u>138,630</u> | \$ <u>22,252</u> |

| <u>Sanitary Districts</u> | <u>Sanitary Districts - Bonds and Interest</u> | <u>County Assessor</u> | <u>Special Assessments</u> | <u>Schools</u> | <u>Area Schools</u> | <u>Corporations</u> |
|-------------------------------|--|----------------------------|--------------------------------|----------------|-------------------------|---------------------|
| \$ 8,352 | \$ 9,841 | \$ 457,619 | \$ 106,929 | \$ 6,530,139 | \$ 314,733 | \$ 2,348,470 |
| 8,277 | - | 304,968 | - | 6,421,522 | 271,732 | 1,447,471 |
| - | - | 55 | - | 997 | 52 | - |
| 218 | - | 17,988 | - | 353,379 | 17,134 | 124,086 |
| 50,602 | - | - | 14,812 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | 2,735 | - | - | - | - |
| 59,097 | - | 325,746 | 14,812 | 6,775,898 | 288,918 | 1,571,557 |
| - | - | - | - | - | - | - |
| 57,023 | - | 297,745 | 35,653 | 6,709,306 | 323,340 | 1,873,575 |
| - | - | - | - | - | - | - |
| 57,023 | - | 297,745 | 35,653 | 6,709,306 | 323,340 | 1,873,575 |
| \$ 10,426 | \$ 9,841 | \$ 485,620 | \$ 86,088 | \$ 6,596,731 | \$ 280,311 | \$ 2,046,452 |

GUTHRIE COUNTY

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

| | <u>Townships</u> | <u>Brucellosis and Tuberculosis Eradication</u> | <u>Auto License and Use Tax</u> | <u>Anatomical Gift, Public Awareness and Transportation</u> |
|---|---------------------|---|---|---|
| ASSETS AND LIABILITIES | | | | |
| Balances beginning of year | \$ 1,270,381 | \$ 2,051 | \$ 221,841 | \$ 18 |
| Additions: | | | | |
| Property and other County tax | 2,189,251 | 1,780 | - | - |
| Payments in lieu of taxes | 39 | - | - | - |
| State tax credits | 36,072 | 100 | - | - |
| Office fees and collections | - | - | - | - |
| Assessments | - | - | - | - |
| Auto license, use tax, drivers license and postage | - | - | 2,839,484 | - |
| Trusts | - | - | - | - |
| Miscellaneous | - | - | - | 230 |
| Total additions | <u>2,225,362</u> | <u>1,880</u> | <u>2,839,484</u> | <u>230</u> |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | - | - | 106,799 | - |
| To other governments | 1,694,025 | 1,823 | 2,692,108 | 237 |
| Trusts paid out | - | - | - | - |
| Total deductions | <u>1,694,025</u> | <u>1,823</u> | <u>2,798,907</u> | <u>237</u> |
| Balances end of year | <u>\$ 1,801,718</u> | <u>\$ 2,108</u> | <u>\$ 262,418</u> | <u>\$ 11</u> |

See accompanying independent auditor's report.

| <u>Advance Tax</u> | <u>County Hospital</u> | <u>Emergency Management</u> | <u>County Recorder's Electronic Transaction Fee</u> | <u>Tax Sale Redemption</u> | <u>Refunds</u> | <u>Total</u> |
|------------------------|----------------------------|---------------------------------|---|--------------------------------|----------------|----------------------|
| \$ - | \$ 1,236,057 | \$ 21,677 | \$ 780 | \$ 187 | \$ - | \$ 12,710,639 |
| - | 1,132,192 | - | - | - | - | 11,912,718 |
| - | 207 | - | - | - | - | 1,373 |
| - | 67,933 | - | - | - | - | 624,393 |
| - | - | - | 3,700 | - | - | 354,660 |
| - | - | - | - | - | - | 69,620 |
| - | - | - | - | - | - | 2,839,484 |
| 6,335 | - | - | - | 171,890 | - | 294,200 |
| - | - | 33,874 | 8 | - | 1,608 | 38,455 |
| <u>6,335</u> | <u>1,200,332</u> | <u>33,874</u> | <u>3,708</u> | <u>171,890</u> | <u>1,608</u> | <u>16,134,903</u> |
| - | - | - | - | - | - | 281,543 |
| - | 1,275,436 | 27,512 | 4,171 | - | 1,608 | 15,316,467 |
| - | - | - | - | 171,870 | - | 287,354 |
| <u>-</u> | <u>1,275,436</u> | <u>27,512</u> | <u>4,171</u> | <u>171,870</u> | <u>1,608</u> | <u>15,885,364</u> |
| <u>\$ 6,335</u> | <u>\$ 1,160,953</u> | <u>\$ 28,039</u> | <u>\$ 317</u> | <u>\$ 207</u> | <u>\$ -</u> | <u>\$ 12,960,178</u> |

GUTHRIE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

| | Modified Accrual Basis | | | |
|--------------------------------------|------------------------|----------------------|----------------------|---------------------|
| | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | |
| Property and other County tax | \$ 3,802,059 | \$ 4,323,869 | \$ 3,761,829 | \$ 3,308,558 |
| Interest and penalty on property tax | 36,024 | 45,264 | 48,267 | 47,257 |
| Intergovernmental | 4,321,738 | 4,846,202 | 4,750,377 | 4,506,027 |
| Licenses and permits | 34,663 | 33,363 | 31,344 | 33,060 |
| Charges for service | 454,336 | 446,516 | 422,087 | 645,368 |
| Use of money and property | 402,778 | 257,413 | 242,701 | 190,087 |
| Miscellaneous | 519,389 | 411,562 | 450,952 | 199,279 |
| Total | \$ 9,570,987 | \$ 10,364,189 | \$ 9,707,557 | \$ 8,929,636 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 943,937 | \$ 864,607 | \$ 805,764 | \$ 813,388 |
| Physical health and social services | 1,047,736 | 928,032 | 962,820 | 972,204 |
| Mental health | 1,280,659 | 1,153,323 | 1,221,325 | 1,188,315 |
| County environment and education | 1,111,342 | 932,812 | 1,058,489 | 894,099 |
| Roads and transportation | 3,330,808 | 3,423,614 | 4,675,573 | 2,959,480 |
| Government services to residents | 388,895 | 471,004 | 360,388 | 313,206 |
| Administration | 907,689 | 733,635 | 742,589 | 697,703 |
| Non-program | - | - | 940 | 10,164 |
| Debt Service | 365,204 | 340,512 | 292,864 | 304,272 |
| Capital projects | 58,503 | 461,125 | 586,389 | 514,861 |
| Total | \$ 9,434,773 | \$ 9,308,664 | \$ 10,707,141 | \$ 8,667,692 |

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Guthrie County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Guthrie County, Iowa, as of and for the year 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 February 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Guthrie 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 an opinion on the effectiveness of Guthrie County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Guthrie 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.

A control deficiency exists when the design or operation of a 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 Guthrie County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Guthrie County's financial statements that is more than inconsequential will not be prevented or detected by Guthrie County's internal control. We consider the deficiencies in internal control described in Part I of 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 Guthrie 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 I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie 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 Part II of 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.

Guthrie County's responses to the 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 Guthrie 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 Guthrie County and other parties to whom Guthrie County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Guthrie 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.

Oskaloosa, Iowa
February 21, 2008

GUTHRIE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties

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

| | <u>Applicable Offices</u> |
|---|---|
| (1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Ag Extension, Recorder, Sheriff, Transfer Station/ Landfill, Treasurer |
| (2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash. | Ag Extension, Recorder, Sheriff, Treasurer |
| (3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Recorder |
| (4) The custodian of County investments should be an employee separate from the person responsible for the detailed record-keeping of the investments. | Treasurer |

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

GUTHRIE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

I-A-07 Segregation of Duties (continued)

Responses –

Ag Extension – We are a small office with limited staff. We will continue to try to segregate duties.

County Recorder – We are a small office with limited staff. We will continue to try to segregate duties.

County Sheriff – Sheriff Baird has acquired a book to randomly record mail receipts on different days during each month so a check can be made to see that receipts are recorded and accounted for in the Sheriff's cash box.

County Treasurer – We will try to include more people in listing, collecting and depositing, although with people constantly on vacation or sick it is tough. Everyone signs checks in our office so it is difficult to remedy this problem. We will have to look at this and maybe try to make some changes. I will try and designate another person to take turns with part of the investments.

Transfer Station/Landfill – With normally only one office person on duty at a time at the Transfer Station it is not possible to have a check over the incoming funds. We do have the Treasurer's receipts returned to the Director's office for review to see the receipts are current. Also, funds that need not be funneled through the Transfer Station (such as the per capita city payments, etc.) do come directly to the Director's office as well. Beyond that it is difficult to do much to oversee the daily receipts.

Conclusion – Responses acknowledged. For those offices with limited staff, other County personnel could be used to provide additional control through review of financial statements. Also, the reviews performed by an independent person should be evidenced by initials or signature of the reviewer and the date of the review.

I-B-07 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and payables are identified and included in the County's financial statements.

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

Conclusion – Response accepted.

GUTHRIE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

I-C-07 Information System – The following weaknesses in the County’s computer based systems were noted:

The County does not have written policies for:

- Requiring passwords to be changed and use of password history to prevent reuse of passwords.
- Password length set at a minimum number of characters.
- A lockout function if a person repeatedly enters a password incorrectly.

Recommendation – The County should review its control activities and policies in its information system to determine appropriate controls or policies are implemented for each item presented above.

Password specifications are not in place, but will be suggested to the respective department heads.

Conclusion – Response accepted.

GUTHRIE COUNTY
 SCHEDULE OF FINDINGS
 Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the mental health function prior to amendment and at year end. Disbursements in certain departments exceeded the amounts appropriated prior to amendment and at year end.

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

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

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

II-B-07 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-07 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Robert Kreimeyer, spouse of County Deputy Treasurer | Transportation | \$ 55 (a) |
| Cheryl Jensen, employee, spouse is owner of Jensen Sanitation | Conservation garbage/sewer | 1,195 (a) |
| Stephan Eischeid, employee, father of Austin Eischeid | Roadside mowing, per bid | 7,130 (b) |
| Amy Badger, employee, spouse is owner of Badger Sanitation | Garbage pickup, per bid | 2,721 (b) |
| Lillian Gilson, employee, owner of Gilson Construction | Snow removal | 846 (a) |
| Todd Plowman, employee, father is owner of Plowman & Stanley Trench | Tiling | 2,244 (c) |
| Linda Kreimeyer, employee, son is owner of RK Computer Works | Equipment repairs | 79 (a) |
| Lee Sheeder, employee, owner of Sheeder Heaters | Parts | 37 (a) |

GUTHRIE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-D-07 Business Transactions (continued)

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342(3) of the Code of Iowa, the transactions designated with a (b) do not represent conflicts of interest since they were entered into through competitive processes.

In accordance with Chapter 331.342(4) of the Code of Iowa, the transaction designated with a (c) does not represent a conflict of interest since the employee was not directly involved in the procurement or any part of the preparation of the contracts.

II-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

II-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

II-H-07 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).

II-I-07 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.

The Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

II-J-07 Deficit Fund Balance – The Special Revenue, Urban Renewal Fund had an unreserved, undesignated deficit fund balance of \$539 at June 30, 2007. In addition, the Special Revenue, Mental Health Fund had an unreserved, undesignated deficit fund balance of \$137,804 at June 30, 2007.

Recommendation – The County should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

GUTHRIE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-J-07 Deficit Fund Balance (continued)

Response – The Urban Renewal Fund deficit is related primarily to timing differences between tax increment revenues and current obligations. The position of this fund has been improving steadily over the past few years. The Mental Health Fund deficit was a result of a budgeting error related to the property tax levy established for the fiscal 2007 year. The deficit should be corrected within one to two years.

Conclusion – Response accepted.

II-K-07 Additional Compensation – We noted that one employee received \$2,250 additional compensation for grant writing services, as properly allowed by the grant agreement. However, the compensation was not accounted for through the payroll system.

Recommendation – Any additional compensation for services provided by an employee for the County should be accounted for as additional wages. This would allow for the proper withholding of federal and state taxes as required by the Internal Revenue Service.

Response – We will properly account for any additional compensation through the payroll system in the future.

Conclusion – Response accepted.