

WORTH COUNTY
Northwood, Iowa

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

WORTH COUNTY, IOWA
Northwood, Iowa

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**WORTH COUNTY
Northwood, Iowa**

(Before January 2007)

Board of Supervisors

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

OFFICIALS

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

(After January 2007)

Board of Supervisors

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Dennis May	January 2011	First District
Darrell Bang.....	January 2009	Second District
Jeff Creger	January 2011	Third District

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kay Clark.....	January 2009	County Auditor
Jake Hanson	January 2011	County Treasurer
Elizabeth Kenison	January 2011	County Recorder
David Gentz	January 2009	County Sheriff
Jeff Greve	January 2011	County Attorney
Daniel Reeder	January 2011	County Assessor



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Worth County
Northwood, Iowa

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2008, on our consideration of Worth County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 – 9 and 35 – 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worth County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

March 26, 2008

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Worth County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 1%, or approximately \$50,338 from fiscal 2006 to fiscal 2007. Property taxes increased approximately \$217,542, charges for service decreased approximately \$111,940, operating grants and contributions increased approximately \$94,307, and capital grants and contributions decreased approximately \$1,103,095.
- Program expenses were 6% or approximately \$429,688, more in fiscal 2007 than in fiscal 2006. Roads and transportation expense increased approximately \$115,766.
- The County's net assets increased 22%, or approximately \$1,645,670, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are accounting devices 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 an agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 services, emergency management services and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Worth County's combined net assets increased from a year ago, increasing from \$7.476 million to \$9.122 million. The analysis that follows focuses on changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)

	June 30,	
	2007	2006
Current and Other Assets	\$10,050	\$9,575
Capital Assets	5,426	4,413
Total Assets	15,476	13,988
Long-Term Debt Outstanding	2,355	2,334
Other Liabilities	3,999	4,178
Total Liabilities	6,354	6,512
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,477	3,805
Restricted	4,138	3,975
Unrestricted	507	(304)
Total Net Assets	\$9,122	\$7,476

Net assets of the Worth County's governmental activities increased 22% (\$9.122 million compared to \$7.476 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased from approximately \$(304,000) at June 30, 2006 to approximately \$507,242 at the end of this year.

This increase of approximately \$811,000 in unrestricted net assets was a result of decreased expenditures for roadway maintenance, capital projects, and daily expenses.

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

	Year ended June 30,	
	2007	2006
Revenues:		
Program Revenues:		
Charges for Service	\$890	\$1,002
Operating Grants, Contributions and Restricted Interest	2,507	2,413
Capital Grants, Contributions and Restricted Interest	123	1,226
General Revenues:		
Property Tax	3,627	3,409
Penalty and Interest on Property Tax	22	26
State Tax Credits	212	217
Local Option Sales Tax	334	208
Unrestricted Investment Earning	275	218
Other General Revenues	1,202	421
Total Revenues	9,192	9,140
Program Expenses:		
Public Safety and Legal Services	1,338	1,136
Physical Health and Social Services	980	948
Mental Health	886	881
County Environment and Education	563	537
Roads and Transportation	2,360	2,245
Governmental Services to Residents	273	371
Administration	923	777
Non-program	122	124
Interest on Long-term Debt	100	96
Total Expenses	7,545	7,115
Increase in Net Assets	1,646	2,025
Net Assets Beginning of Year	7,476	5,451
Net Assets End of Year	\$9,122	\$7,476

The results of governmental activities for the year resulted in Worth County's net assets increasing by approximately \$1,645,670. Revenues for governmental activities increased by approximately \$50,338 over the prior year, with property tax revenue up from the prior year by approximately \$217,542.

The County decreased property tax rates for 2007 by an average of 6%. This decrease raised the County's property tax revenue by approximately \$192,820 in 2007. Property tax revenue is budgeted to decrease by an additional \$369,242 next year.

The cost of all governmental activities this year was \$7.545 million compared to \$7,115 million last year. However, as shown in the Statement of Activities on page 11, the amount taxpayers ultimately financed for these activities was only \$4.026 million because some of the cost was paid by those directly benefited from the programs, \$(889,679), or by other governments and organizations that subsidized certain programs with grants and contributions, \$(2,629,481). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2007 from approximately \$4,639,888 to \$3,519,160. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,626,541 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS ANALYSIS

As Worth County completed the year, its governmental funds reported a combined fund balance of \$5,503,976 million, an increase of \$908,373 above last year’s total of \$4,595,603 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed an increase of \$462,841 from the prior year to \$1,070,595.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$854,639, an increase of 9% from the prior year. The Mental Health Fund balance at year end increased by approximately \$31,425 over the prior year.
- Secondary Roads Fund expenditures decreased by approximately \$8,659 over the prior year. The Secondary Roads Fund ending balance decreased approximately by \$63,482, or 7%.
- The Debt Service Fund ending balance decreased by approximately \$28,106.
- During the year ended June 30, 2007 the County issued no general obligation bonds. Approximately \$65 remained in the Capital Projects Fund at the end of the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Worth County amended its budget once. The amendment was made in May 2007, and resulted in an increase in budgeted revenue for an Empowerment Grant and a WCDA Grant and disbursements related to overtime & shift pay, FICA, IPERS, room & board, salary, mileage & subsistence, publications, diagnostic evaluation–commitment, medical & laboratory supplies, sanitation disposal services, truck, computer, electrical supplies & parts, natural gas, lp gas, fuel oil, water & sewer, roof repair, GIS server & software, GIS, and rock.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Worth County had approximately \$7.133 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$994,523 or 22% over last year.

Capital Assets of Governmental Activities at Year End
(Expressed in Thousands)

	June 30,	
	2007	2006
Land	\$82	\$82
Buildings and Improvements	1,243	1,243
Equipment and Vehicles	2,874	2,242
Infrastructure	2,934	2,408
Total	\$7,133	\$5,975

This year’s major additions include (expressed in thousands)

Capital Assets Contributed by the IA Department of Transportation	\$123
Sterling Trucks for Secondary Roads	593
Infrastructure	526
County Sheriff Vehicle	79
Total	\$1,321

The County had depreciation expense of \$269,031 in fiscal year 2007 and total accumulated depreciation of \$1,708,536 at June 30, 2007.

The County's fiscal year 2007 capital budget included \$611,945 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2007 Worth County has approximately \$2,446,007 in general obligation bonds and other debt outstanding compared to approximately \$2,334,138 at June 30, 2006, as shown below.

Outstanding Debt at Year-End of Governmental Activities
(Expressed in Thousands)

	June 30,	
	2007	2006
General Obligation Bonds and Notes	\$1,747	\$2,087
Road Use Tax Anticipation Notes	473	0
Drainage Warrants and Improvement Certificates	135	154
Compensated Absences	91	93
Total	\$2,446	\$2,334

Debt increased as a result of Road Use Tax Revenue Anticipation Notes issued during the fiscal year ended June 30, 2007 for Secondary Road trucks.

The County continues to carry a general obligation bond rating as Aa3 assigned by national rating agencies to the County's debt since 1995. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Worth County's outstanding general obligation debt is significantly below its constitutional debt limit of \$25,148,266. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Worth County's elected and appointed official and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County's non-agricultural employment growth is 2.4%. Unemployment in the County now stands at 3.4% versus 3.4% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 4.5%.

Inflation in the State continues to be somewhat higher than the national Consumer Price Index increase. The State's CPI increase was 2.7% for fiscal year 2007 compared with national rate of 2.4%. Inflation has been higher here due in part to the increase of the residential housing market and increases in energy prices in 2006-2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$9,087,098 million, an increase of 1% over the final 2007 budget. The County has added no major programs or initiatives to the 2008 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Worth County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Worth County Auditors' Office, 1000 Central Avenue, Northwood, Iowa.

**WORTH COUNTY
Northwood, Iowa**

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

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$5,850,545
Receivables:	
Property Tax:	
Delinquent	820
Succeeding Year	3,534,085
Interest & Penalty On Property Tax	30
Accounts	60,244
Accrued Interest	37,180
Drainage Assessments	134,959
Due From Other Governments	233,832
Inventories	198,423
Capital Assets (Net of Accumulated Depreciation)	5,425,716
TOTAL ASSETS	15,475,834
LIABILITIES	
Accounts Payable	196,062
Accrued Interest Payable	30,779
Salaries & Benefits Payable	11,864
Due To Other Governments	135,411
Deferred Revenue:	
Succeeding Year Property Tax	3,534,085
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	162,904
General Obligation Notes	261,162
Compensated Absences	91,024
Improvement Certificates	15,332
Portion Due Or Payable After One Year:	
General Obligation Bonds	1,068,699
General Obligation Notes	727,259
Improvement Certificates	119,627
TOTAL LIABILITIES	6,354,208
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,477,297
Restricted For:	
Mental Health Purposes	105,222
Secondary Roads Purposes	1,133,660
Other Purposes	2,898,205
Unrestricted	507,242
TOTAL NET ASSETS	\$9,121,626

See Notes To Financial Statements

**WORTH COUNTY
Northwood, Iowa**

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

	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, & Restricted Interest	
FUNCTIONS/PROGRAMS:					
GOVERNMENTAL ACTIVITIES:					
Public Safety & Legal Services	\$1,337,580	\$46,481	\$2,261	\$0	\$(1,288,838)
Physical Health & Social Services	980,539	349,733	409,951	0	(220,855)
Mental Health	885,789	58,758	376,908	0	(450,123)
County Environment & Education	562,778	37,407	7,759	0	(517,612)
Roads & Transportation	2,360,484	241,295	1,710,019	122,583	(286,587)
Governmental Services to Residents	272,761	117,784	0	0	(154,977)
Administration	922,994	22,440	0	0	(900,554)
Non-program	121,677	15,781	0	0	(105,896)
Interest on Long-Term Debt	100,119	0	0	0	(100,119)
TOTAL	\$7,544,721	\$889,679	\$2,506,898	\$122,583	(4,025,561)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					3,546,529
Debt Service					80,012
Penalties & Interest on Property Tax					22,208
State Tax Credits					211,678
Local Option Sales Tax					334,488
Unrestricted Investment Earnings					274,703
Miscellaneous					892,690
Tax Increment Financing					308,923
TOTAL GENERAL REVENUES					5,671,231
CHANGE IN NET ASSETS					1,645,670
NET ASSETS, BEGINNING OF YEAR					7,475,956
NET ASSETS, END OF YEAR					\$9,121,626

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$1,813,732	\$239,067	\$581,762
Receivables:			
Property Tax:			
Delinquent	556	121	143
Succeeding Year	1,917,371	416,805	903,689
Interest & Penalty on Property Tax	30	0	0
Accounts	55,556	0	0
Accrued Interest	32,225	0	1,283
Assessments	0	0	0
Due From Other Governments	68,880	684	24,150
Inventories	0	0	0
TOTAL ASSETS	\$3,888,350	\$656,677	\$1,511,027
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$67,385	\$22,179	\$13,456
Salaries & Benefits Payable	11,864	0	0
Due To Other Governments	22,900	112,471	0
Compensated Absences	985	0	0
Deferred Revenue:			
Succeeding Year Property Tax	1,917,371	416,805	903,689
Other	548	803	140
Total Liabilities	2,021,053	552,258	917,285
Fund Balances:			
Reserved For:			
Closure	0	0	0
Inventories	0	0	0
Debt Service	0	0	0
Unreserved, Reported in:			
General Fund	1,867,297	0	0
Special Revenue Funds	0	104,419	593,742
Capital Project Funds	0	0	0
Total Fund Balances	1,867,297	104,419	593,742
TOTAL LIABILITIES AND FUND BALANCES	\$3,888,350	\$656,677	\$1,511,027

See Notes To Financial Statements

Exhibit C

Special Revenue		Debt Service	Nonmajor	Total
Secondary Roads	Highway 105 Trust			
\$899,529	\$1,509,951	\$64,776	\$721,236	\$5,830,053
0	0	0	0	820
0	0	0	296,220	3,534,085
0	0	0	0	30
0	0	0	4,688	60,244
0	3,450	0	222	37,180
0	0	0	134,959	134,959
140,118	0	0	0	233,832
198,423	0	0	0	198,423
<u>\$1,238,070</u>	<u>\$1,513,401</u>	<u>\$64,776</u>	<u>\$1,157,325</u>	<u>\$10,029,626</u>
\$89,651	\$0	\$0	\$0	\$192,671
0	0	0	0	11,864
40	0	0	0	135,411
0	0	0	0	985
0	0	0	296,220	3,534,085
0	0	0	134,959	136,450
89,691	0	0	431,179	4,011,466
0	0	0	6,850	6,850
198,423	0	0	0	198,423
0	0	64,776	0	64,776
0	0	0	0	1,867,297
949,956	1,513,401	0	719,231	3,880,749
0	0	0	65	65
1,148,379	1,513,401	64,776	726,146	6,018,160
<u>\$1,238,070</u>	<u>\$1,513,401</u>	<u>\$64,776</u>	<u>\$1,157,325</u>	<u>\$10,029,626</u>

WORTH COUNTY
Northwood, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total Governmental Fund Balances (page 13) \$6,018,160

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,134,252 and the accumulated depreciation is \$1,708,536 5,425,716

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 136,450

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 17,101

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (2,475,801)

Net Assets of Governmental Activities (page 11) \$9,121,626

See Notes to Financial Statements

WORTH COUNTY
Northwood, Iowa

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

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$2,795,773	\$417,587	\$1,215,525
Interest & Penalty on Property Tax	22,208	0	0
Intergovernmental	822,932	460,571	53,637
Licenses & Permits	4,501	0	0
Charges for Services	248,495	0	0
Use of Money & Property	201,754	0	13,610
Miscellaneous	195,612	1,430	90
Total Revenues	4,291,275	879,588	1,282,862
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,193,340	0	167,597
Physical Health & Social Services	983,323	0	0
Mental Health	0	885,789	0
County Environment & Education	355,092	0	218,027
Roads & Transportation	0	0	0
Governmental Services to Residents	258,009	0	209
Administration	798,822	0	0
Non-program	0	0	0
Debt Service	0	0	0
Capital Projects	72,254	0	100,063
Total Expenditures	3,660,840	885,789	485,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	630,435	(6,201)	796,966
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	(680,000)
General Obligation Bond Issued	0	0	0
Total Other Financing Sources (Uses)	0	0	(680,000)
Net Change in Fund Balances	630,435	(6,201)	116,966
Fund Balances – Beginning of Year	1,236,862	110,620	476,776
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$1,867,297	\$104,419	\$593,742

See Notes To Financial Statements

Special Revenue				
Secondary Roads	Highway 105 Trust	Debt Service	Nonmajor	Total
\$0	\$0	\$80,153	\$308,923	\$4,817,961
0	0	0	0	22,208
1,761,023	0	4,633	6,358	3,109,154
2,290	0	0	0	6,791
0	0	0	20,992	269,487
0	72,193	0	11,438	298,995
207,081	0	0	126,786	530,999
1,970,394	72,193	84,786	474,497	9,055,595
0	0	0	160	1,361,097
0	0	0	0	983,323
0	0	0	0	885,789
0	0	0	0	573,119
2,968,455	0	0	0	2,968,455
0	0	0	8,590	266,808
1,197	0	0	0	800,019
0	0	0	106,584	106,584
0	0	112,896	231,600	344,496
416,728	0	0	0	589,045
3,386,380	0	112,896	346,934	8,878,735
(1,415,986)	72,193	(28,110)	127,563	176,860
679,000	0	0	1,002	680,002
0	0	0	(2)	(680,002)
580,925	0	0	0	580,925
1,259,925	0	0	1,000	580,925
(156,061)	72,193	(28,110)	128,563	757,785
1,274,710	1,441,208	92,886	597,583	5,230,645
29,730	0	0	0	29,730
\$1,148,379	\$1,513,401	\$64,776	\$726,146	\$6,018,160

**WORTH COUNTY
Northwood, Iowa**

**RECONCILIATION 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 (page 16) \$757,785

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

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

Expenditures for Capital Assets	\$1,140,971	
Capital Assets Contributed by the Iowa Department of Transportation	122,583	
Depreciation Expense	<u>(269,031)</u>	994,523

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	(4,409)	
Other	<u>(19,102)</u>	(23,511)

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

Issued	(580,925)	
Repaid	<u>467,700</u>	(113,225)

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

Compensated Absences	2,341	
Interest on Long-Term Debt	<u>(10,720)</u>	(8,379)

Inventories in the governmental funds have been recorded as expenditures when paid. However, the Statement of Activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 29,730

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. 8,747

Change in Net Assets of Governmental Activities (page 17) \$1,645,670

See Notes to Financial Statements

WORTH COUNTY
Northwood, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$20,492
<hr/>	
LIABILITIES	
Accounts Payable	3,391
<hr/>	
NET ASSETS	
Unrestricted	\$17,101
<hr/>	

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

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

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$383,084
Reimbursements from Employees	41,295
Insurance Reimbursements	20,194
<hr/> Total Operating Revenue	<hr/> 444,573
Operating Expenses:	
Medical Claims	11,671
Insurance Premiums	415,646
Administrative Fees	7,956
Miscellaneous	710
<hr/> Total Operating Expenses	<hr/> 435,983
Operating Income	8,590
Non-Operating Revenues:	
Interest on Investments	157
Net Income	8,747
Net Assets Beginning of Year	8,354
<hr/> Net Assets End of Year	<hr/> <hr/> \$17,101

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$383,084
Cash Received From Employees and Others	61,489
Cash Payments to Supplies for Services	(432,612)
Net Cash Provided By Operating Activities	<u>11,961</u>
Cash Flows From Investing Activities:	
Interest on Investments	<u>157</u>
Net Increase in Cash and Cash Equivalents	12,118
Cash and Cash Equivalents at Beginning of Year	<u>8,374</u>
Cash and Cash Equivalents at End of Year	<u>\$20,492</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$8,590
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Increase in Accounts Payable	<u>3,371</u>
Net Cash Provided By Operating Activities	<u>\$11,961</u>

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

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

ASSETS

Cash and Pooled Investments:	
County Treasurer	\$697,350
Other County Officials	61,715
Receivables:	
Property Tax:	
Delinquent	29
Succeeding Year	7,220,711
Accounts	10,214
Accrued Interest	426
Total Assets	7,990,445

LIABILITIES

Accounts Payable	4,632
Due to Other Governments	7,897,184
Trusts Payable	80,312
Compensated Absences	8,317
Total Liabilities	7,990,445

NET ASSETS **\$0**

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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

The Highway 105 Trust Fund is used to account for funds to be used to improve and maintain Highway 105.

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

Additionally, the County reports the following funds:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

D. ASSETS, LIABILITIES AND FUND EQUITY

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of inter-fund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Net Assets - The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 disbursements exceeded amounts budgeted in the Roads & Transportation and Capital Projects functions. Disbursements in certain departments exceeded amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

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

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

Note 3: Inter-fund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$679,000
Records Management	Recorder's Electronic Transaction	2
County Disposal Trust	Rural Services	1,000
Agency:	Agency:	
County Assessor	Special Appraisal	<u>48,400</u>
Total		<u><u>\$728,402</u></u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Land	\$82,714	\$0	\$0	\$82,714
Total Capital Assets Not being Depreciated	82,714	0	0	82,714
Capital Assets Being Depreciated:				
Buildings	912,975	0	0	912,975
Improvements to Buildings	330,291	0	0	330,291
Machinery and Equipment	1,805,795	641,078	105,000	2,341,873
Vehicles	435,826	96,754	0	532,580
Infrastructure	2,408,097	525,722	0	2,933,819
Total Capital Assets Being Depreciated	5,892,984	1,263,554	105,000	7,051,538
Less Accumulated Depreciation For:				
Buildings	193,841	23,150	0	216,991
Improvements to Buildings	9,909	6,606	0	16,515
Machinery and Equipment	944,706	118,659	105,000	958,365
Vehicles	294,901	43,051	0	337,952
Infrastructure	101,148	77,565	0	178,713
Total Accumulated Depreciation	1,544,505	269,031	105,000	1,708,536
Total Capital Assets Being Depreciated, Net	4,348,479	994,523	0	5,343,002
Governmental Activities Capital Assets, Net	\$4,431,193	\$994,523	\$0	\$5,425,716

Depreciation was charged to the following functions:

Governmental Activities:	
Public Safety and Legal Services	\$39,194
Physical Health and Social Services	2,925
County Environment and Education	15,618
Roads and Transportation	200,750
Administration	10,544
Total Depreciation Expense – Governmental Activities	<u>\$269,031</u>

Notes to Financial Statements (Continued)

Note 5: Due to Other Governments

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

Fund	Description	Amount
General	Services	\$22,900
Special Revenue:		
Mental Health	Services	112,471
Secondary Roads		40
Total For Governmental Funds		\$135,411
County Officials:	Collections	\$235
Agency:		
Agricultural Extension	Collections	106,669
Assessor		230,288
Schools		5,329,328
Community Colleges		233,504
Corporations		1,336,412
Auto Licenses & Use Tax		165,059
All Other		495,689
Total For Agency Funds		\$7,897,184

Note 6: Changes in Long-Term Debt

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

	Notes Payable	Compensated Absences	Drainage Improvement Certificates	Revenue Bond	Total
Balance Beginning of Year	\$701,313	\$81,227	\$154,745	\$1,385,700	\$2,322,985
Additions	580,925	17,129	0	0	598,054
Reductions	293,817	0	19,786	154,097	467,700
Balance End of Year	\$988,421	\$98,356	\$134,959	\$1,231,603	\$2,453,339
Due Within One Year	\$261,162	\$98,356	\$15,332	\$162,904	\$537,754

Notes Payable

In November 2002, Worth County entered into a purchase agreement with Spreitzer, Inc. for four road graders. The loan for the full purchase amount of \$697,688 was secured through Northwoods State Bank. Principal payments under this loan agreement totaled \$85,052 during the year ended June 30, 2007.

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Debt (Continued)

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

Year Ending June 30	Interest Rate	Principal	Interest	Total
2008	4.23	\$88,649	\$11,728	\$100,377
2009	4.23	92,399	7,978	100,377
2010	4.23	96,211	4,070	100,281
		<u>\$277,259</u>	<u>\$23,776</u>	<u>\$301,035</u>

During the year ended June 30, 2004, the County issued \$75,000 of General Obligation Urban Renewal Notes for the purpose of a grant to the Top of Iowa Welcome Center to construct a new well. During the fiscal year ended June 30, 2007, the note was paid in full.

During the year ended June 30, 2004, the County issued, not to exceed \$400,000, General Obligation Courthouse Improvement Loan Anticipation Notes for the purpose of constructing an elevator in the courthouse. The County issued General Obligation Courthouse Improvements Notes on May 2, 2005, which paid the Anticipatory Warrants in full.

A summary of the County's June 30, 2007 indebtedness is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2008	3.50	\$66,000	\$6,930	\$72,930
2009	3.50	66,000	4,620	70,620
2010	3.50	66,000	2,310	68,310
		<u>\$198,000</u>	<u>\$13,860</u>	<u>\$211,860</u>

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

A summary of payments is as follows:

Year Ending June 30	Interest Rate	Principal	Interest	Total
2008	5.75	\$162,904	\$68,696	\$231,600
2009	5.75	172,587	59,013	231,600
2010	5.75	182,653	48,947	231,600
2011	5.75	193,306	38,294	231,600
2012	5.75	204,515	27,085	231,600
2013	5.75	216,510	15,090	231,600
2014	5.75	99,128	2,858	101,986
		<u>\$1,231,603</u>	<u>\$259,983</u>	<u>\$1,491,586</u>

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Debt (Continued)

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

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

Year Ending				
June 30	Interest Rate	Principal	Interest	Total
2008	4.673	\$20,000	\$1,425	\$21,425
2009	4.673	20,000	475	20,475
		<u>\$40,000</u>	<u>\$1,900</u>	<u>\$41,900</u>

On January 29, 2007, the County issued \$580,952 of Road Use Tax Revenue Anticipation Notes. The purpose of the noted was to provide funds to purchase five Sterling Tandem Trucks for the Secondary Roads department. The Notes will be paid from future receipts of Road Use Tax. The first payment was made on the note the day the trucks were received. Payments are due annually, from January 2008 through January 2012, including interest at 4.43%.

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

Year Ending			
June 30	Principal	Interest	Total
2008	\$86,513	\$21,252	\$107,765
2009	90,351	17,414	107,765
2010	94,457	13,308	107,765
2011	98,699	9,066	107,765
2012	103,141	4,633	107,774
	<u>\$473,161</u>	<u>\$65,673</u>	<u>\$538,834</u>

The County is in compliance with all bond and note resolutions.

Drainage Warrants/Drainage Improvement Certificates Payable

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

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

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Debt (Continued)

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

Note 7: Pension and Retirement Benefits

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

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 \$166,201, \$155,782, and \$156,849, respectively, equal to the required contributions for the year.

Note 8: Risk Management

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

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

Note 9: Employee Health Insurance Plan

The Worth County Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark, Blue Cross, Blue Shield.

Monthly payments of service fees and plan contributions to the Worth County Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Blue Cross and Blue Shield of Iowa from the Worth County Health Fund. The County records the plan assets and related liabilities of the Worth County Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2007 was \$383,084.

Note 10: Business Transactions

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

Notes to Financial Statements (Continued)

Note 11: Budget Over Expenditure

Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the Roads & Transportation and Capital Projects functions. Disbursements in the County Engineer department exceeded the amounts appropriated.

WORTH COUNTY
Northwood, Iowa

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

Required Supplementary Information
Year Ended June 30, 2007

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property and Other County Tax	\$4,806,701	\$0
Interest and Penalty on Property Tax	22,206	0
Intergovernmental	3,153,471	0
Licenses and Permits	6,881	0
Charges for Services	273,065	0
Use of Money and Property	308,283	0
Miscellaneous	547,720	124,925
Total Receipts	9,118,327	124,925
DISBURSEMENTS:		
Public Safety and Legal Services	1,331,941	0
Physical Health and Social Services	972,926	0
Mental Health	854,639	0
County Environment and Education	570,863	0
Roads and Transportation	2,921,209	0
Governmental Services to Residents	266,829	0
Administrative Services	796,996	0
Non-program	106,584	106,584
Debt Services	344,496	0
Capital Projects	613,743	0
Total Disbursements	8,780,226	106,584
Excess (Deficiency) of Receipts Under Disbursements	338,101	18,341
Other Financing Sources, Net	580,925	0
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	919,026	18,341
Fund Balances – Beginning of Year	4,911,027	315,430
Fund Balances – End of Year	\$5,830,053	\$333,771

See Accompanying Independent Auditors' Report

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$4,806,701	\$3,848,326	\$3,848,326	\$958,375
22,206	24,133	24,133	(1,927)
3,153,471	3,561,239	3,602,189	(448,718)
6,881	3,868	3,868	3,013
273,065	280,297	280,297	(7,232)
308,283	108,382	108,382	199,901
422,795	443,446	447,446	(24,651)
8,993,402	8,269,691	8,314,641	678,761
1,331,941	1,282,085	1,361,640	29,699
972,926	1,105,664	1,158,114	185,188
854,639	877,000	877,000	22,361
570,863	700,571	734,591	163,728
2,921,209	2,775,000	2,775,000	(146,209)
266,829	279,906	279,906	13,077
796,996	827,801	862,801	65,805
0	0	0	0
344,496	344,689	344,689	193
613,743	513,500	611,945	(1,798)
8,673,642	8,706,216	9,005,686	332,044
319,760	(436,525)	(691,045)	1,010,805
580,925	21,789	21,789	559,136
900,685	(414,736)	(669,256)	1,569,941
4,595,597	3,552,884	3,552,884	1,042,713
\$5,496,282	\$3,138,148	\$2,883,628	\$2,612,654

WORTH COUNTY
Northwood, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$9,118,327	\$(62,732)	\$9,055,595
Expenditures	8,780,226	98,509	8,878,735
Net	338,101	(161,241)	176,860
Other Financing Sources (Net)	580,925	0	580,925
Beginning Fund Balances	4,911,027	319,618	5,230,645
Increase in Reserve for: Inventories	0	29,730	29,730
Ending Fund Balances	\$5,830,053	\$188,107	\$6,018,160

See Accompanying Independent Auditors' Report

WORTH COUNTY
Northwood, Iowa

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

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by funds. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, 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, one budget amendment increased budgeted disbursements by \$299,470. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Roads & Transportation and Capital Projects Functions.

WORTH COUNTY
Northwood, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

	REAP	Recorder Records Management	Emergency Medical Services	County Disposal Closure	Ethanol Bond
ASSETS					
Cash and Pooled Investments	\$50,000	\$1,274	\$311	\$6,850	\$218,766
Receivables:					
Property Tax:					
Succeeding Year	0	0	0	0	296,220
Accounts	0	418	0	0	3,825
Accrued Interest	216	6	0	0	0
Assessments	0	0	0	0	0
TOTAL ASSETS	\$50,216	\$1,698	\$311	\$6,850	\$518,811
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue:					
Succeeding Year Property Tax	\$0	\$0	\$0	\$0	\$296,220
Other	0	0	0	0	0
Total Liabilities	0	0	0	0	296,220
Fund Balances					
Reserved for:					
Closure	0	0	0	6,850	0
Unreserved	50,216	1,698	311	0	222,591
Total Fund Equity	50,216	1,698	311	6,850	222,591
TOTAL LIABILITIES AND FUND BALANCES	\$50,216	\$1,698	\$311	\$6,850	\$518,811

See Accompanying Independent Auditors' Report

Schedule 1

Board and Room	Probation Fees	Drainage	Conservation Reserve	Joining Generations	Que Pasa	Capital Projects	Total
\$53,045	\$28,339	\$333,771	\$26,954	\$1,757	\$104	\$65	\$721,236
0	0	0	0	0	0	0	296,220
445	0	0	0	0	0	0	4,688
0	0	0	0	0	0	0	222
0	0	134,959	0	0	0	0	134,959
<u>\$53,490</u>	<u>\$28,339</u>	<u>\$468,730</u>	<u>\$26,954</u>	<u>\$1,757</u>	<u>\$104</u>	<u>\$65</u>	<u>\$1,157,325</u>
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$296,220
0	0	134,959	0	0	0	0	134,959
0	0	134,959	0	0	0	0	431,179
0	0	0	0	0	0	0	6,850
53,490	28,339	333,771	26,954	1,757	104	65	719,296
53,490	28,339	333,771	26,954	1,757	104	65	726,146
<u>\$53,490</u>	<u>\$28,339</u>	<u>\$468,730</u>	<u>\$26,954</u>	<u>\$1,757</u>	<u>\$104</u>	<u>\$65</u>	<u>\$1,157,325</u>

WORTH COUNTY
Northwood, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2007

	REAP	Recorder Records Management	Emergency Medical Services	Recorders Electronic Transaction	County Disposal Closure
REVENUES:					
Property and Other County Tax	\$0	\$0	\$0	\$0	\$0
Intergovernmental	6,271	0	0	0	0
Charges for Services	1,871	2,623	0	0	0
Use of Money and Property	0	187	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenues	8,142	2,810	0	0	0
EXPENDITURES:					
Operating:					
Public Safety and Legal Services	0	0	160	0	0
Governmental Services to Residents	0	8,590	0	0	0
Non-program	0	0	0	0	0
Debt Service	0	0	0	0	0
Total Expenditures	0	8,590	160	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,142	(5,780)	(160)	0	0
Other Financing Sources:					
Operating Transfers In	0	2	0	0	1,000
Operating Transfers Out	0	0	0	(2)	0
Total Other Financing Sources	0	2	0	(2)	1,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	8,142	(5,778)	(160)	(2)	1,000
Fund Balances – Beginning of Year	42,074	7,476	471	2	5,850
Fund Balances – End of Year	\$50,216	\$1,698	\$311	\$0	\$6,850

See Accompanying Independent Auditors' Report

Schedule 2

Ethanol Bond	Board and Room	Probation Fees	Drainage	Conservation Reserve	Joining Generations	Que Pasa	Capital Projects	Total
\$308,923	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$308,923
87	0	0	0	0	0	0	0	6,358
0	11,398	5,100	0	0	0	0	0	20,992
11,251	0	0	0	0	0	0	0	11,438
0	0	0	124,925	0	1,757	104	0	126,786
320,261	11,398	5,100	124,925	0	1,757	104	0	474,497
0	0	0	0	0	0	0	0	160
0	0	0	0	0	0	0	0	8,590
0	0	0	106,584	0	0	0	0	106,584
231,600	0	0	0	0	0	0	0	231,600
231,600	0	0	106,584	0	0	0	0	346,934
88,661	11,398	5,100	18,341	0	1,757	104	0	127,563
0	0	0	0	0	0	0	0	1,002
0	0	0	0	0	0	0	0	(2)
0	0	0	0	0	0	0	0	1,000
88,661	11,398	5,100	18,341	0	1,757	104	0	128,563
133,930	42,092	23,239	314,430	26,954	0	0	65	597,583
\$222,591	\$53,490	\$28,339	\$333,771	\$26,954	\$1,757	\$104	\$65	\$726,146

WORTH COUNTY
Northwood, Iowa

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

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$0	\$1,614	\$130,551	\$78,404
Other County Officials	61,715	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	0	0	21
Succeeding Year	0	105,055	108,108	5,250,903
Accounts	0	0	0	0
Accrued Interest	0	0	0	0
TOTAL ASSETS	\$61,715	\$106,669	\$238,659	\$5,329,328
LIABILITIES				
Accounts Payable	\$0	\$0	\$54	\$0
Due to Other Governments	235	106,669	230,288	5,329,328
Trusts Payable	61,480	0	0	0
Compensated Absences	0	0	8,317	0
TOTAL LIABILITIES	\$61,715	\$106,669	\$238,659	\$5,329,328

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$3,342 0	\$22,237 0	\$1,468 0	\$249 0	\$165,059 0	\$294,426 0	\$697,350 61,715
1 230,161 0 0	7 1,314,168 0 0	0 88,370 0 0	0 0 0 0	0 0 0 0	0 123,946 10,214 426	29 7,220,711 10,214 426
<u>\$233,504</u>	<u>\$1,336,412</u>	<u>\$89,838</u>	<u>\$249</u>	<u>\$165,059</u>	<u>\$429,012</u>	<u>\$7,990,445</u>
\$0 233,504 0 0	\$0 1,336,412 0 0	\$0 89,838 0 0	\$0 249 0 0	\$0 165,059 0 0	\$4,578 405,602 18,832 0	\$4,632 7,897,184 80,312 8,317
<u>\$233,504</u>	<u>\$1,336,412</u>	<u>\$89,838</u>	<u>\$249</u>	<u>\$165,059</u>	<u>\$429,012</u>	<u>\$7,990,445</u>

WORTH COUNTY
Northwood, Iowa

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

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$84,956	\$102,129	\$220,036	\$4,986,690
Additions:				
Property & Other County Tax	0	105,439	108,502	5,259,361
E911 Surcharge	0	0	0	0
State Tax Credits	0	5,998	6,160	291,655
Office Fees & Collections	285,933	0	0	0
Electronic Transaction Fees	0	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	95,981	0	0	0
Miscellaneous	0	0	0	0
Total Additions	381,914	111,437	114,662	5,551,016
Deductions:				
Agency Remittances:				
To Other Funds	150,778	0	0	0
To Other Governments	80,904	106,897	144,439	5,208,378
Trusts Paid Out	173,473	0	0	0
Total Deductions	405,155	106,897	144,439	5,208,378
Transfers In (Out)	0	0	48,400	0
Balances – End of Year	\$61,715	\$106,669	\$238,659	\$5,329,328

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$211,441	\$1,321,075	\$89,715	\$701	\$134,050	\$334,221	\$7,485,014
230,956	1,266,986	90,853	0	0	124,168	\$7,186,265
0	0	0	0	0	72,392	72,392
12,419	97,939	4,788	0	0	3,465	422,424
0	0	0	0	0	0	285,933
0	0	0	0	0	1,733	1,733
0	0	0	0	1,810,829	0	1,810,829
0	0	0	5,741	0	0	5,741
0	0	0	0	0	151,742	247,723
0	0	0	0	0	79,662	79,662
243,375	1,364,925	95,641	5,741	1,810,829	433,162	10,112,702
0	0	0	0	52,036	0	202,814
221,312	1,349,588	95,518	6,193	1,727,784	140,394	9,081,407
0	0	0	0	0	149,577	323,050
221,312	1,349,588	95,518	6,193	1,779,820	289,971	9,607,271
0	0	0	0	0	(48,400)	0
\$233,504	\$1,336,412	\$89,838	\$249	\$165,059	\$429,012	\$7,990,445

WORTH COUNTY
Northwood, Iowa

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

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Property & Other County Tax	\$4,817,961	\$3,786,710	\$3,251,269	\$2,533,936	\$2,385,163
Interest & Penalty On Property Tax	22,208	26,313	24,938	23,346	26,524
Intergovernmental	3,109,154	3,162,052	3,771,851	3,219,773	2,869,101
Licenses & Permits	6,791	7,753	4,018	3,909	4,580
Charges For Service	269,487	262,579	292,122	261,798	236,295
Use of Money & Property	298,995	212,418	108,187	99,672	135,986
Miscellaneous	530,999	446,046	575,354	414,027	467,116
Total	<u>\$9,055,595</u>	<u>\$7,903,871</u>	<u>\$8,027,739</u>	<u>\$6,556,461</u>	<u>\$6,124,765</u>
Expenditures:					
Operating:					
Public Safety & Legal Services	\$1,361,097	\$1,141,572	\$1,144,281	\$1,159,239	\$1,038,546
Physical Health & Social Services	983,323	951,470	886,674	879,418	921,995
Mental Health	885,789	881,146	769,579	824,134	818,414
County Environment & Education	573,119	511,767	593,839	1,595,051	433,269
Roads & Transportation	2,968,455	2,191,910	2,651,749	2,042,794	2,038,864
Governmental Services To Residents	266,808	261,798	257,646	229,174	210,873
Administrative Services	800,019	664,192	595,584	602,439	594,167
Non-program	106,584	110,602	124,566	195,186	599,834
Debt Services	344,496	207,523	124,704	57,041	0
Capital Projects	589,045	242,341	895,667	1,184,583	124,512
Total	<u>\$8,878,735</u>	<u>\$7,164,321</u>	<u>\$8,044,289</u>	<u>\$8,769,059</u>	<u>\$6,780,474</u>

See Accompanying Independent Auditors' Report



Gardiner Thomsen
Certified Public Accountants

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

To the Officials of Worth County:
Northwood, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Worth County 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 March 26, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Worth County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Worth County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Worth County's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Worth County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our 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 that are described in the accompanying Schedule of Findings.

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

Worth County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Worth 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 Worth County and other parties to whom Worth County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

March 26, 2008

Gardiner Thomsen, P.C.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings
Year Ended June 30, 2007

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

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

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

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

Conclusion – Response accepted.

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

The County does not have written policies for:

- Password privacy and confidentiality.

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

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

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

Conclusion – Response accepted.

- C **Financial Reporting** – During the audit, we identified material amounts of receivables, payables, debt proceeds, interest and capital assets not recorded or incorrectly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2007

Findings Related to the Financial Statements (Continued)

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

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future. We have further segregated the posting duties to ensure proper recording of interest revenue.

Conclusion – Response accepted.

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

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

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

Conclusion – Response acknowledged.

INSTANCE OF NON-COMPLIANCE

No matters were reported.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings
Year Ended June 30, 2007

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the Roads and Transportation and Capital Projects functions. Disbursements in the County Engineer department exceeded the amounts appropriated. The June 18, 2007 appropriations were not awarded by resolution. Also, the E911 notice of public hearing was not published in accordance with Chapter 331.434 of the Code of Iowa.

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

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

Chapter 331.434 of the Code of Iowa requires notice of public hearing for budgets to be published not less than ten nor more than twenty days before the hearing. All notices should be published accordingly.

Response – We will amend the budgets when required and appropriations will be watched more closely by the departments and will be awarded by resolution when required. Notices of publication will be published in accordance with the Code of Iowa.

Conclusion – Response accepted.

2. **Questionable Expenditures** – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
3. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transactions** – The following business transactions between the County and County officials or employees were noted:

Name, Title & Business Connection	Description	Amount
Abram’s Drainage Service		
Owned by Supervisor Ken Abrams	Drainage Work	\$12,288
Berge Oil Company		
Owned by Brother-in-law of Barb Berge, Clerk	Fuel	\$324,035
Computer Assistants		
Owned by Joel Rohne, IT Person	Computer Services	\$850

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2007

Other Findings Related to Required Statutory Reporting (Continued)

4. The transaction with Abrams Drainage Service in excess of \$1,500 may represent conflicts of interest since the total transactions in excess of \$1,500 during the fiscal year were not through competitive bid.

The transactions with Berge Oil Company do not appear to be conflicts of interest as these services were acquired through a bid process and the transactions with Joel Rohne appear not to represent conflicts of interest as these services did not exceed \$1,500 per Chapter 331.342 of the Code of Iowa.

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

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

Conclusion – Response accepted.

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
7. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
8. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
9. **County Extension Office** –The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
10. **Economic Development** – During the year ended June 30, 2007, the County expended \$45,875 for economic development purposes, which appear to be appropriate expenditures of public funds since the public benefits to be derived have been clearly documented.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2007

Other Findings Related to Required Statutory Reporting (Continued)

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

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

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

Conclusion – Response acknowledged.

News Release

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

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$11,469,116 for the year ended June 30, 2007, which included \$634,102 in tax credits from the State. The County then forwarded \$7,128,778 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,860,427 of the local tax revenue to finance County operations, a 5% increase from the prior year. Other revenues included charges for service of \$889,679 operating grants, contributions and restricted interest of \$2,506,898, unrestricted investment earnings of \$274,703 local option sales tax of \$334,488 and other general revenues of \$1,201,613.

Expenses for the County operations totaled \$7,544,721, a 6% increase from the prior year. Expenditures included \$2,360,484 for Roads and Transportation, \$1,337,580 for Public Safety and Legal Services, and \$980,539 for Physical Health and Social Services.

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

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