

WORTH COUNTY
Northwood, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2011

WORTH COUNTY, IOWA
Northwood, Iowa

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**WORTH COUNTY
Northwood, Iowa**

(Before January 2011)

Board of Supervisors

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Dennis May	January 2011	First District
Dave Haugen.....	January 2013	Second District
Jeff Creger	January 2011	Third District

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kay Clark.....	January 2013	County Auditor
Jake Hanson	January 2011	County Treasurer
Elizabeth Kenison	January 2011	County Recorder
Jay Langenbau.....	January 2013	County Sheriff
Jeff Greve	January 2011	County Attorney
Daniel Reeder	January 2016	County Assessor

(After January 2011)

Board of Supervisors

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Dennis May	January 2015	First District
Dave Haugen.....	January 2013	Second District
Ken Abrams	January 2015	Third District

OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>
Kay Clark.....	January 2013	County Auditor
Jake Hanson	January 2015	County Treasurer
Elizabeth Kenison	January 2015	County Recorder
Jay Langenbau.....	January 2013	County Sheriff
Jeff Greve	January 2015	County Attorney
Daniel Reeder	January 2016	County Assessor



Independent Auditors' Report

To the Officials of Worth County
Northwood, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Worth County, Iowa, as of and for the year ended June 30, 2011, 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, 2011, 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 31, 2012, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 – 9 and 38 – 42 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 eight years ended June 30, 2010 (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 31, 2012

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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 32%, or approximately \$2,876,648 from fiscal 2010 to fiscal 2011. Property taxes increased approximately \$383,725 and tax increment financing increased \$159,823 while charges for service decreased approximately \$64,371, capital grants and contributions increased approximately \$2,064,219 and unrestricted investment earnings decreased approximately \$47,201.
- Program expenses were 1.75% or approximately \$161,413, more in fiscal 2011 than in fiscal 2010. Roads and Transportation expense decreased approximately \$541,226 while Administration expenses increased \$284,873.
- The County's net assets increased 23%, or approximately \$2,434,240, from June 30, 2010 to June 30, 2011.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 that 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 \$10.295 million to \$12.730 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,	
	2011	2010
Current and Other Assets	\$18,514	\$12,848
Capital Assets	18,363	12,891
<u>Total Assets</u>	<u>36,877</u>	<u>25,739</u>
Long-Term Debt Outstanding	18,829	10,246
Other Liabilities	5,318	5,198
<u>Total Liabilities</u>	<u>24,147</u>	<u>15,444</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	8,228	6,151
Restricted	12,300	5,843
Unrestricted	(7,798)	(1,699)
<u>Total Net Assets</u>	<u>\$12,730</u>	<u>\$10,295</u>

Net assets of Worth County's governmental activities increased 23% (\$10.295 million compared to \$12.730 million). A portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased from approximately (\$1,699,418) at June 30, 2010 to approximately (\$7,798,241) at the end of this year.

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

	<u>Year ended June 30,</u>	
	2011	2010
Revenues:		
Program Revenues:		
Charges for Service	\$775	\$839
Operating Grants, Contributions and Restricted Interest	2,699	2,418
Capital Grants, Contributions and Restricted Interest	2,158	94
General Revenues:		
Property Tax	3,848	3,464
Penalty and Interest on Property Tax	25	27
State Tax Credits	156	159
Local Option Sales Tax	330	288
Unrestricted Investment Earning	102	149
Other General Revenues	1,717	1,494
Total Revenues	11,810	8,932
Program Expenses:		
Public Safety and Legal Services	1,611	1,522
Physical Health and Social Services	932	929
Mental Health	762	724
County Environment and Education	703	672
Roads and Transportation	3,101	3,642
Governmental Services to Residents	321	305
Administration	1,260	975
Non-Program	161	96
Interest on Long-term Debt	524	348
Total Expenses	9,375	9,213
Increase (Decrease) in Net Assets	2,435	(281)
Net Assets Beginning of Year	10,295	10,576
Net Assets End of Year	\$12,730	\$10,295

The results of governmental activities for the year resulted in Worth County's net assets increasing by approximately \$2,434,240. Revenues for governmental activities increased by approximately \$2,876,648 over the prior year, with capital grants up from the prior year by approximately \$2,064,219.

The County increased property tax rates from 2011 by an average of one percent. This increased the County's property tax revenue by approximately \$380,683 in 2011. Property tax revenue is budgeted to increase by an additional \$239,673 next year.

The cost of all governmental activities this year was \$9.375 million compared to \$9.213 million last year. However, as shown in the Statement of Activities on page 11, the amount taxpayers ultimately financed for these activities was only \$3.74 million because some of the cost was paid by those directly benefited from the programs, \$774,796, or by other governments and organizations that subsidized certain programs with grants and contributions, \$4,857,197. Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2011 from approximately \$3,351,125 to \$5,631,993. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,847,987 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 \$12,922,549, an increase of \$5,722,740 above last year's total of \$7,199,809. 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 were 9% and 8% higher when compared to the prior year. The ending fund balance showed an increase of \$69,467 from the prior year to \$1,440,139.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$762,167, an increase of 5% from the prior year. The Mental Health Fund balance at year end increased by approximately \$17,669 over the prior year to \$352,440.
- Rural Services revenues decreased slightly while expenditures increased by \$5,383. Ending fund balance decreased by \$35,408 to \$654,184.
- Secondary Roads Fund expenditures decreased by approximately \$1,802,861 over the prior year. The Secondary Roads Fund ending balance increased approximately \$4,250.
- Hwy 105 Trust revenues increased slightly over the prior year. Ending fund balance increased to \$1,365,399.
- The Hartland Township TIF received \$99,702 in tax increment financing revenues and \$4,061,143 in proceeds from the issuance of long term debt. The ending fund balance is \$3,946,329.

BUDGETARY HIGHLIGHTS

Over the course of the year, Worth County amended its budget twice. The first amendment was made in August 2010, and resulted in revenue related to special election reimbursement and disbursements related to mileage, election workers, ballot preparation, and roads. The second amendment was made in April 2011, and resulted in revenue related to special election reimbursement, general obligation bond proceeds, and a grant. Disbursements related to special election, telephone, building maint/repair, office equipment, medical examiner, fiscal agent fees, interest on GO bonds, water/sewer structures, publication and legal notices, education, mileage, capital purchases, medical, supplies, roads, rock and sand, utilities, GO bond redemption, land improvements, motor vehicle maint/repair, and employee health insurance. Transfers from Rural Services Supplemental, Capital Projects, and NRCS to General Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Worth County had approximately \$21.455 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 \$5,993,315 or 38% over last year.

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

	June 30,	
	2011	2010
Land	\$198	\$198
Construction in Process	4,290	1,239
Buildings and Improvements	1,679	1,606
Equipment and Vehicles	3,803	3,632
Intangibles	106	0
Infrastructure	11,379	8,786
Total	\$21,455	\$15,461

This year's major additions include (expressed in thousands)	
Infrastructure in Process	\$3,026
Secondary Road Equipment	61
Infrastructure	2,593
<hr/>	
Total	\$5,680
<hr/>	

The County had depreciation expense of \$561,298 in fiscal year 2011 and total accumulated depreciation of \$3,091,981 at June 30, 2011.

The County's fiscal year 2011 capital budget included \$12,274,714 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, 2011 Worth County has approximately \$18,767,981 in general obligation bonds and other debt outstanding compared to approximately \$10,245,764 at June 30, 2010, as shown below.

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

	June 30,	
	2011	2010
General Obligation Bonds and Notes	\$18,234	\$9,723
Road Use Tax Anticipation Notes	103	201
Installment Purchase	106	0
Drainage Warrants and Improvement Certificates	80	92
Compensated Absences	167	134
Early Retirement Incentive	78	96
<hr/>		
Total	\$18,768	\$10,246
<hr/>		

The County continues to carry a general obligation bond rating as A assigned by national rating agencies to the County's debt since 2009. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue up 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 \$38 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

Amounts available for appropriation in the fiscal 2012 operating budget are \$19,557,114 million, a decrease of fifteen percent over the final 2011 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, 2011**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$13,069,670
Receivables:	
Property Tax:	
Delinquent	7,393
Succeeding Year	4,545,713
Interest & Penalty on Property Tax	58
Accounts	48,387
Accrued Interest	18,391
Notes	308,690
Due From Other Governments	117,477
Inventories	314,571
Prepaid Insurance	83,994
Capital Assets (Net of Accumulated Depreciation/Amortization)	18,362,971
TOTAL ASSETS	36,877,315
LIABILITIES	
Accounts Payable	602,192
Accrued Interest Payable	50,467
Salaries & Benefits Payable	35,110
Due To Other Governments	85,322
Deferred Revenue:	
Succeeding Year Property Tax	4,545,713
Long Term Liabilities:	
Portion Due or Payable Within One Year:	
General Obligation Bonds	204,515
General Obligation Notes	103,141
Installment Purchase	105,850
Improvement Certificates	11,493
Compensated Absences	166,913
Termination Benefits	16,731
Portion Due or Payable After One Year:	
General Obligation Bonds	17,720,638
General Obligation Notes	308,692
Improvement Certificates	68,961
Termination Benefits	61,047
Net OPEB Liability	60,940
TOTAL LIABILITIES	24,147,725
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,228,405
Restricted For:	
Supplemental Levy Purposes	185,369
Mental Health Purposes	353,357
Rural Services Purposes	654,759
Secondary Roads Purposes	2,307,982
Other Purposes	8,797,959
Unrestricted	(7,798,241)
TOTAL NET ASSETS	\$12,729,590

See Notes To Financial Statements

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	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	\$1,610,415	\$54,655	\$4,935	\$0	\$(1,550,825)
Physical Health & Social Services	931,409	268,860	359,606	0	(302,943)
Mental Health	762,167	50,177	292,311	0	(419,679)
County Environment & Education	702,902	18,256	11,710	0	(672,936)
Roads & Transportation	3,101,158	193,557	2,030,811	2,157,824	1,281,034
Governmental Services to Residents	320,728	135,152	0	0	(185,576)
Administration	1,260,348	24,605	0	0	(1,235,743)
Non-Program	161,274	29,534	0	0	(131,740)
Interest on Long-Term Debt	524,223	0	0	0	(524,223)
TOTAL	\$9,374,624	\$774,796	\$2,699,373	\$2,157,824	(3,742,631)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					3,847,987
Penalties & Interest on Property Tax					24,323
State Tax Credits					155,670
Local Option Sales Tax					329,536
Unrestricted Investment Earnings					102,301
Miscellaneous					1,107,692
Tax Increment Financing					609,362
TOTAL GENERAL REVENUES					6,176,871
CHANGE IN NET ASSETS					2,434,240
NET ASSETS, BEGINNING OF YEAR					10,295,350
NET ASSETS, END OF YEAR					\$12,729,590

See Notes To Financial Statements

WORTH COUNTY
Northwood, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$1,321,108	\$441,331	\$637,910
Receivables:			
Property Tax:			
Delinquent	5,710	966	717
Succeeding Year	2,674,770	422,239	978,350
Interest & Penalty on Property Tax	58	0	0
Accounts	28,246	0	1,374
Accrued Interest	14,112	0	0
Due From Other Governments	80,822	11,362	25,293
Prepaid Insurance	83,994	0	0
Inventories	0	0	0
TOTAL ASSETS AND OTHER DEBITS	\$4,208,820	\$875,898	\$1,643,644
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$72,077	\$19,748	\$6,634
Salaries & Benefits Payable	16,434	0	3,901
Due to Other Governments	0	80,554	0
Deferred Revenue:			
Succeeding Year Property Tax	2,674,770	422,239	978,350
Other	5,400	917	575
Total Liabilities	2,768,681	523,458	989,460
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Prepaid Insurance	83,994	0	0
Restricted For:			
Supplemental Levy Purposes	183,502	0	0
Mental Health Purposes	0	352,440	0
Rural Services Purposes	0	0	654,184
Secondary Roads Purposes	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0
Conservation Land Acquisition	83,954	0	0
Closure	0	0	0
Other Purposes	600,316	0	0
Assigned	5,954	0	0
Unassigned	482,419	0	0
Total Fund Balances	1,440,139	352,440	654,184
TOTAL LIABILITIES AND FUND BALANCES	\$4,208,820	\$875,898	\$1,643,644

See Notes To Financial Statements

Special Revenue				
Secondary Roads	Highway 105 Trust	Hartland Township TIF	Nonmajor	Total
\$2,535,683	\$1,363,019	\$3,973,813	\$2,788,930	\$13,061,794
0	0	0	0	7,393
0	0	100,875	369,479	4,545,713
0	0	0	0	58
9,477	0	0	9,290	48,387
0	2,380	81	1,818	18,391
0	0	0	0	117,477
0	0	0	0	83,994
314,571	0	0	0	314,571
\$2,859,731	\$1,365,399	\$4,074,769	\$3,169,517	\$18,197,778
\$473,365	\$0	\$27,565	\$2,803	\$602,192
14,775	0	0	0	35,110
0	0	0	4,768	85,322
0	0	100,875	369,479	4,545,713
0	0	0	0	6,892
488,140	0	128,440	377,050	5,275,229
314,571	0	0	0	314,571
0	0	0	0	83,994
0	0	0	0	183,502
0	0	0	0	352,440
0	0	0	0	654,184
2,057,020	0	0	0	2,057,020
0	0	0	295,768	295,768
0	0	0	0	83,954
0	0	0	4,111	4,111
0	1,365,399	3,946,329	2,492,588	8,404,632
0	0	0	0	5,954
0	0	0	0	482,419
2,371,591	1,365,399	3,946,329	2,792,467	12,922,549
\$2,859,731	\$1,365,399	\$4,074,769	\$3,169,517	\$18,197,778

WORTH COUNTY
Northwood, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total Governmental Fund Balances (Page 13) \$12,922,549

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 \$21,454,952 and the accumulated depreciation/amortization is \$3,091,981. 18,362,971

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 6,892

The Internal Service Fund is used by management to charge the costs 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. 7,876

Long-term liabilities, including bonds payable, notes payable, compensated absences payable, other post employment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (18,570,698)

Net Assets of Governmental Activities (Page 10) \$12,729,590

See Notes to Financial Statements.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$3,302,815	\$419,646	\$952,267
Local Option Sales Tax	0	0	329,537
Interest & Penalty on Property Tax	24,323	0	0
Intergovernmental	664,652	359,824	44,164
Licenses & Permits	3,945	0	0
Charges for Services	254,748	0	6,704
Use of Money & Property	88,109	0	236
Miscellaneous	118,893	366	0
Total Revenues	4,457,485	779,836	1,332,908
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,440,487	0	262,186
Physical Health & Social Services	936,202	0	0
Mental Health	0	762,167	0
County Environment & Education	477,128	0	182,712
Roads & Transportation	0	0	0
Governmental Services to Residents	312,631	0	149
Administration	1,179,319	0	894
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	85,715	0	46,051
Total Expenditures	4,431,482	762,167	491,992
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,003	17,669	840,916
Other Financing Sources (Uses):			
Transfers In	672	0	0
Transfers Out	(63,058)	0	(876,324)
Installment Purchases	105,850	0	0
General Obligation Bond Issued	0	0	0
Total Other Financing Sources (Uses)	43,464	0	(876,324)
Net Change in Fund Balances	69,467	17,669	(35,408)
Fund Balances – Beginning of Year, As Restated	1,370,672	334,771	689,592
Increase in Reserve for Inventories	0	0	0
Fund Balances – End of Year	\$1,440,139	\$352,440	\$654,184

See Notes To Financial Statements.

Exhibit E

Special Revenue				
Secondary Roads	Highway 105 Trust	Hartland Township TIF	Nonmajor	Total
\$0	\$0	\$99,702	\$509,660	\$5,284,090
0	0	0	0	329,537
0	0	0	0	24,323
2,030,811	0	0	14,941	3,114,392
16,720	0	0	0	20,665
0	0	0	17,540	278,992
0	109,775	208	7,755	206,083
315,690	0	0	117,195	552,144
2,363,221	109,775	99,910	667,091	9,810,226
0	0	0	40,393	1,743,066
0	0	0	6,162	942,364
0	0	0	0	762,167
0	0	99,825	0	759,665
2,918,561	0	0	0	2,918,561
0	0	0	0	312,780
0	0	0	0	1,180,213
0	0	0	145,709	145,709
107,765	0	114,901	575,225	797,891
3,443,668	0	0	0	3,575,434
6,469,994	0	214,726	767,489	13,137,850
(4,106,773)	109,775	(114,816)	(100,398)	(3,327,624)
937,374	0	0	1,401	939,447
0	0	0	(65)	(939,447)
0	0	0	0	105,850
3,034,135	0	4,061,143	1,709,722	8,805,000
3,971,509	0	4,061,143	1,711,058	8,910,850
(135,264)	109,775	3,946,327	1,610,660	5,583,226
2,367,341	1,255,624	2	1,181,807	7,199,809
139,514	0	0	0	139,514
\$2,371,591	\$1,365,399	\$3,946,329	\$2,792,467	\$12,922,549

**WORTH COUNTY
Northwood, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

Net Change in Fund Balances - Total Governmental Funds (Page 16) \$5,583,226

*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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year as follows:

Expenditures for Capital Assets	\$3,875,491	
Capital Assets Contributed by the Iowa Department of Transportation	2,157,824	
Depreciation/Amortization Expense	<u>(561,298)</u>	5,472,017

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	5,506	
Other	<u>(91,947)</u>	(86,441)

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 issuances exceeded repayments as follows:

Issued	(8,910,850)	
Repaid	<u>303,498</u>	(8,607,352)

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

Compensated Absences	(32,894)	
Other Postemployment Benefits/Termination Benefits	(14,066)	
Interest on Long-Term Debt	<u>(18,337)</u>	(65,297)

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.

139,514

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The Change in Net Assets of the Internal Service Fund is reported with governmental activities.

(1,427)

Change in Net Assets of Governmental Activities (Page 11)

\$2,434,240

See Notes to Financial Statements.

**WORTH COUNTY
Northwood, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash & Cash Equivalents	\$7,876
<hr/>	
NET ASSETS	
Unrestricted	\$7,876
<hr/>	

See Notes To Financial Statements.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>Internal Service Employee Group Health</u>
Operating Revenues:	
Reimbursements from Operating Funds	\$436,596
Reimbursements from Employees	68,607
<u> Total Operating Revenue</u>	<u>505,203</u>
Operating Expenses:	
Insurance Premiums	505,203
Miscellaneous	1,500
<u> Total Operating Expenses</u>	<u>506,703</u>
Operating Loss	(1,500)
Non-Operating Revenues:	
Interest on Investments	73
Net Loss	(1,427)
<u>Net Assets Beginning of Year</u>	<u>9,303</u>
<u>Net Assets End of Year</u>	<u>\$7,876</u>

See Notes To Financial Statements.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	<u>Internal Service Employee Group Health</u>
Cash Flows From Operating Activities:	
Cash Received From Operating Fund Reimbursements	\$436,596
Cash Received From Employees and Others	68,607
Cash Payments to Supplies for Services	(506,703)
Net Cash Used in Operating Activities	(1,500)
Cash Flows From Investing Activities:	
Interest on Investments	73
Net Decrease in Cash and Cash Equivalents	(1,427)
Cash and Cash Equivalents at Beginning of Year	9,303
Cash and Cash Equivalents at End of Year	\$7,876
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$(1,500)
Net Cash Used in Operating Activities	\$(1,500)

See Notes To Financial Statements.

WORTH COUNTY
Northwood, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

ASSETS

Cash and Pooled Investments:	
County Treasurer	\$907,678
Other County Officials	38,359
Receivables:	
Property Tax:	
Delinquent	795
Succeeding Year	9,298,079
Accounts	8,641
Total Assets	10,253,552

LIABILITIES

Accounts Payable	10,624
Due to Other Governments	10,185,244
Trusts Payable	54,322
Compensated Absences	3,362
Total Liabilities	10,253,552

NET ASSETS	\$0
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See Notes To Financial Statements.

WORTH COUNTY
Northwood, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization 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 Hartland Township TIF is used to account for tax increment funded improvements.

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)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications-committed, assigned and then unassigned fund balances.

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 Fund 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 financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2010.

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, 2011, 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 intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and Improvements	20-50
Infrastructure	30-50
Intangibles	5-20
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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. 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, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in other classifications.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Net Assets – The net assets of the Internal Service 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, 2011 disbursements did not exceed amounts budgeted.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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 interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
General Fund	Rural Services	\$607
General Fund	Capital Projects	65
Special Revenue:		
Secondary Roads	General Fund	61,683
Secondary Roads	Special Revenue:	
	Rural Services	875,691
Emergency Medical Services	General Fund	1,376
County Disposal Closure	Rural Services	25
		<hr/>
		\$939,447

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

During the fiscal year ended June 30, 2009, the Board of Supervisors approved non current interfund loans for the purpose of construction of water and sewer services in a tax increment financing area. \$100,000 and \$400,000 were transferred from General Fund and the Special Revenue Fund, Highway 105 Trust, respectively, to the Special Revenue Fund, Hartland Township TIF. The proceeds of the loans were forwarded to Xenia Rural Water for construction of the water and sewer system. The loan from General Fund was to be repaid in the fiscal year 2010. After 2010, the TIF Revenue would be paid to Xenia not to exceed an additional \$1.5 million. Once Xenia Rural Water had collected \$2,000,000, the TIF Revenue collections were to repay the Highway 150 Trust.

Notes to Financial Statements (Continued)

Note 3: Inter-fund Transfers (Continued)

In August of 2009, Xenia Rural Water declared bankruptcy. All work on the water and sewer infrastructure being constructed in the Hartland Township Tax Increment Financing area ceased. As a result of the bankruptcy, and the urban renewal project being halted, there were no additional tax increment financing revenues being collected for the Hartland Township TIF to repay the interfund loans. The County received \$91,485 in TIF revenue and repaid most of the loan from General Fund. It is not known when the remainder of the General Fund loan or the Highway 105 Trust in its entirety will be repaid. Until the project resumes or the TIF agreement is rewritten, the County will continue to report a balance in notes receivable and notes payable on the statement of net assets.

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Land	\$198,575	\$0	\$0	\$198,575
Construction in Process	1,238,811	5,692,040	2,665,801	4,265,050
Intangibles in Process	0	25,000	0	25,000
Total Capital Assets Not Being Depreciated/Amortized	1,437,386	5,717,040	2,665,801	4,488,625
Capital Assets Being Depreciated/Amortized:				
Buildings	1,217,643	0	0	1,217,643
Improvements	387,897	73,142	0	461,039
Machinery and Equipment	3,015,336	132,464	0	3,147,800
Vehicles	617,330	77,963	40,000	655,293
Intangibles	0	105,850	0	105,850
Infrastructure	8,786,045	2,592,657	0	11,378,702
Total Capital Assets Being Depreciated/Amortized	14,024,251	2,982,076	40,000	16,966,327
Less Accumulated Depreciation/Amortization For:				
Buildings	306,740	29,966	0	336,706
Improvements	39,212	11,701	0	50,913
Machinery and Equipment	1,277,709	158,162	0	1,435,871
Vehicles	413,613	73,377	40,000	446,990
Intangibles	0	10,585	0	10,585
Infrastructure	533,409	277,507	0	810,916
Total Accumulated Depreciation/Amortization	2,570,683	561,298	40,000	3,091,981
Total Capital Assets Being Depreciated/Amortized, Net	11,453,568	2,420,778	0	13,874,346
Governmental Activities Capital Assets, Net	\$12,890,954	\$8,137,818	\$2,665,801	\$18,362,971

Depreciation/amortization was charged to the following functions:

Public Safety and Legal Services	\$93,300
Physical Health and Social Services	10,368
County Environment and Education	38,221
Roads and Transportation	390,842
Administration	28,567
Total Depreciation Expense – Governmental Activities	\$561,298

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
Special Revenue:		
Mental Health	Services	\$80,554
Emergency Medical Services		4,768
		<hr/>
Total For Governmental Funds		\$85,322
		<hr/>
Agency:		
Agricultural Extension	Collections	\$147,165
Assessor		251,911
Schools		6,867,792
Community Colleges		336,056
Corporations		1,722,509
Auto Licenses & Use Tax		176,461
All Other		683,350
		<hr/>
Total For Agency Funds		\$10,185,244
		<hr/>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Notes Payable	General Obligation Bonds	Compensated Absences	Drainage Improvement Certificates
Balance Beginning of Year	\$610,357	\$0	\$134,019	\$91,947
Additions	0	8,805,000	32,894	0
Reductions	198,524	0	0	11,493
	<hr/>	<hr/>	<hr/>	<hr/>
Balance End of Year	\$411,833	\$8,805,000	\$166,913	\$80,454
	<hr/>	<hr/>	<hr/>	<hr/>
Due Within One Year	\$103,141	\$0	\$166,913	\$11,493
	<hr/>	<hr/>	<hr/>	<hr/>
	Installment Purchase	Revenue Bond	Early Retirement Incentive	Total
Balance Beginning of Year	\$0	\$9,313,459	\$95,982	\$10,245,764
Additions	105,850	0	64	8,943,808
Reductions	0	193,306	18,268	421,591
	<hr/>	<hr/>	<hr/>	<hr/>
Balance End of Year	\$105,850	\$9,120,153	\$77,778	\$18,767,981
	<hr/>	<hr/>	<hr/>	<hr/>
Due Within One Year	\$10,585	\$204,515	\$16,731	\$513,378
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to Financial Statements (Continued)

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

Notes Payable

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. Payments totaled \$193,306 during fiscal 2011.

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

Year Ending June 30	Interest Rate	Principal	Interest	Total
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>\$520,153</u>	<u>\$45,033</u>	<u>\$565,186</u>

On January 29, 2007, the County issued \$580,952 of Road Use Tax Revenue Anticipation Notes. The purpose of the note 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%. Principal payments during the year ended June 30, 2011 totaled \$98,699.

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

Year Ending June 30	Principal	Interest	Total
2012	<u>\$103,141</u>	<u>\$4,633</u>	<u>\$107,774</u>

On June 18, 2009, the County issued \$8,600,000 of General Obligation Urban Renewal County Road Improvement Bonds, Series 2009A. Interest ranges from 2.05% to 4.0% over the life of the issue. Interest commences semiannually on December 1, 2009, principal is due annually beginning June 1, 2013. The Bonds were issued to pay the cost of improvements to the County roads. The Bonds will be retired with Tax Increment Financing Revenue from the Windmill TIF Fund.

A summary of the County's General Obligation Urban Renewal indebtedness is as follows:

Year Ended 6/30:	Interest Rate	Principal	Interest	Total
2012	2.05%	\$0	\$280,970	\$280,970
2013	2.05%	250,000	280,970	530,970
2014	2.05%	770,000	275,845	1,045,845
2015	2.35%	845,000	257,750	1,102,750
2016	2.75%	870,000	236,625	1,106,625
2017-2021	3.00-3.90%	4,800,000	754,755	5,554,755
2022	4.00%	1,065,000	42,600	1,107,600
		<u>\$8,600,000</u>	<u>\$2,129,515</u>	<u>\$10,729,515</u>

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

Notes to Financial Statements (Continued)

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

On December 15, 2010, the County issued \$3,305,000 of General Obligation Urban Renewal County Road Improvement Bonds, Series 2010A. Interest ranges from 1.6% to 3.8% over the life of the issue. Interest commences semiannually on June 1, 2011, principal is due annually beginning June 1, 2015. The Bonds were issued to pay the cost of improvements to the County roads.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	1.60%	\$0	\$97,660	\$97,660
2013	1.60%	0	97,660	97,660
2014	1.60%	0	97,660	97,660
2015	1.60%	260,000	97,660	357,660
2016	1.90%	265,000	93,500	358,500
2017-2021	2.20-3.25%	1,440,000	372,328	1,812,328
2022-2025	3.40-3.80%	1,340,000	125,840	1,465,840
		<u>\$3,305,000</u>	<u>\$982,308</u>	<u>\$4,287,308</u>

The County is in compliance with all bond resolutions.

On June 9, 2011, the County issued \$5,500,000 of General Obligation Urban Renewal Economic Development Bonds, Series 2011A. Interest ranges from 2.5% to 3.65% over the life of the issue. Interest commences semiannually on December 1, 2011, principal is due annually beginning June 1, 2015. The Bonds were issued to pay the cost of improvements to the former Xenia water districts for sewer, water and rail spur projects.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	2.50%	\$0	\$164,563	\$164,563
2013	2.50%	0	164,563	164,563
2014	2.50%	0	164,563	164,563
2015	2.50%	100,000	164,563	264,563
2016	2.75%	430,000	162,063	592,063
2017-2021	2.75-2.70%	2,290,000	634,050	2,924,050
2022-2026	2.85-3.65%	2,680,000	283,465	2,963,465
		<u>\$5,500,000</u>	<u>\$1,737,830</u>	<u>\$7,237,830</u>

The County is in compliance with all bond resolutions.

On June 17, 2011, the County entered into an installment purchase agreement with Shield Technology Corporation for the purchase of Shield Software. Interest is at 0%. Principal is due annually on July 1 commencing July 1, 2012 after an initial down payment.

Drainage Warrants/Drainage Improvement Certificates Payable

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

Notes to Financial Statements (Continued)

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

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

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

Early Retirement Incentive

As an early retirement incentive, the County will provide single premium health insurance equal to the dollar value of the fiscal year approved premium with no annuity until age 65. To qualify the employee must be 55 years of age with 30 years of IPERS eligible service. The program was suspended as of July 1, 2009. Retirees already received the benefit or retiring prior to July 1, 2009 will continue to receive the benefit. During the year ending June 30, 2011, the County's expense for three employees was \$18,268. Two employees are eligible to receive the benefit after June 30, 2011. The liability to the County (at current rates) is \$77,778.

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 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$238,330, \$217,299 and \$199,007, respectively, equal to the required contributions for the year.

Note 8: Risk Management

Worth County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 were \$124,003.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bonds in the amount of \$1,000,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Notes to Financial Statements (Continued)

Note 9: Employee Health Insurance Plan

The Internal Service Fund, Employee Group Health, was established to account for 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.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2011 was \$436,596.

Note 10: Other Postemployment Benefits (OPEB)

Worth County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 65 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a fully insured medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The table shows the components of the County's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$32,270
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>32,270</u>
Contributions made	<u>0</u>
Increase in net OPEB obligation	32,270
Net OPEB obligation – beginning of year	<u>28,670</u>
Net OPEB obligation – end of the year	<u><u>\$60,940</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

Notes to Financial Statements (Continued)

Note 10: Other Postemployment Benefits (OPEB) (Continued)

For the fiscal year 2011, the County contributed \$0 to the medical plan. Plan members receiving benefits contributed \$0, or 0% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$32,270	0%	\$60,940

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$305,494, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$305,494. The covered payroll (annual payroll of active employees covered by the plan) was \$2,814,401, and the ratio of the UAAL to the covered payroll was 10.85%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

As of the July 1, 2009 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized on a level dollar basis over 30 years.

Note 11: Business Transactions

Business transactions between the County and County officials or employees were noted.

Notes to Financial Statements (Continued)

Note 12: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Conservation Reserve	DARE	Canine
Balances June 30, 2010, as previously reported	\$1,313,924	\$51,954	\$3,595	\$1,199
Change in fund type classification per implementation of GASB Statement No. 54	56,748	(51,954)	(3,595)	(1,199)
Balances July 1, 2010, as restated	\$1,370,672	\$0	\$0	\$0

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, 2011

	Actual	Less Funds Not Required to be Budgeted
RECEIPTS:		
Property and Other County Tax	\$5,612,578	\$0
Interest and Penalty on Property Tax	24,326	0
Intergovernmental	3,095,197	0
Licenses and Permits	20,410	0
Charges for Services	281,750	0
Use of Money and Property	204,935	0
Miscellaneous	570,478	113,320
Total Receipts	9,809,674	113,320
DISBURSEMENTS:		
Public Safety and Legal Services	1,615,014	0
Physical Health and Social Services	960,843	0
Mental Health	754,033	0
County Environment and Education	737,164	0
Roads and Transportation	2,949,130	0
Governmental Services to Residents	313,554	0
Administrative Services	1,234,318	0
Non-Program	145,709	145,709
Debt Services	769,701	0
Capital Projects	3,593,005	0
Total Disbursements	13,072,471	145,709
Excess (Deficiency) of Receipts Under Disbursements	(3,262,797)	(32,389)
Other Financing Sources, Net	8,805,000	0
Excess (Deficiency) of Receipts and Other Financing Sources Under Disbursements and Other Financing Uses	5,542,203	(32,389)
Fund Balances – Beginning of Year	7,519,591	328,157
Fund Balances – End of Year	\$13,061,794	\$295,768

See Accompanying Independent Auditors' Report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$5,612,578	\$5,582,359	\$5,582,359	\$30,219
24,326	24,013	24,013	313
3,095,197	2,908,056	5,914,056	(2,818,859)
20,410	28,759	28,759	(8,349)
281,750	266,389	266,389	15,361
204,935	215,241	215,241	(10,306)
457,158	729,383	774,883	(317,725)
9,696,354	9,754,200	12,805,700	(3,109,346)
1,615,014	1,580,875	1,646,675	31,661
960,843	1,166,312	1,189,852	229,009
754,033	900,026	900,026	145,993
737,164	812,877	818,377	81,213
2,949,130	2,849,485	3,249,485	300,355
313,554	351,763	363,263	49,709
1,234,318	1,309,195	1,315,195	80,877
0	0	0	0
769,701	640,336	1,288,202	518,501
3,593,005	1,184,714	12,274,714	8,681,709
12,926,762	10,795,583	23,045,789	10,119,027
(3,230,408)	(1,041,383)	(10,240,089)	7,009,681
8,805,000	16,970	7,360,827	1,444,173
5,574,592	(1,024,413)	(2,879,262)	8,453,854
7,191,434	4,977,055	4,977,055	2,214,379
\$12,766,026	\$3,952,642	\$2,097,793	\$10,668,233

WORTH COUNTY
Northwood, Iowa

BUDGETARY COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION

Required Supplementary Information
Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$9,809,674	\$552	\$9,810,226
Expenditures	13,072,471	65,379	13,137,850
Net	(3,262,797)	(64,827)	(3,327,624)
Other Financing Sources (Uses)	8,805,000	105,850	8,910,850
Beginning Fund Balances	7,519,591	(319,782)	7,199,809
Increase in Reserve for: Inventories	0	139,514	139,514
Ending Fund Balances	\$13,061,794	\$(139,245)	\$12,922,549

See Accompanying Independent Auditors' Report.

WORTH COUNTY
Northwood, Iowa

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

June 30, 2011

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 Fund.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, 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, two budget amendments increased budgeted disbursements by \$12,250,206. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

Worth County

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
2010	July 1, 2009	\$0	\$305	\$305	0%	\$2,711	11.26%
2011	July 1, 2009	\$0	\$305	\$305	0%	\$2,814	10.85%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

WORTH COUNTY
Northwood, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenues		
	REAP	Recorder Records Management	Emergency Medical Services
ASSETS			
Cash and Pooled Investments	\$59,993	\$8,816	\$2,562
Receivables:			
Property Tax:			
Succeeding Year	0	0	0
Accounts	0	356	3,231
Accrued Interest	0	0	0
TOTAL ASSETS	\$59,993	\$9,172	\$5,793
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$0	\$0	\$3
Due to Other Governments	0	0	4,768
Deferred Revenue:			
Succeeding Year Property Tax	0	0	0
Total Liabilities	0	0	4,771
Fund Balances			
Restricted For:			
Drainage	0	0	0
Closure	0	0	0
Other Purposes	59,993	9,172	1,022
Total Fund Equity	59,993	9,172	1,022
TOTAL LIABILITIES AND FUND BALANCES	\$59,993	\$9,172	\$5,793

See Accompanying Independent Auditors' Report.

Schedule 1

Special Revenues				
County Disposal Closure	Board And Room	Probation Fees	Ethanol Bond	Joining Generations
\$4,111	\$92,704	\$40,999	\$578,536	\$0
0	0	0	0	0
0	5,353	350	0	0
0	0	0	1,394	0
\$4,111	\$98,057	\$41,349	\$579,930	\$0
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
4,111	0	0	0	0
0	98,057	41,349	579,930	0
4,111	98,057	41,349	579,930	0
\$4,111	\$98,057	\$41,349	\$579,930	\$0

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

	Special Revenues		
	Que Pasa	Commissary	Windfarm TIF
ASSETS			
Cash and Pooled Investments	\$206	\$4,788	\$193,111
Receivables:			
Property Tax:			
Succeeding Year	0	0	369,479
Accounts	0	0	0
Accrued Interest	0	0	424
TOTAL ASSETS	\$206	\$4,788	\$563,014
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$0	\$2,175	\$625
Due to Other Governments	0	0	0
Deferred Revenue:			
Succeeding Year Property Tax	0	0	369,479
Total Liabilities	0	2,175	370,104
Fund Balances			
Restricted For:			
Drainage	0	0	0
Closure	0	0	0
Other Purposes	206	2,613	192,910
Total Fund Equity	206	2,613	192,910
TOTAL LIABILITIES AND FUND BALANCES	\$206	\$4,788	\$563,014

See Accompanying Independent Auditors' Report.

Special Revenues				
Forfeiture	Rail Port TIF	Drainage	Capital Projects	Total
\$7,336	\$1,500,000	\$295,768	\$0	\$2,788,930
0	0	0	0	369,479
0	0	0	0	9,290
0	0	0	0	1,818
<u>\$7,336</u>	<u>\$1,500,000</u>	<u>\$295,768</u>	<u>\$0</u>	<u>\$3,169,517</u>
\$0	\$0	\$0	\$0	\$2,803
0	0	0	0	4,768
0	0	0	0	369,479
0	0	0	0	377,050
0	0	295,768	0	295,768
0	0	0	0	4,111
7,336	1,500,000	0	0	2,492,588
<u>7,336</u>	<u>1,500,000</u>	<u>295,768</u>	<u>0</u>	<u>2,792,467</u>
<u>\$7,336</u>	<u>\$1,500,000</u>	<u>\$295,768</u>	<u>\$0</u>	<u>\$3,169,517</u>

WORTH COUNTY
Northwood, Iowa

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

Year Ended June 30, 2011

	Special Revenues		
	REAP	Recorder Records Management	Emergency Medical Services
REVENUES:			
Property and Other County Tax	\$0	\$0	\$0
Intergovernmental	11,710	0	3,231
Charges for Services	0	1,746	0
Use of Money and Property	338	48	0
Miscellaneous	0	0	0
Total Revenues	12,048	1,794	3,231
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	0	0	6,150
Physical Health and Social Services	0	0	0
Non-Program	0	0	0
Debt Service	0	0	0
Total Expenditures	0	0	6,150
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,048	1,794	(2,919)
Other Financing Sources (Uses):			
Transfers In	0	0	1,376
Transfers Out	0	0	0
General Obligation Bonds Issued	0	0	0
Total Other Financing Sources (Uses)	0	0	1,376
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	12,048	1,794	(1,543)
Fund Balances – Beginning of Year, As Restated	47,945	7,378	2,565
Fund Balances – End of Year	\$59,993	\$9,172	\$1,022

See Accompanying Independent Auditors' Report.

Schedule 2

Special Revenues

County Disposal Closure	Board And Room	Probation Fees	Ethanol Bond	Joining Generations
\$0	\$0	\$0	\$318,379	\$0
0	0	0	0	0
0	14,194	1,600	0	0
0	0	0	5,824	0
302	0	0	0	1,305
302	14,194	1,600	324,203	1,305
0	0	230	0	0
0	0	0	0	6,162
0	0	0	0	0
0	0	0	231,600	0
0	0	230	231,600	6,162
302	14,194	1,370	92,603	(4,857)
25	0	0	0	0
0	0	0	0	0
0	0	0	0	0
25	0	0	0	0
327	14,194	1,370	92,603	(4,857)
3,784	83,863	39,979	487,327	4,857
\$4,111	\$98,057	\$41,349	\$579,930	\$0

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

	Special Revenues		
	Que Pasa	Commissary	Windfarm TIF
REVENUES:			
Property and Other County Tax	\$0	\$0	\$191,281
Intergovernmental	0	0	0
Charges for Services	0	0	0
Use of Money and Property	0	0	1,545
Miscellaneous	0	0	0
Total Revenues	0	0	192,826
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	0	9,931	0
Physical Health and Social Services	0	0	0
Non-Program	0	0	0
Debt Service	0	0	343,625
Total Expenditures	0	9,931	343,625
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(9,931)	(150,799)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Transfers Out	0	0	0
General Obligation Bonds Issued	0	0	209,722
Total Other Financing Sources (Uses)	0	0	209,722
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	(9,931)	58,923
Fund Balances – Beginning of Year, As Restated	206	12,544	133,987
Fund Balances – End of Year	\$206	\$2,613	\$192,910

See Accompanying Independent Auditors' Report.

Special Revenues				
Forfeiture	Rail Port TIF	Drainage	Capital Projects	Total
\$0	\$0	\$0	\$0	\$509,660
0	0	0	0	14,941
0	0	0	0	17,540
0	0	0	0	7,755
2,268	0	113,320	0	117,195
2,268	0	113,320	0	667,091
24,082	0	0	0	40,393
0	0	0	0	6,162
0	0	145,709	0	145,709
0	0	0	0	575,225
24,082	0	145,709	0	767,489
(21,814)	0	(32,389)	0	(100,398)
0	0	0	0	1,401
0	0	0	(65)	(65)
0	1,500,000	0	0	1,709,722
0	1,500,000	0	(65)	1,711,058
(21,814)	1,500,000	(32,389)	(65)	1,610,660
29,150	0	328,157	65	1,181,807
\$7,336	\$1,500,000	\$295,768	\$0	\$2,792,467

WORTH COUNTY
Northwood, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$0	\$2,179	\$120,669	\$100,460
Other County Officials	38,359	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	17	16	711
Succeeding Year	0	144,969	134,988	6,766,621
Accounts	0	0	0	0
TOTAL ASSETS	\$38,359	\$147,165	\$255,673	\$6,867,792
LIABILITIES				
Accounts Payable	\$0	\$0	\$400	\$0
Due to Other Governments	307	147,165	251,911	6,867,792
Trusts Payable	38,052	0	0	0
Compensated Absences	0	0	3,362	0
TOTAL LIABILITIES	\$38,359	\$147,165	\$255,673	\$6,867,792

See Accompanying Independent Auditors' Report.

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto Licenses & Use Tax	Other	Total
\$4,741	\$34,036	\$1,889	\$3,096	\$176,461	\$464,147	\$907,678
0	0	0	0	0	0	38,359
38	0	0	0	0	13	795
331,277	1,688,473	115,801	0	0	115,950	9,298,079
0	0	0	0	0	8,641	8,641
\$336,056	\$1,722,509	\$117,690	\$3,096	\$176,461	\$588,751	\$10,253,552
\$0	\$0	\$0	\$0	\$0	\$10,224	\$10,624
336,056	1,722,509	117,690	3,096	176,461	562,257	10,185,244
0	0	0	0	0	16,270	54,322
0	0	0	0	0	0	3,362
\$336,056	\$1,722,509	\$117,690	\$3,096	\$176,461	\$588,751	\$10,253,552

WORTH COUNTY
Northwood, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS
Year Ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
Balances – Beginning of Year	\$23,282	\$141,244	\$235,456	\$6,493,250
Additions:				
Property & Other County Tax	0	145,175	135,174	6,778,784
E911 Surcharge	0	0	0	0
State Tax Credits	0	5,759	5,150	263,811
Office Fees & Collections	215,204	0	0	0
Auto Licenses, Use Tax & Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	148,524	0	0	0
Miscellaneous	0	0	0	0
Total Additions	363,728	150,934	140,324	7,042,595
Deductions:				
Agency Remittances:				
To Other Funds	130,851	0	0	0
To Other Governments	82,981	145,013	120,107	6,668,053
Trusts Paid Out	134,819	0	0	0
Total Deductions	348,651	145,013	120,107	6,668,053
Balances – End of Year	\$38,359	\$147,165	\$255,673	\$6,867,792

See Accompanying Independent Auditors' Report.

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$307,191	\$1,591,839	\$112,977	\$1,333	\$159,754	\$532,548	\$9,598,874
331,728	1,651,472	117,507	0	0	116,122	9,275,962
0	0	0	0	0	60,228	60,228
12,534	79,449	4,669	0	0	4,828	376,200
0	0	0	0	0	0	215,204
0	0	0	0	2,191,954	0	2,191,954
0	0	0	11,504	0	0	11,504
0	0	0	0	0	141,377	289,901
0	0	0	0	0	105,962	105,962
344,262	1,730,921	122,176	11,504	2,191,954	428,517	12,526,915
0	0	0	0	67,204	0	198,055
315,397	1,600,251	117,463	9,741	2,108,043	219,946	11,386,995
0	0	0	0	0	152,368	287,187
315,397	1,600,251	117,463	9,741	2,175,247	372,314	11,872,237
\$336,056	\$1,722,509	\$117,690	\$3,096	\$176,461	\$588,751	\$10,253,552

WORTH COUNTY
Northwood, Iowa

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

For the Last Nine Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Property & Other County Tax	\$5,613,627	\$4,987,227	\$4,706,289	\$4,660,501
Interest & Penalty on Property Tax	24,323	26,506	23,738	23,306
Intergovernmental	3,114,392	2,951,595	2,854,887	3,126,322
Licenses & Permits	20,665	16,972	28,226	13,393
Charges for Service	278,992	319,045	270,134	280,340
Use of Money & Property	206,083	242,562	213,271	279,526
Miscellaneous	552,144	471,382	793,595	601,495
Total	\$9,810,226	\$9,015,289	\$8,890,140	\$8,984,883
Expenditures:				
Operating:				
Public Safety & Legal Services	\$1,743,066	\$1,544,558	\$1,479,750	\$1,353,072
Physical Health & Social Services	942,364	926,164	885,577	929,359
Mental Health	762,167	723,653	809,141	876,387
County Environment & Education	759,665	726,114	1,177,175	1,043,541
Roads & Transportation	2,918,561	3,421,626	2,295,692	2,495,760
Governmental Services to Residents	312,780	306,064	311,396	265,543
Administrative Services	1,180,213	921,540	1,035,640	831,601
Non-Program	145,709	79,278	65,758	85,217
Debt Services	797,891	714,712	604,313	473,991
Capital Projects	3,575,434	4,908,343	2,471,810	526,122
Total	\$13,137,850	\$14,272,052	\$11,136,252	\$8,880,593

See Accompanying Independent Auditors' Report.

Schedule 5

Modified Accrual Basis				
2007	2006	2005	2004	2003
\$4,817,961	\$3,786,710	\$3,251,269	\$2,533,936	\$2,385,163
22,208	26,313	24,938	23,346	26,524
3,109,154	3,162,052	3,771,851	3,219,773	2,869,101
6,791	7,753	4,018	3,909	4,580
269,487	262,579	292,122	261,798	236,295
298,995	212,418	108,187	99,672	135,986
530,999	446,046	575,354	414,027	467,116
\$9,055,595	\$7,903,871	\$8,027,739	\$6,556,461	\$6,124,765
\$1,361,097	\$1,141,572	\$1,144,281	\$1,159,239	\$1,038,546
983,323	951,470	886,674	879,418	921,995
885,789	881,146	769,579	824,134	818,414
573,119	511,767	593,839	1,595,051	433,269
2,968,455	2,191,910	2,651,749	2,042,794	2,038,864
266,808	261,798	257,646	229,174	210,873
800,019	664,192	595,584	602,439	594,167
106,584	110,602	124,566	195,186	599,834
344,496	207,523	124,704	57,041	0
589,045	242,341	895,667	1,184,583	124,512
\$8,878,735	\$7,164,321	\$8,044,289	\$8,769,059	\$6,780,474



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, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 31, 2012. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A, B, and C to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item D to be a significant deficiency.

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 or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 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 31, 2012

Gardiner Thomsen, P.C.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings
Year Ended June 30, 2011

Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

A Segregation of Duties

Finding – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that various functions of the County are performed by the same person.

Criteria – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

Effect – Transaction errors could occur and not be detected in a timely manner.

Cause – Limited staff available to segregate duties.

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

Response and Corrective Action Planned – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.

B Financial Reporting

Finding – During our audit, we identified material amounts of accounts receivable, accounts payable and capital assets not recorded or incorrectly recorded in the County's financial statement.

Criteria – A good financial reporting system to record capital assets, including infrastructure and the related depreciation calculations.

Condition – Receipts in July and August following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing. Disbursements in July and August following year end were not always coded as a disbursements for goods or services received prior to June 30 to be included in the accounts payable listing. Capital asset additions, including infrastructure and construction in process were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing.

Effect – The accounts receivable listing was understated. The accounts payable listing was understated. The capital asset listing was not correct.

Cause – Limited staff.

Recommendation – The County should implement procedures to ensure all receivables, payables, capital assets, infrastructure and related depreciation are recorded in the financial statements.

Response and Corrective Action Planned – We will adjust our financial statements to properly include these amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2011

Findings Related to the Financial Statements (Continued)

C Preparation of Full Disclosure Financial Statements

Finding – During the audit, we noted that Worth County does not have the internal resources to prepare full disclosure financial statements required by U.S. Generally Accepted Accounting Principles (GAAP) for external reporting.

Criteria – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with GAAP.

Condition – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including the related footnote disclosures.

Effect – Although Gardiner Thomsen, P.C. assists in the preparation of the full disclosure financial statements, the management of the County thoroughly reviews them and accepts responsibility for their completeness and accuracy.

Cause – The County does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting 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 and Corrective Action Planned – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

D I-Jobs Financial Reporting

Finding – Financial reports for the Iowa Department of Transportation regarding I-Jobs funds weren't submitted for each quarter in the fiscal year 2011.

Criteria – The grant agreement for the I-Jobs Grant program requires the County to submit quarterly reports showing all I-Jobs activity by the last day of the calendar year quarter until the Fiscal Year's allocation is used and the project allocation is used for is finished.

Condition – Not all quarterly reports were submitted to the Iowa Department of Transportation.

Effect – The submission of the reports enables the Iowa Department of Transportation to submit an annual report to the legislature in accordance with House Files 820 and 822. The purpose of these reports is to provide transparency and accountability to the people of Iowa.

Cause – The County did not submit the report until after completion of the projects that used I-Jobs funds during the year.

Recommendation – The County should implement procedures to ensure timely submission of I-Jobs financial reports in accordance with the grant requirements.

Response and Corrective Action Planned – We will submit the reports timely as required by the I-Jobs grant.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting

1. **Certified Budget** – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
2. **Questionable Expenditures** – We noted no expenditures we believe 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:

<u>Name, Title & Business Connection</u>	<u>Description</u>	<u>Amount</u>
Barb Berge, Auditor’s Office		
Berge Oil Company Owned by Barb Berge’s Brother In Law	Fuel	\$265,944
Barbara Walser, Auditor’s Office		
Marge Odden, Barbara’s Sister	Election Worker	161
Bruce Odden, Barbara’s Brother In Law	Rent	382

In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Berge Oil Company do not appear to represent conflicts of interest since Barb Berge does not participate in acquiring the above services.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Marge Odden and Bruce Odden do not appear to represent conflicts of interest as the services provided were not in excess of \$1,500.

5. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

WORTH COUNTY
Northwood, Iowa

Schedule of Findings (Continued)
Year Ended June 30, 2011

Other Findings Related to Required Statutory Reporting (Continued)

6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on October 18, 2010, October 26, 2010, November 1, 2010, November 15, 2010 and on December 28, 2010 to discuss matters relating to the County. The minutes record does not document the vote of each member on the question of holding the closed session as required by Chapter 21.5 of the Code of Iowa.

In addition, the Board went into closed session on November 8, 2010, December 13, 2010 and December 20, 2010 and the minutes did not document that the session was closed with a roll call vote or the final action taken in open session.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21.5 of the Code of Iowa.

Response – This was an oversight. Roll call votes will be recorded in the future. We will record the action taken or whether no action was taken in open session.

Conclusion – Response accepted.

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.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

10. **Economic Development** – During the year ended June 30, 2011, the County expended \$221,317 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, 2011**

Other Findings Related to Required Statutory Reporting (Continued)

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

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

Response – We will consider doing this.

Conclusion – Response accepted.

News Release

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

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$13,680,142 for the year ended June 30, 2011, which included \$531,870 in tax credits from the State. The County then forwarded \$9,048,000 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,027,980 of the local tax revenue to finance County operations, a 10% increase from the prior year. Other revenues included charges for service of \$774,796 operating and capital grants, contributions and restricted interest of \$4,857,197, local option sales tax of \$329,536, unrestricted investment earnings of \$102,301 and other general revenues of \$1,107,692.

Expenses for the County operations totaled \$9,374,624, a 1% increase from the prior year. Expenditures included \$3,101,158 for Roads and Transportation, \$1,610,415 for Public Safety and Legal Services, and \$1,260,348 for Administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.html>.

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